

"When You Talk - We Listen!"



MANITOBA PUBLIC UTILITIES BOARD

Re:

CENTRA GAS MANITOBA INC'S
2019/20 GENERAL RATE APPLICATION
HEARING CONFERENCE

Before Board Panel:

Larry Ring, Q.C. - Panel Chair
Marilyn Kapitany - Vice-Chair
Michael Watson - Board Member
Carol Hainsworth - Board Member
Susan Nemec - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba

August 15th, 2019

Pages 363 to 635

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LIST OF EXHIBITS			
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3	CENTRA-39	Centra Gas Book of Documents	434
4	CENTRA-40	Public redacted version of the	
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1	List of Undertakings	
2	No.	Description
3	6	Centra to advise as to whether the update with respect to Centra's ONA, was part of the update process that Manitoba Hydro went through in order to provide its May 30th update in accordance with the compliance order of the Board
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10	7	Centra to provide the analysis that's found in the schedule on page 269
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12	8	Centra to advise the percentage of volumes that T-Service customers account for
13		
14		
15		(DETERMINE IF CSI FIRST)
16	9	Centra to review Attachment 1 to PUB IGU/McLaren, Number 22, and confirm that it has no issues with the accuracies of the calculations set out in that table
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20		
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1 --- Upon commencing at 9:00 a.m.

2

3 THE CHAIRPERSON: Good morning all.

4 Mr. Meronek, I believe you're going to start us off
5 this morning.

6 MR. BRIAN MERONEK: Yes, thank you,
7 Mr. Chairman. Good morning to everybody. The -- the
8 new schedule has me at an hour. I will not be an
9 hour, because Steinfeld did a stellar job in cribbing
10 all my questions; Mr. Peters not so much. But for
11 those who are old enough to remember Reach for the
12 Top, I do have some snappers for ten (10) points.

13

14 CONTINUED CENTRA GAS WITNESS PANEL NO. 1: Capital
15 Projects, and CEPP

16

17 SANDRA LYNN BAUERLEIN, Previously Sworn

18 CHARLES STEELE, Previously Sworn

19 TIM STARODUB, Previously Sworn

20 PAUL STEWART CHARD, Previously Sworn

21 KENNETH RONALD KORCHAK, Previously Affirmed

22

23 CROSS-EXAMINATION BY MR. BRIAN MERONEK:

24 MR. BRIAN MERONEK: Good morning,
25 Panel, gentlemen, Ms. Bauerlein. We had the pleasure

1 of having a discussion on the record, so welcome.

2 And I'd like to start off, Ms.

3 Bauerlein, with one of my favourite topics and that's
4 forecasts and budgets, and if you believe that I have
5 a cheap custom jewelry for you.

6 There -- there was a lot on the record
7 yesterday with respect to targets, preliminary
8 budgets, budgets, approvals of budgets, submissions to
9 the Minister, updated budgets. I just want to get a
10 chronology, if I can, straight in my mind.

11 On November 30, 2018, for this
12 application, Centra provided a preliminary budget for
13 O&A, or was it just a target forecast?

14 MS. SANDY BAUERLEIN: At that point,
15 Centra had an approved target for '19/20 of \$61
16 million. However, I'm going to call it the details,
17 surrounding that had not yet been finalized. That
18 process is -- happens -- we actually just finalize all
19 the details of the budgets in the spring and in sort
20 of the April time frame, so --

21 MR. BRIAN MERONEK: Just if I can stop
22 you there. I'm going to go through the chronology, so
23 we'll get to the end of the story, but I just want to
24 go step by step, if you don't mind.

25 When you say it was approved, it was

1 approved by whom?

2 MS. SANDY BAUERLEIN: The target would
3 be approved by -- I just want to think about my dates
4 here because I -- there's so many things that happened
5 that I need to get myself straight on my dates, so
6 just a second.

7

8 (BRIEF PAUSE)

9

10 MS. SANDY BAUERLEIN: So there was a
11 discussion with the Executive Committee with respect
12 to setting the target, so the target of the 61.3. We
13 then presented the income statement for approval,
14 which would include the O&A number, to the Manitoba
15 Hydro Electric Board prior to our filing in November.

16 MR. BRIAN MERONEK: Okay, thank you.
17 And then the -- as I understand it, the budget was
18 approved by Manitoba Hydro's Board of Directors on
19 February 12, 2019.

20 MS. SANDY BAUERLEIN: Yes, and
21 probably -- we probably have different terminology.
22 When I say the budget's approved, what we're talking
23 about is all the revenue and expense line items and
24 net income goes to the MHEB for final approval, so O&A
25 is just a piece of that final budget.

1 Once that final budget is approved,
2 then we take the step of finalizing and putting
3 together the details of what will make up the O&A, all
4 the details of the O&A, following that February
5 approval.

6 MR. BRIAN MERONEK: Right. And in
7 that February approval with O&A, you're at
8 approximately \$61 million for -- for O&A.

9 MS. SANDY BAUERLEIN: Correct.

10 MR. BRIAN MERONEK: And that is found
11 in Appendix 3.6?

12

13 (BRIEF PAUSE)

14

15 MS. SANDY BAUERLEIN: Yes, Appendix
16 3.6. This is the approved budget that would have gone
17 to the MHEB with all the line items, including the net
18 income, for approval of what our expectations are for
19 the '19/20 fiscal year, that then is rolled up for
20 both Electric and Gas, and the consolidated budget is
21 submitted to the Government.

22 MR. BRIAN MERONEK: Right. So, and
23 that -- that went to the -- the Minister, is what
24 you're saying.

25 MS. SANDY BAUERLEIN: The consolidated

1 budget goes to the Minister, yes.

2 MR. BRIAN MERONEK: So then on March
3 22, 2019, in accordance with the Board Order 24 of
4 '19, Centra filed an update with the PUB, correct?

5 MS. SANDY BAUERLEIN: Correct. We
6 filed this approved budget with the PUB.

7 MR. BRIAN MERONEK: And on May 10,
8 2019, in answer to PUB Centra 1-38, Centra indicated
9 that as of that date there was a contingency component
10 of \$1,059,000. Is that correct?

11 MS. SANDY BAUERLEIN: Yes. So this
12 would have been based on the preliminary details of
13 what makes up O&A, and then over that spring time
14 frame, your March, April, May time frame, we are
15 finalizing the internal detailed budgets that we will
16 use for reporting against, that department managers
17 will be held accountable for.

18 MR. BRIAN MERONEK: Right. And I
19 think you've reiterated -- reiterated that in spades
20 yesterday. But as of May 10, 2019, this was the
21 number that was in the O&A that was presented to the
22 Board on the record in terms of the breakdown of O&A.
23 Is it -- would you agree with that?

24 MS. SANDY BAUERLEIN: Correct.

25 MR. BRIAN MERONEK: And then on June

1 14, 2019, in answer to CAC Centra 2-133F -- if you
2 could bring that up, please.

3

4 (BRIEF PAUSE)

5

6 MR. BRIAN MERONEK: CAC Centra 2-133F.

7

8 (BRIEF PAUSE)

9

10 MR. BRIAN MERONEK: And in answer to
11 that IR, you indicate, or at least Centra indicates in
12 part that the contingency forecast for 2019/20
13 represents the difference between the target and the
14 detailed budgets, a reserve for cost increases and
15 program changes that have not yet been incorporated
16 into detailed plans. See that?

