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*Consumers' Association of Canada  
Manitoba  
Association des consommateurs du Canada*

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April 23, 2021

Public Utilities Board  
400-330 Portage Avenue  
Winnipeg, Manitoba R3C 0C4

Attention: Dr. D. Christle, Secretary and Executive Director

Dear Dr. Christle,

**Re: Centra Gas Manitoba Inc. (Centra) Rate Re-Bundling Submission**

On behalf of CAC Manitoba, I am responding to the Public Utilities Board (Board) request that:

Consistent with the process followed by the Board in determining Manitoba Hydro's request in the 2017/18 & 2018/19 General Rate Application for an interim rate increase, the Board requests that the Parties to whom this notice is sent to please provide written submissions on the process and procedures that the Board should follow for consideration and adjudication for Centra's Application.

**Historic Context – PUB directive on Rate Re-bundling flowing from Order 65/11**

Before the specific issues are discussed, some general historical context comments are offered. The directive of the Board flowing from Order 65/11 dated April 28, 2011 is:

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Centra to propose, by May 20, 2011, a process to review and obtain Board approval of Centra's rate and service structure – including the distinction between Primary and Supplemental Gas<sup>1</sup>. and

Centra's overall rate structure, should be considered in relation to the Cost-of-Service Study currently underway.<sup>2</sup>

It is noted that the spirit of the Board's direction was in concert with concern expressed over Centra's reliance at the time on increased use of Delivered Service, a component of Supplemental Gas. The concern was that Supplemental Gas was no longer only used when weather is colder than forecasted but it had become an integral part of Centra's normal weather supply portfolio. On this basis, it was directed that the rate and service structure – specifically the distinction between Primary and Supplemental Gas – be reviewed, to ensure that the underlying cost allocation comports with cost incurrence in the provision of primary and supplemental gas service. The Board also acknowledged that the greater the reliance on Supplemental Gas, the greater the reduction of the amount of Primary gas that could be sold by retail marketers and through the FRPGS, in other words, concern was expressed on the impact to the competitive natural gas market in Manitoba.

### **Centra's 2021 Rate Re-bundling Submission**

In response to this directive, Centra undertook to review the matter with stakeholders through one engagement session, various other meetings, and a consumer research initiative. This has culminated in its Submission, filed with the Board on March 23, 2021.

Upon a review of Centra's filed materials, Centra has positioned its Submission to re-bundle Primary and Supplemental Rates as well as Transportation and Distribution Rates largely for purposes of perceived customer satisfaction, ease of administration, and simplicity, and to ensure that competitive commodity offerings are fair. CAC agrees that such issues are important. However, the primary thrust of the Board's direction flowing from Order 65/11 was not one of rate re-bundling for purposes of bill simplification or matters of administration. The spirit of the rate re-bundling directive was to ensure that the rates reasonably approximate the costs incurred in providing commodity service. Centra's Submission has not addressed this fundamental question of cost causality. It is

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<sup>1</sup> Order 65/11, page 64

<sup>2</sup> Order 65/11, page 28

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imperative that ensuring Primary and Supplemental service, whether it continues to be provided as two services or on a consolidated basis as a single service, is priced reasonably reflecting the costs incurred in providing these before other matters of customer satisfaction, broker supply, and simplicity can be considered.

There are a number of matters underpinning rate re-bundling which ultimately impact the pricing of services requiring exploration to coincide with rate re-bundling. Several examples include:

- As the Board noted in Order 65/11, Centra's gas supply portfolio and practice has evolved overtime, with changes further contemplated as part of Centra's Rate Re-bundling Submission. It has been a couple of decades since Centra has reviewed the allocation of such costs;
- The allocation of fixed cost to the Primary and Supplemental rates. Currently, the basis of allocation is largely driven volumetrically. Given that these costs do not change with the level of volume procured, it would be appropriate to revisit this allocation. Further, with the proposed consolidation of primary and supplemental gas, it is unclear how this is being handled; and
- The proposed rate change to the Interruptible Class is a decrease of approximately 2.0%. The Company provides a superficial response that the favorable bill impact is due to the elimination of distinct supplemental gas rates<sup>3</sup>. If the Company's position is this is simply an administrative matter in order to simplify bills, there would be no rate impacts for any class. However, there are, and obviously, the conclusion is that the Interruptible Class is driving a different level of cost responsibility compared to current, a cost allocation and pricing issue.

### **CAC Manitoba's Position on Regulatory Process**

CAC is concerned that Centra's Submission does not set forth the reasons for the relief it seeks, consistent with the Board's Rules of Practice and Procedures, Section 23 b. CAC recommends the PUB direct Centra as the Applicant, to file an Application that sets forth its reasons for Application consistent with Section 23 b before getting too far into the process.

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<sup>3</sup> Appendix 1 Abbreviated Terms, page 32, lines 6-8

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As discussed above, rate re-bundling is not simply an administrative bill presentation matter. There are cost allocation matters underpinning rate re-bundling and ultimately the pricing of services that Centra has not addressed in its Submission, and which are properly dealt with in the context of a cost-of-service review, as noted by the Board in 2011. CAC recommends that these matters be reviewed, evidence prepared, and rolled into Centra's anticipated cost of service methodology review scheduled to be filed in early May 2021. By combining these like matters into one process also promotes regulatory efficiency.

In terms of order of priority, our preference would be that should the Board rule in favour with CAC's Application for a Manitoba Hydro Status Update Hearing (Status Update), this matter could be handled simultaneous with Centra's Cost of Service Methodology and Rate Re-Bundling. To the extent that these matters, by necessity, are to be reviewed in sequence, CAC views that prioritization must be given to the Status Update on the basis that Manitoba Hydro's revenue requirement is many multiples of Centra and with widespread provincial impacts and the practical reality that Centra's Cost of Service Methodology was last been reviewed more than 25 years ago, and the Board's Rate Re-Bundling directive was issued a decade ago.

Yours Truly,

Gloria Desorcy  
Consumers' Association of Canada (Manitoba) Inc

cc. Brian J. Meronek, Counsel to CAC  
Rachel McMillin, Assistant Associate Secretary  
Bob Peters, Board Counsel  
Brent Czarnecki, Centra Counsel  
Intervenors of Record