17 MS. SANDY BAUERLEIN: Yes. So that is
18 in response to the Round 1. So Round 1 IRs had a -- a
19 detailed with a positive contingency. So this --
20 Round 2 IRs is part of the process of addressing
21 questions on Round 1 IRs.

22 MR. BRIAN MERONEK: That's correct.

23 MS. SANDY BAUERLEIN: Again, this is
24 sort of a bit of a process issue in that we're
25 continually trying to provide the Public Utilities

1 Board with the latest information. So at this point
2 in time, we're trying to figure out, well, when do we
3 provide that information.

4 I mean, these are some of the issues I
5 think that -- that in the future sort of need to be
6 addressed with the Board in terms of this continual,
7 you know, when -- when should rate applications be
8 filed, what information are they based on.

9 If internally we change our numbers, do
10 we continue to provide the Board with those new
11 numbers? What's the timing for that? How does this
12 all fit in?

13 So again it -- it appears to be very
14 confusing, I think, because the process itself, even I
15 find a little confusing.

16 MR. BRIAN MERONEK: Well, I know, and
17 I don't want you to repeat what you said many times
18 yesterday. I just want you to confirm that on June
19 14, 2019, there was no indication to the Board or any
20 of the parties that there wasn't a contingency
21 forecast still in play in the O&A.

22 Do you agree with that?

23 MS. SANDY BAUERLEIN: I would agree
24 that this is a response to a Round 1 question, and so
25 we are following up on that and we are trying to, at

1 that point, not introduce more numbers and more
2 confusion to the Board.

3 MR. BRIAN MERONEK: With all due with
4 respect, this is an answer to a Round 2 question. And
5 if you had --

6 MS. SANDY BAUERLEIN: But the Round 2
7 are based on Round 1 submissions, is my understanding,
8 so it's a follow-up question to a Round 1 answer.

9 MR. BRIAN MERONEK: I'm not going to
10 quibble with you, but the point is that you at that
11 point in time did not alert anybody to the fact that
12 there may be a change in the contingency factor or
13 indeed component parts of the O&A.

14 Is that correct?

15

16 (BRIEF PAUSE)

17

18 MS. SANDY BAUERLEIN: That is correct.
19 In this IR response, we did not alert that we were in
20 the process of -- of revising numbers internally.

21 MR. BRIAN MERONEK: Well, even more
22 so, in none of the IRs or any of the material on the
23 record, up to that point in time did Centra indicate
24 to anyone, particularly the Board, that there may be
25 new numbers coming with respect to the component parts

1 of O&A.

2 Is that correct?

3 MS. SANDY BAUERLEIN: We updated the
4 Board in the July 24th filing. But I just want to let
5 them --

6 MR. BRIAN MERONEK: No, I'm sorry.

7 This is not a platform for, you know, a narrative.

8 These are specific questions; I want specific answers.

9 As of June 14, there was nothing on the
10 record anywhere which would suggest that Centra had
11 new numbers that it was going to be putting forth in
12 terms of the component parts of O&A.

13 Is that correct?

14 MS. SANDY BAUERLEIN: That is correct.

15 I am just trying to provide the Board with some
16 context.

17 MR. BRIAN MERONEK: Well, we'll get to
18 the context in a minute, believe me. You want to get
19 to the end of the story. I know I'm on borrowed time,
20 but we've got a little bit of time to deal with this.

21 On July 24, 2019, there was an update
22 provided, correct?

23 MS. SANDY BAUERLEIN: That is correct.

24 We provided an update based on internally now what the
25 budget is that we are using to monitor performance for

1 line management.

2 MR. BRIAN MERONEK: You will agree
3 with me, Ms. -- Ms. Bauerlein, that PUB 24/19 required
4 updates for non-primary gas costs, correct?

5

6 (BRIEF PAUSE)

7

8 MS. SANDY BAUERLEIN: Reference that
9 for me.

10 MR. BRIAN MERONEK: Sure. In Appendix
11 B, in -- to Board Order 24/19, the Board Order
12 required a -- a pre-hearing update on Tabs 8 to 11 and
13 the rate -- interest rate update.

14

15 (BRIEF PAUSE)

16

17 MS. SANDY BAUERLEIN: And we provided
18 that. So Tabs 8 to 11 is information on the gas
19 costs, and we provided an interest rate update.

20 MR. BRIAN MERONEK: Right. But there
21 was no procedural order requiring that you update the
22 O&A.

23 Is that correct?

24 MS. SANDY BAUERLEIN: There was no
25 procedural order. We just did that in terms of trying

1 to provide -- typically the Panel's trying to more --
2 look for more recent information. We had just
3 recently finalized our O&A budget, so we were trying
4 to give that perspective to the Board. We thought
5 that was probably as we were providing some other
6 information, we would also provide this information.

7 MR. BRIAN MERONEK: I suggest to you,
8 Ms. Bauerlein, that the reason why you updated
9 unilaterally the ONA, is to con -- confront or debunk
10 Mr. Rainkie's suggestion that there was a one -- there
11 should be a 1.1 million positive contingency decrease
12 in the revenue requirements.

13 Would you agree with that?

14 MS. SANDY BAUERLEIN: I do not agree
15 with that. We were providing the Board with
16 information.

17 MR. BRIAN MERONEK: So what we have on
18 the record is an update which now indicates that
19 approximately \$1.659 million dollars in additional
20 costs have been found and incorporated into ONA.

21 Is that correct?

22 MS. SANDY BAUERLEIN: I wouldn't
23 characterize it as found. The detailed budgeting
24 exercise, we go down to departments, we look at the
25 programs, we ask questions how many hours do we think,

1 are we revisiting, do we want more emphasis on certain
2 programs or services that we provide, what do you
3 expect to be doing as a result of new information that
4 you have?

5 The exercise itself takes several
6 months to do and this is just the output of that
7 exercise. So it wasn't us trying to find additional
8 monies, it was simply this reflects the latest
9 business requirements, which I believe I stated
10 yesterday.

11 MR. BRIAN MERONEK: All right. Let me
12 rephrase the suggestion.

13 What this is showing now is that no
14 longer is there a placeholder for contingencies, but
15 there are actual costs that wipe out the positive
16 contingency and put the ONA into a negative position
17 to the tune of 600,000, and that's where I got the
18 \$1.659 million dollars of actual costs.

19 Do you agree with that?

20 MS. SANDY BAUERLEIN: I'm -- what --
21 was is the -- can you rephrase the question for me,
22 Mr. Meronek?

23 MR. BRIAN MERONEK: What this latest
24 update purports to demonstrate is that no longer is
25 there a positive contingency of \$1.1 million dollars,

1 or \$1.059 million dollars, but there is a negative
2 contingency of \$600,000 which, when you put them
3 together, equals \$1.659 million dollars in costs that
4 have been incorporated into the ONA budget.

5 MS. SANDY BAUERLEIN: So there is --
6 yes. So it's been revised, the budget has been
7 revised.

8 If you look back over time though,
9 we've always had contingencies, we call them
10 contingencies. Some years they're positive, some
11 years they're negative.

12 Again, it's -- it's the difference when
13 you do the detailed budgeting exercise, they never
14 quite equal your target. So yes, there was a shift.

15 It's also been brought to my attention
16 that PUB 2-1 -- 10B, sorry, 10B includes reference for
17 us to update the ONA detailed budget.

18 So we did advise in that IR response,
19 if we could call that up.

20 So Centra did advise the Board in this
21 IR. Can we scroll up just a moment? Right there in
22 that paragraph it says:

23 "Centra can advise the PUB that it
24 has recently finalized and updated
25 detailed ONA budget for gas

1 operations for 19-20. The updated
2 detailed ONA budget will be
3 reflected in Centra's pre-hearing
4 update, scheduled to be filed in
5 July 2019. Centra can advise at
6 this time that from an overall
7 revenue requirement, the updated
8 detailed budget for gas operations
9 will have no material impact on the
10 current application and that the
11 impacts to cost of service have not
12 yet been calculated, but will be
13 included in the pre-hearing update."

14 Because if there is changes in the
15 programs, there can be changes in the allocation of
16 those costs for costs of service purposes.

17 MR. BRIAN MERONEK: And what was the
18 date of that?

19 MS. SANDY BAUERLEIN: June 14th.

20 MR. BRIAN MERONEK: Right. Was this
21 update prepared at or around the same time of the
22 update for Manitoba Hydro in terms of its compliance
23 order, which was filed with the Board on May 30th?

24

25 (BRIEF PAUSE)

1 MS. SANDY BAUERLEIN: I would need to
2 check on that, Mr. Meronek.

3 MR. BRIAN MERONEK: Would you please
4 give an undertaking?

5 MS. SANDY BAUERLEIN: Yes. So we will
6 check to see the date.

7

8 --- UNDERTAKING NO. 6: Centra to advise as to
9 whether the update with
10 respect to Centra's ONA,
11 was part of the update
12 process that Manitoba
13 Hydro went through in
14 order to provide its May
15 30th update in accordance
16 with the compliance order
17 of the Board.

18

19 CONTINUED BY MR. BRIAN MERONEK:

20 MR. BRIAN MERONEK: The question I
21 have in my mind is -- sorry?

22 The undertaking is for Centra to
23 confirm or at least advise as to whether the update
24 with respect to Centra's ONA, was part of the update
25 process that -- that Manitoba Hydro went through in

1 order to provide its May 30th update in accordance
2 with the compliance order of the Board.

3 Are you sorry you asked now?

4 Would Centra have been in a position to
5 have provided that information prior to July 24th,
6 2019?

7

8 (BRIEF PAUSE)

9

10 MS. SANDY BAUERLEIN: So just -- I'm
11 trying to think through the timing of this, when we
12 had detailed budgets ready, there is also from the gas
13 perspective an impact to cost allocation, because the
14 programs could be allocated different.

15 So again, we have to run that through
16 the model so that we've got consistency, right? So
17 what we're saying for rate setting, because we take
18 those costs and allocate them for rates, is consistent
19 with what we're showing on the revenue requirement
20 side.

21 So the timing for that, I don't think -
22 - that's why I'm thinking we didn't have that in the
23 May compliance filing, I'm pretty sure we didn't. I
24 just need to double check.

25 But again, we were sort of in the

1 process of trying to answer IRs, finalize other things
2 going on at Manitoba Hydro and Centra Gas. So we
3 advised that we would put this material together for
4 the July update in this IR, which I had forgotten
5 about.

6 MR. BRIAN MERONEK: Can you advise as
7 to when this O&A update was available?

8 MS. SANDY BAUERLEIN: The O&A update
9 into itself without the impacts to it to rates?

10 MR. BRIAN MERONEK: Yes.

11

12 (BRIEF PAUSE)

13

14 MS. SANDY BAUERLEIN: I believe it was
15 around late May, the late May timeframe.

16 MR. BRIAN MERONEK: All right. Thank
17 you.

18 Moving on to VDP and supply chain
19 savings. Again, there were a lot of -- there were a
20 lot of costs allocation drivers on the record. I just
21 want to go through some of them, or the ones on the
22 record to make sure that I have them recited
23 correctly.

24 Firstly, will you agree that there's a
25 causal connection between cost drivers and costs

1 incurred?

2 MS. SANDY BAUERLEIN: Yes, we usually
3 try and ensure there's a causal connection between
4 cost drivers and costs incurred.

5 MR. BRIAN MERONEK: Now, one of the
6 allocators, or at least the one that's chosen, we'll
7 get to the end of the story on that one, is the asset
8 mix, 96 percent to the electric side and 4 percent to
9 Centra. Is that correct?

10 MS. SANDY BAUERLEIN: That is one of
11 the cost drivers, yes.

12 MR. BRIAN MERONEK: And another cost
13 driver is -- are the O&A activity charges or costs,
14 which have been allocated at 92 -- 92 --

15 MS. SANDY BAUERLEIN: It's actually
16 total activity charges, not O&A activity charges.

17 So it's total charges to capital and
18 operating is what the 92/8 is.

19 MR. BRIAN MERONEK: My -- my mistake.
20 But it was -- it's a total activity charges, 92
21 percent to hydro and 8 percent to Centra, correct?

22 MS. SANDY BAUERLEIN: That is correct.

23 MR. BRIAN MERONEK: And another cost
24 driver are the total -- sorry. Are the total O&A
25 costs are 89 percent Manitoba Hydro and 11 percent

1 Centra, correct?

2 Or actually, it's the other way around,
3 isn't it?

4 MS. SANDY BAUERLEIN: I don't believe
5 that's one of the cost drivers we use. In PUB Centra
6 128 we talk about the cost drivers we use for
7 allocating costs that don't go directly, you know, if
8 I'm -- if I'm working directly on installing pipe, I
9 will time card, but there is many functions like
10 customer billing, because we have one bill that we
11 have to come up with some type of driver to take that
12 function and split it between our electric and gas
13 operations.

14 MR. BRIAN MERONEK: I stand corrected.
15 So -- but it's a -- it may not be a driver, but it's
16 an allocation of total O&A costs of 9 -- of 89/11.

17 MS. SANDY BAUERLEIN: This is just
18 showing the split of how much of our total O&A goes to
19 gas versus how much goes to electric. But we don't
20 use it as a cost driver.

21 MR. BRIAN MERONEK: And 70 percent of
22 the O&A ascribed to Centra of the 11 percent relates
23 to labour costs, correct?

24 MS. SANDY BAUERLEIN: Approximately.

25 MR. BRIAN MERONEK: And there's a

1 discreet cost driver for VDP for restructuring, which
2 was set at 94/6. 94 percent for Manitoba Hydro and 6
3 percent for Centra?

4 MS. SANDY BAUERLEIN: Yes. Because
5 that was a one-time cost, we came up with a unique
6 cost driver for that one.

7 MR. BRIAN MERONEK: Right. And the
8 reason is, as I understand the evidence, is that
9 because Centra didn't know the full impact of VDP
10 savings and that was hence the 6 percent?

11 MS. SANDY BAUERLEIN: The savings is
12 the 96/4 that was chosen. Again, because we didn't --
13 and I think we still don't really understand, because
14 we're continually to reorganize and restructure the
15 corporation, so how the benefits of those people
16 leaving effects electric and gas is still, you know,
17 maybe questionable.

18 So again, we chose that cost driver,
19 being the size of the utility as being a reasonable
20 allocator of the savings and setting the target.

21 MR. BRIAN MERONEK: Right. But the 6
22 percent was an allocation for the VDP cost drivers,
23 correct? Cost for restructuring.

24 MS. SANDY BAUERLEIN: Yes. So the
25 costs associated with restructuring were a one-time

1 cost. They were developed sort of after the VDP and
2 we understood what those costs were and I think of the
3 costs differently than I think of the savings.

4 The costs are associated with you're
5 going to leave, we have to provide you with a type of
6 severance payout, basically is what it was. So that's
7 associated with the employee.

8 The savings benefit the functions of
9 the company, right? So it's -- if I left and area,
10 just because I left that area didn't necessarily mean
11 the benefit comes to that area, the benefit may come
12 because I actually take Joe, Joe replaces my job, but
13 I take Joe's job and we move somebody else over here.

14 And so ultimately where the savings
15 wind up is where you end up how you restructure and
16 organize a business.

17 I'm not sure if those involved in some
18 extensive restructuring exercises in companies, but
19 it's not as clear-cut as the cost part of it.

20 So, we chose the labour, the 6 percent,
21 as being an appropriate driver for the costs, but we
22 chose a different driver for the savings. I don't
23 know if that makes sense to -- to the panel members.

24 MR. BRIAN MERONEK: Well, I'm asking
25 the questions, and I -- to me, it's irrelevant, but be

390

1 that as it may. The -- the point is that, Ms.
2 Bauerlein, of all of the allocations, the only one (1)
3 that doesn't relate to human resources or labour is
4 the asset mix that has been chosen.

5 Would you agree with that?

6

7 (BRIEF PAUSE)

8

9 MS. SANDY BAUERLEIN: I'm not quite
10 following your question. So, for example, executive
11 functions which have people in them are allocated
12 using the asset driver.

13 MR. BRIAN MERONEK: Which is a few
14 hundred thousand dollars, correct?

15

16 (BRIEF PAUSE)

17

18 MS. SANDY BAUERLEIN: In total, it's
19 more than a few hundred thousand dollars.

20 MR. BRIAN MERONEK: The point being,
21 can you indicate the possible causal connection
22 between VDP savings and -- and the size of the assets
23 of the two (2) companies, bearing in mind that you
24 have massive generating stations up north that cost
25 billions of dollars?

1 Can you possibly identify and enlighten
2 me as to what the relevancy is with respect to VDP
3 savings?

4

5 (BRIEF PAUSE)

6

7 MS. SANDY BAUERLEIN: We're still
8 trying to understand how the VDP savings will impact
9 both electric and gas. I kind -- kind of trying to
10 emphasize this.

11 I don't believe -- and I think if you
12 talk to our CEO, she doesn't believe we're done trying
13 to figure out how to best manage and structure this
14 organization following the impacts of the VDP.

15 We felt the best cost driver to use at
16 the time was based on the size. So, we looked at the
17 assets.

18 As I said yesterday, we're seeing that
19 being reflected in our actual results in terms of how
20 -- how the -- the costs now are being charged. The
21 actual cost for those people left are being reflected
22 in -- in our actual results.

23 So, we still believe it -- it was an
24 appropriate allocation of the savings. And if we were
25 seeing something different in our actual results, then

1 we would probably want to revisit that to say, well,
2 this doesn't seem appropriate. We had a target. And
3 that target for '18/'19 of 63.3 assumed again 4
4 percent of savings.

5 If we're not seeing those savings and
6 our O&A is either significantly lower or significantly
7 higher for reasons that we can't explain, then perhaps
8 we would need to revisit that allocator to say did we
9 maybe allocate not enough to Centra, we should have
10 allocated more, or should we have allocated less, and
11 then decided, you know, what are we seeking also on
12 the electric operations.

13 So, at the end of the day, those two
14 (2) numbers have to equal a hundred percent. So,
15 because we aren't seeing that, we're believing that
16 that allocator is reasonable.

17 Is it perfect? No. Is it reasonable?
18 We believe so.

19 MR. BRIAN MERONEK: All right. Thank
20 you for that. You're not expressing anything
21 different than what you expressed yesterday, correct?

22 MS. SANDY BAUERLEIN: Correct.

23 MR. BRIAN MERONEK: None of what
24 you're saying in terms of reasonableness, and -- and
25 the actuals are -- are playing out at 4 percent, none

1 of that's on the record, correct?

2 MS. SANDY BAUERLEIN: I have just put
3 it on the record.

4 MR. BRIAN MERONEK: Anecdotally. But
5 there's no data on the record. And as a matter of
6 fact, you said yesterday that whatever updates you've
7 provided to the minister are blacked out, as it were,
8 pending the election.

9 Is that correct?

10 MS. SANDY BAUERLEIN: I agree. But I
11 think it's corporate controller and I have an
12 obligation to provide evidence. So, this evidence is
13 -- is factual, it is correct. I -- there's -- there's
14 no motivation for me to make something up.

15 So, I'm -- I'm passing that on as I am
16 providing evidence --

17 MR. BRIAN MERONEK: You --

18 MS. SANDY BAUERLEIN: -- regardless
19 that maybe I don't have the actual numbers in front of
20 you to support that.

21 MR. BRIAN MERONEK: Right. And this
22 is new evidence?

23 MS. SANDY BAUERLEIN: It is.

24 MR. BRIAN MERONEK: Thank you. Now,
25 when you say it's reasonable, that's a relative term.

1 Would 6 percent be reasonable?

2

3 (BRIEF PAUSE)

4

5 MS. SANDY BAUERLEIN: It may be. But
6 what we've deemed is that the 4 percent is reasonable.
7 And, as I said, we're seeing that transpire through
8 our actual results.

9 And, at the end of the day, that
10 allocation is to set a target. And if -- if we follow
11 Mr. Rainkie's recommendations to reduce our O&A
12 further, you have to decide in an actuals world what
13 programs and services you're not going to do, so where
14 do those cuts happen.

15 I find the argument is theoretical;
16 it's -- it's based on the theory of, well, you simply
17 go and you cut these for rate setting purposes. But
18 in actuality, if we want rate setting and financial
19 reporting to be aligned, then we need to go find those
20 cuts in the Corporation.

21 MR. BRIAN MERONEK: Thank you for
22 that. But it's an allocation factor so that it -- it
23 remains whole. If -- if something is taken from -- if
24 something is given to Centra, it's taken from Manitoba
25 Hydro. And I think Ms. Steinfield went through that

1 yesterday.

2 So, it's -- there's no cuts involved.

3 It's -- they're still a hundred percent, right?

4 MS. SANDY BAUERLEIN: No. You're
5 confusing theory with reality. So, you're confusing -
6 - so, again, the poi -- point I'd like to make, too,
7 is we had the electric hearing in May, and there was
8 no mention that there were concerns that, at the time,
9 the electric operation should have been charged more
10 in setting their target.

11 MR. BRIAN MERONEK: Well, I can't
12 speak to the Manitoba Hydro hearing because I wasn't
13 there, but I'm sure that we'll hear more about that
14 later.

15 Let's move on to escalation factor. As
16 I under --

17 MS. SANDY BAUERLEIN: I didn't really
18 quite finish my explanation, Mr. Meronek. So, I
19 wanted to point out again that the -- so the -- the
20 decision to allocate between electric and gas is what
21 you do for target setting.

22 But at the end of the day, if we have
23 to cut, we have a consolidated workforce. So, I just
24 want to try and make sure the panel understands as
25 it's an integrated workforce.

1 And so, if you're asked to cut on the -
2 - the gas side of the business, are you then
3 increasing the electric? Are you taking those
4 resources and now saying, well, we're going to cut our
5 services provided on billing operations?

6 So, if I don't reduce the staff, do I
7 then just tell the billing operations folks, somehow,
8 you're supposed to do more work associated with the
9 electric operations?

10 That -- that's not how it works. They
11 -- they provide -- they put together the bills. They
12 do all the -- for your bill, your electric and gas
13 bill.

14 And so, if we don't want to have that
15 program or have those hours reduced, we need to reduce
16 the staff. That's how this works in the actual world.
17 And I -- I felt that at the electric hearing that
18 wasn't clear enough. I -- I didn't do a good enough
19 job in trying to explain that.

20 MR. BRIAN MERONEK: Thank you for
21 that. We're not in the electric hearing. And I'm
22 running out of time here, so please do me a favour and
23 keep your answers a little shorter in terms of
24 providing us with information that we haven't already
25 heard from yesterday.

1 The -- let's move to the escalation
2 factor. As I understand it yesterday, one (1) of the
3 problems that you've identified is that you have
4 collective bargaining agreements in place that, in
5 some cases, exceed 1 percent, correct?

6

7 (BRIEF PAUSE)

8

9 MS. SANDY BAUERLEIN: That is correct.
10 In addition, they received merit and progression of 1
11 percent on top of what their general wage increases
12 are on average.

13 MR. BRIAN MERONEK: Which is
14 discretionary, correct?

15 MS. SANDY BAUERLEIN: It's within --
16 progression is within the collective agreement, so
17 it's not discretionary. They're sort of like steps in
18 terms of progression of your salary. That's why they
19 call it progression.

20 MR. BRIAN MERONEK: And, as we know ad
21 nauseam, there are no Centra employees, they're all
22 Manitoba Hydro employees. So, these collective
23 bargaining agreements are with Manitohob -- Manitoba
24 Hydro, correct?

25 MS. SANDY BAUERLEIN: With the

1 consolidated entity, yeah.

2 MR. BRIAN MERONEK: And I would expect
3 when the Board set an escalation factor of 1 percent,
4 that would have incorporated the issue of collective
5 bargaining agreements and -- and merit increases and
6 progression increases or whatever you call them?

7 MS. SANDY BAUERLEIN: You made the
8 comment the Board set an escalation of 1 percent they
9 said to our Board? I'm -- I'm not sure.

10 MR. BRIAN MERONEK: The PUB in the
11 Manitoba Hydro hearing has set an escalation factor at
12 1 percent for Manitoba Hydro. And that would have
13 incorporated the -- the -- there would have been a
14 discussion presumably of the factors that go into
15 that, one (1) of which is I'm sure that Manitoba Hydro
16 would have indicated that the CBA called for 1.25 and
17 1.5 percent increases?

18 MS. SANDY BAUERLEIN: When the PUB
19 panel made the determination, they would have had this
20 information in front of them, as well. But as, again,
21 I reiterated yesterday, when we ba -- went back to the
22 Manitoba Hydro Electric Board, while the PUB did that
23 for rate setting purposes, for actuals, we are still
24 managing within a 2 percent escalation as the Manitoba
25 Hydro Electric Board was not willing to make any

1 further reduction, staffing reductions, beyond what
2 they've already done at this -- at this time.

3 And so, there will be a disconnect for
4 rate setting versus financial reporting.

5 MR. BRIAN MERONEK: Right. And -- and
6 the Board here is fixed with the responsibility of
7 rate setting, correct?

8 MS. SANDY BAUERLEIN: That is correct.

9 MR. BRIAN MERONEK: So, there's no
10 distinction between the -- the role that the Board had
11 with Manitoba Hydro and the role it has with Centra
12 when it comes to escalation factor.

13 Would you agree with that?

14 MS. SANDY BAUERLEIN: Can you repeat
15 the question, Mr. Meronek? I apologize, I was just
16 with my counsel there.

17 MR. BRIAN MERONEK: Don't apologize.
18 He's a very good counsel. The -- the role of Manitoba
19 Hydro, in terms of -- is to set rates. The role of
20 Manito -- of the Board with respect to Centra is to
21 set rates.

22 So, there's no distinction in terms of
23 escalation factor from that perspective, correct?

24

25 (BRIEF PAUSE)

1 MS. SANDY BAUERLEIN: I don't believe
2 it's the role of the MHEB to set rates. It's the role
3 of the MHEB to recommend to this panel what it
4 believes are appropriate rate incre -- rate increases.

5 I just want to note, in -- in this
6 situation, we are having for majority of customers
7 rate decreases. And we are not asking for any
8 additional revenue.

9 So, there is a little bit of a
10 difference, nuance, between this hearing, and the
11 electric hearing, as well.

12 MR. BRIAN MERONEK: Are you saying,
13 when there's a disconnect, that, essentially, Manitoba
14 Hydro, at the direction of its board, is going to
15 disregard what the Board here determines is
16 appropriate in rate setting and do its own thing?

17 MR. BRENT CZARNECKI: Mr. Meronek, I
18 think Ms. Bauerlein might have misinterpreted 'board'
19 in her last answer, meaning the Manitoba Hydro
20 Electric Board. And I think you were intending the
21 Public Utilities Board.

22 So, you may want to just re-ask her,
23 have her answer with that clarification.

24 MR. BRIAN MERONEK: Thank you for
25 that.

1

2 CONTINUED BY MR. BRIAN MERONEK:

3 MR. BRIAN MERONEK: When you say
4 there's a disconnect and that the Manitoba Hydro
5 Electric Board is still going to apply a 2 percent
6 escalation factor, are you in fact on behalf of
7 Manitoba Hydro saying that it doesn't matter what the
8 -- this Board suggests or orders as an appropriate
9 escalation factor and it's going to do its own thing
10 regardless?

11

12 (BRIEF PAUSE)

13

14 MS. SANDY BAUERLEIN: Following the
15 Board order received from the Public Utilities Board,
16 there was much discussion with the Manitoba Hydro
17 Electric Board, and it is not viewed as ignoring or
18 not paying attention or undermining the decision's of
19 the Public Utilities Board.

20 But again at the end of the day,
21 Manitoba Hydro is being held responsible to provide
22 safe and reliable service. And they felt that by
23 further cost reductions, that would be putting that at
24 risk. That was the discussion at the MHEB.

25 So for rate setting purposes, the rates

1 could be set on a lower escalation factor. But in
2 managing the utility, the Hydro Board was not
3 comfortable in -- in further reductions, given that we
4 had already advanced those reductions from the
5 previous plan and again still sort of dealing with the
6 aftermath of that.

7 MR. BRIAN MERONEK: So what you're
8 saying is that the Board -- this Board shouldn't be
9 concerned with what the Manitoba Hydro Electric Board
10 says in terms of what it's going to do. It should be
11 just concerned with setting rates that it thinks is
12 appropriate. Would you agree with that?

13

14 (BRIEF PAUSE)

15

16 MS. SANDY BAUERLEIN: The -- this
17 Board can make its decisions for rate setting
18 purposes. I sit here trying to advocate for a
19 consideration of trying to align the two, so that rate
20 setting and what we do and how we manage the business
21 are aligned. And that's all I can do.

22 MR. BRIAN MERONEK: And in fairness,
23 if it turns out at the end of the day that costs
24 are -- exceed what has -- what is ordained by the
25 Board, you can always come back and have a GRA.

1 Correct?

2 MS. SANDY BAUERLEIN: You can. But
3 there's a cost to -- every time we have one of these
4 hearings, processes are expensive, and we acknowledge
5 that. And -- so we're trying now to make our case to
6 try and align the two.

7

8 (BRIEF PAUSE)

9

10 MR. BRIAN MERONEK: Lastly and
11 mercifully for you, Ms. Bauerlein, in terms of your
12 evidence, I just want to ask a couple questions on the
13 furnace replacement program.

14 And I may have misunderstood your
15 evidence yesterday. Excuse me. I get all choked up
16 about these things, and I don't have the transcript.

17 So was it your evidence yesterday that
18 the instructions of Manitoba Hydro was to transfer the
19 excess money of \$17.3 million?

20 MS. SANDY BAUERLEIN: So following
21 discussions yesterday -- later yesterday with my
22 colleague who's more familiar with the furnace
23 replacement program and was involved in drafting the
24 regulations under the Efficiency Manitoba Act, it is
25 my understanding from that conversation that the

1 entire balance of the fund was anticipated to be
2 transferred.

3 So it would be more than the 17. It
4 would be the 20 -- I can't remember the number off the
5 top of my head -- 21 million that per the regulations
6 and understanding in working with Efficiency Manitoba
7 and the drafters of that legislation that the balance
8 would be transferred.

9 MR. BRIAN MERONEK: The instructions
10 are from whom?

11 MS. SANDY BAUERLEIN: The province.
12 The province.

13 MR. BRIAN MERONEK: So the
14 instructions that you're talk -- you were talking
15 about yesterday is the province has instructed you --
16 Manitoba Hydro -- in your interpretation to transfer
17 the total amount of the -- what's in the furnace
18 replacement program over to Efficiency Manitoba. Do I
19 have that correct?

20 MS. SANDY BAUERLEIN: That is my
21 understanding, yes.

22 MR. BRIAN MERONEK: And when was this
23 transfer supposed to take place?

24 MS. SANDY BAUERLEIN: I believe it
25 says April of 2020 is what the draft legislation

1 reads -- or not draft. It was finalized on
2 August 9th. So I -- if I recall the regulations -- I
3 don't have them in front of me -- I believe it said
4 April 1st of 2020.

5 MR. BRIAN MERONEK: All right. And I
6 don't want to get into any legal arguments here, so
7 I'll leave it. I just wanted to understand what
8 instructions you were referring to.

9 I think also yesterday, you indicated
10 that as far as you could recall that Centra had asked
11 at a previous time for this program to be terminated.

12 MS. SANDY BAUERLEIN: Yes. We had
13 said '13/'14. I wasn't sort of part of those
14 proceedings, but apparently, it was 2009/'10 that we
15 had asked for it to be discontinued.

16 I'm not really the subject matter
17 expert on this but --

18 MR. BRIAN MERONEK: I was just trying
19 to get some time in here. So from your understanding,
20 there was no -- at the last GRA, there was no request
21 by Centra to terminate the program at that time.

22 MR. BRENT CZARNECKI: Mr. Meronek, I
23 believe that's correct based on my reading of the
24 order.

25 There may have been a reduction in the

1 price from \$19 to 9.50 a month. But it was in '09/'10
2 that we had asked for the program to be discontinued.
3 But those orders speak for themselves.

4 MR. BRIAN MERONEK: Thank you. All
5 right. Gentlemen, in the little time I have
6 remaining, I just want to cover off a few things with
7 respect to discussions you had yesterday.

8 Starting with the Portage project, my
9 understanding of the evidence is that there are no
10 known integrity problems and that the likelihood of an
11 outage is difficult to define with the limited
12 information that Centra has. Is that correct?

13 MR. TIM STARODUB: Good morning. I
14 guess the -- the known -- known integrity problems
15 relate to the condition of the transmission pressure
16 pipelines that run from the primary station to -- to
17 the river.

18 The river is a issue that's being
19 monitored. There's a geotechnical concern at the --
20 at the river. And I guess one of the things I
21 mentioned yesterday is that the Assiniboine River
22 crossing is now on version number 5 because --
23 sorry -- version number 6 because the first five have
24 failed.

25 In my -- with my knowledge of the other

1 river crossings in the province of Manitoba on the
2 central -- Centra system, I'm only aware of river
3 crossings that have been replaced once. So we may
4 have a river crossing that has an issue, and it's been
5 replaced one time, and it's been good since that point
6 in time.

7 We are dealing with a river and a
8 riverbank situation where we've already replaced
9 five (5) river crossings. Our geotechnical monitoring
10 has indicated that this river crossing is at risk.

11 MR. BRIAN MERONEK: That explanation
12 that you just gave is not contained in the capital
13 investment justification that you filed on the record.
14 Is that correct?

15 MR. TIM STARODUB: Actually, if you
16 look at -- my compadre Mr. Steele has pointed that if
17 you look at page 194 of the Board's book of evidence
18 from yesterday that there's a statement:

19 "The Assiniboine River crossing has
20 been replaced five times in the past
21 due to riverbank movement and
22 stability issues. Ground movement
23 of the in service pipeline crossing
24 the river is being monitored."

25 MR. BRIAN MERONEK: I stand corrected.

1 But the point is that there hasn't been any empirical
2 analysis to determine the risk likelihood associated
3 with these events that you are worried about.

4 MR. TIM STARODUB: Well, I have a --
5 the issue with geotechnical movement is it's -- it
6 happens at a undefined timeline.

7 So we have geotechnical monitoring
8 that's indicated that this is an area of concern. So
9 to address an area of concern, we either have the
10 option of being proactive and trying to maintain the
11 gas supply to that community or being reactive and
12 waiting for the pipeline to fail.

13 Failure of this pipeline is probably
14 somewhere between the two (2) to three (3) month
15 replacement period.

16 MR. BRIAN MERONEK: The point being
17 that there hasn't been any assessment as to what the
18 likelihood of that failure happening at any given
19 time.

20 THE TIME STARODUB: The unfortunate
21 situation is that if you were waiting for the -- the
22 10:15 bus on Portage Avenue, you know, like the 10:15
23 bus is going to come around 10:15.

24 Geotechnical failure has been
25 identified as a risk but putting a timeline on when

1 that risk may occur is -- is very difficult to do.

2 This is not a hundred million dollar
3 project. This is a \$1.5 million project, and if we do
4 it in an emergency situation, it'll be more.

5 MR. BRIAN MERONEK: Well, I've never
6 taken the 10:15 bus, so I don't know if that's an apt
7 analogy. But I'll leave it at that.

8 In the risk assessment chart -- I think
9 it's page 176. And you spoke at length about this
10 with Mr. Peters yesterday. This is the top 100 hit
11 list for system -- pipeline systems at risk. Portage
12 isn't in there, is it?

13 MR. TIM STARODUB: I would have to
14 review the list to determine exactly.

15 MR. BRIAN MERONEK: Subject to check,
16 would you --

17 MR. TIM STARODUB: Yeah.

18 MR. BRIAN MERONEK: -- would you
19 accept that? And the same with the 2017 assessment at
20 page 181, I don't see Portage being in there at all.

21 I'm sorry? No. I'm asking the witness
22 to accept it subject to check.

23 And the same with the 2017 hit list
24 that's been updated, I don't see anywhere where
25 Portage is on that list. You can accept that subject

1 to check?

2 MR. TIM STARODUB: Certainly. I guess
3 the one piece that I should also mention though is
4 that 2017 risk assessment report is a new methodology.
5 We have -- at this point have been used it -- using it
6 as a guideline, as a check on some projects.

7 And, you know, I would not say that
8 it's a hundred percent accurate methodology to predict
9 which is going to be the next -- next big issue that
10 we need to deal with.

11 MR. BRIAN MERONEK: Do I have your
12 evidence on the record correctly that the basis for
13 the go ahead on this project was comparing the cost of
14 the project in comparison to the impact -- the cost
15 impact of any outage?

16 MR. TIM STARODUB: No. The
17 information that we're providing is that we're trying
18 to show a consequence of an outage.

19 MR. BRIAN MERONEK: And you're saying
20 that that wasn't -- that wasn't a factor in making a
21 determination as to whether to go ahead.

22 MR. TIM STARODUB: Yes. The
23 overall -- the decisions based on overall risk
24 mitigation.

25 MR. BRIAN MERONEK: And you didn't --

1 you didn't deem it appropriate to make that
2 comparison.

3 MR. TIM STARODUB: I'm sorry.

4 You'll -- I'll never beg your indulgence to step me
5 back -- step me back. I'm not sure if -- what the
6 question is at this point.

7 MR. BRIAN MERONEK: I'm probably not
8 sure either. So let me -- let me pose this question:
9 It would appear in the evidence that you've identified
10 what the cost of the project is -- I believe it to be
11 about \$1.6 million. Correct?

12 MR. TIM STARODUB: Correct. Yeah.

13 MR. BRIAN MERONEK: And you've also
14 indicated that the cost of the outage is anywhere from
15 \$1.8 million to \$24 million, correct?

16 MR. TIM STARODUB: That's -- I believe
17 those were the correct numbers, yes.

18 MR. BRIAN MERONEK: And I was
19 suggesting that that formed your decision, at least in
20 part, in -- to go ahead with the project.

21 MR. TIM STARODUB: What we're trying
22 to do with showing the consequences of the outage is
23 to provide some information to decision-makers and
24 others that these are the consequences. At the end of
25 the day, the decision for proceeding with the project

1 is based on a geotechnical concern.

2 MR. BRIAN MERONEK: Did you do any
3 analysis as to determine how much trucked natural gas
4 or liquid natural gas could be delivered in order to
5 mitigate or ameliorate any outage?

6 MR. TIM STARODUB: Yes, Mr. Meronek.

7 And I guess one (1) of the things that we should
8 mention is that the -- the information provided was --
9 was the CIJ. It was -- it was the information
10 requested in the information requests.

11 The CIJ provides references to two (2)
12 additional documents, one (1) called the 'Evaluation
13 of Secure Gas Supplies in Manitoba', the other
14 'Evaluation of Secure Gas Supply for Portage la
15 Prairie'. These documents were -- were not requested.
16 They do form part of -- of the overall information and
17 the justification.

18 Getting back to your questioning on did
19 we look at C&G and L&G? And the answer is yes, we
20 reviewed both of them, and we determined that we were
21 not able to meet with requirements of the four
22 thousand forty-four hundred (4,440) customers in the
23 city of Portage with those trucked capabilities.

24 MR. BRIAN MERONEK: And I understand
25 that's what insufficiency means. But there wou --

1 there would have been -- did -- my question is did you
2 factor in how much trucked-in natural gas or liquid
3 natural gas could be used in order to ameliorate any
4 outage?

5 MR. TIM STARODUB: I'm sorry, I
6 believe my response is that we did not consider that
7 C&G, L&G was a practical approach to try to maintain
8 natural gas service to these customers.

9 MR. BRIAN MERONEK: Now I just want to
10 understand, if you go to page 155 which is the --
11 relates to Portage la Prairie --

12 MR. TIM STARODUB: Okay.

13 MR. BRIAN MERONEK: -- and at the
14 bottom there's what's called 'Risk Analysis'; do you
15 see that, sir?

16 MR. TIM STARODUB: Yes.

17 MR. BRIAN MERONEK: So, when you're
18 looking at these inputs into the consequence,
19 likelihood, and risk-rating, what do you refer to? Do
20 you go -- do you go to the risk assessset (sic)
21 methodology map, at 1 -- page 159?

22 MR. TIM STARODUB: That's what we were
23 using at the -- the time that we prepared this -- this
24 C -- CIJ.

25 MR. BRIAN MERONEK: So, when you say -

1 - or when it's said that the likelihood is rare,
2 that's -- that's a one (1) in a hundred year
3 occurrence?

4 MR. TIM STARODUB: That's correct.

5 MR. BRIAN MERONEK: Okay. And -- but
6 if it does happen that the --

7 MR. TIM STARODUB: Oh, sorry, it's --
8 Mr. Steele is correct, and we use that -- the 8A
9 rating is a possible in a one (1) in ten (10) year.

10 MR. BRIAN MERONEK: No. Look at page
11 159. Rare says one (1) in a hundred years.

12 MR. TIM STARODUB: Right. But it's
13 the -- go back to where we just were on 155, and the
14 risk rating is 8A.

15 MR. BRIAN MERONEK: I understand that.

16 MR. TIM STARODUB: And the -- the
17 rating should actually have been shown as -- the
18 likelihood should have been as possible. So, it's --
19 you -- thank you, you found an error in our -- our
20 page 155.

21 And, I guess, one (1) of the things
22 that should be mentioned is the date of this CIJ is
23 2016. We have been doing further work to continue
24 with the monitoring, and unfortunately the situation
25 isn't getting better.

1 MR. BRIAN MERONEK: So the information
2 on the record is outdated, is what you're saying?

3 MR. TIM STARODUB: We are -- as part
4 of our continual operation of the gas pipeline and
5 trying to keep the gas in the pipe, yes, that is -- we
6 have further information.

7 MR. BRIAN MERONEK: So, just going
8 back to the map at page 159, you have a risk factor of
9 -- at 9A; do you see that?

10 MR. TIM STARODUB: Of 9A; yes, okay.
11 Yes.

12 MR. BRIAN MERONEK: And when you look
13 at the explanation, it says:

14 "The risk has become critical to
15 business operations and requires
16 day-to-day senior management
17 attention. If not resolved quickly,
18 it could have catastrophic impacts
19 on the organization."

20 MR. TIM STARODUB: Okay.

21 MR. BRIAN MERONEK: That doesn't sound
22 to me like you can wait.

23 MR. TIM STARODUB: Okay.

24 MR. BRIAN MERONEK: Or am I misreading
25 that?

1 MR. TIM STARODUB: Well, I -- I
2 believe that's -- that's the description for -- for
3 9A; we are at 8A.

4 MR. CHUCK STEELE: You know, if I can
5 maybe just elaborate. It does suggest that it
6 requires a greater attention by management which --
7 certainly, that would escalate that project to having,
8 perhaps, greater scrutiny than it otherwise might if
9 it was scored at 9A?

10 MR. BRIAN MERONEK: I'm sorry, I -- I
11 misspoke. It is 8A --

12 MR. CHUCK STEELE: Yeah.

13 MR. BRIAN MERONEK: -- but it's a
14 different -- it's a different fruit but it's still a
15 fruit. It's -- it's all red.

16 MR. TIM STARODUB: Yes.

17 MR. BRIAN MERONEK: Now, just quickly
18 going to...

19

20 (BRIEF PAUSE)

21

22 MR. BRIAN MERONEK: Yeah. You said
23 yesterday that there was no gas standard that you're
24 aware of that required secondary pipes for redundancy
25 supply.

1 MR. TIM STARODUB: That's correct. We
2 did mention that there is a piece in the CSA Z662. It
3 gets into the safety and loss management system with a
4 requirement for emergency preparedness response and
5 recovery.

6 And, actually, just further to a
7 question that Mr. Peters had yesterday about examples
8 of -- of other pipeline companies providing secondary
9 supplies to communities, we did manage to -- to find a
10 couple examples that -- if -- I'd like to share with
11 the Board just as -- for information.

12 The City of Penticton is doing a
13 project at -- valued at \$4.3 million dollars to add a
14 second supply...

15

16 (BRIEF PAUSE)

17

18 MR. TIM STARODUB: For reliability
19 reasons. And similarly, the community of Kamloops is
20 looking at doing a project for similar reasons for --
21 to -- at a cost of \$3.9 million dollars, and it's
22 basically to install a secondary supply to those
23 communities, so.

24 MR. BRIAN MERONEK: Okay. I have a
25 couple follow-up questions on that. You -- you

1 mentioned yesterday ATCO, and they're concentrating
2 right now on Edmonton and Calgary. And you will agree
3 that ATCO is a private company and it's in the --
4 their corporate interest to have as many projects on
5 the books as possible in order to enhance their rate
6 of return? Would you agree with that?

7 MR. TIM STARODUB: Yeah, I don't --
8 I'm a simple engineer and you're looking at a rate
9 situation. At the end of the day, I would believe
10 that ATCO needs to justify their projects, both to --
11 to their regulator, both from a cost and effectiveness
12 point of view, and apparently they were successful.

13 MR. BRIAN MERONEK: Just along a theme
14 of there's -- that there's no in -- gas industry
15 standard, could you turn to PUB/CENTRA-1-76A,
16 Attachment 1, page 30.

17

18 (BRIEF PAUSE)

19

20 MR. BRIAN MERONEK: Do you have it,
21 sir?

22 MR. TIM STARODUB: I do now, yes.

23 MR. BRIAN MERONEK: Okay. And just
24 under -- this is a -- a Centra Gas document that I
25 believe you had a part in reviewing. It's a gas

1 planning criteria document that you reviewed.

2 MR. TIM STARODUB: That is correct.

3 MR. BRIAN MERONEK: All right. And it
4 was revised on September 12, 2017, according to the --
5 the document.

6 Just looking at six point three (6.3)
7 on page 30, it says in part:

8 "In general, the gas industry does
9 not mandate strategy such as
10 redundant pipelines to provide
11 reliability if one pipeline were to
12 fail. The gas industry does not
13 have a reliability mandate similar
14 to the North American Reliability
15 Corporation (NARC) standards which
16 are mandated in the electrical
17 supply industry."

18 Do you see that?

19 MR. TIM STARODUB: I'm not seeing that
20 on the screen. I am familiar with it from the -- the
21 document that you're -- you're speaking to.

22 MS. DAYNA STEINFELD: Ms. Villegas, I
23 believe it's the IR PUB Centra 1 question 76?

24 MR. BRIAN MERONEK: That's what I
25 thought, yeah.

1 MS. DAYNA STEINFELD: And it's the
2 attachment to the IR response on page 30, I believe?

3 MR. BRIAN MERONEK: Thank you. So
4 just in -- now that it's up on the screen --

5 MR. TIM STARODUB: Yeah.

6 MR. BRIAN MERONEK: -- just halfway
7 down. I just -- if I'm reading correctly, it confirms
8 what you said yesterday that there isn't any industry
9 standard.

10 MR. TIM STARODUB: That is correct.

11 It's considered a best practice that gas utilities are
12 working towards.

13 MR. BRIAN MERONEK: A couple more
14 questions. With respect to Steinbach, again subject
15 to check, will you confirm that with respect to the
16 risk assessment map hit list that Steinbach is not in
17 those two lists, either in 2014 and 2017?

18 MR. TIM STARODUB: Yes, I can.

19 MR. BRIAN MERONEK: And lastly, you're
20 now into a paradigm where you're using the corporate
21 value framework?

22 MR. TIM STARODUB: Centra Gas is
23 transitioning to the application of the corporate
24 value framework to get in line with the -- the bigger
25 Manitoba and --

1 MR. BRIAN MERONEK: I see. Did you --
2 MR. TIM STARODUB: -- hydro
3 enterprise.

4 MR. BRIAN MERONEK: Did Centra do an
5 analysis as to whether that was a preferred way of
6 dealing with asset management and risk assessment
7 versus the -- the other matrixes or matrices or --
8 that Centra has used in the past?

9 MR. CHUCK STEELE: You know, I think
10 to answer that question, I'll explain that we are an
11 integrated company, and we do have a plan to ensure
12 that we're managing assets on a consistent basis.

13 And to do that part of the transition
14 is to have a corporate value framework from which we
15 will evaluate projects based on.

16 MR. TIM STARODUB: And I guess I will
17 add is that Centra -- there were natural gas personnel
18 subject matter experts involved with the definition of
19 some of the criteria in the corporate value framework.

20 MR. BRIAN MERONEK: Thank you,
21 gentlemen. Thank you, Panel. Those are my questions.

22 MS. SUSAN NEMEC: I just have one
23 question, Ms. Bauerlein. The VDP restructuring cross,
24 you mentioned that it was a unique cross driver was
25 calculated for this which was the 6 percent/

1 94 percent. Can you tell me how that 6 percent was
2 calculated?

3

4 (BRIEF PAUSE)

5

6 MS. SANDY BAUERLEIN: So it looked at
7 the internal labour associated with just the
8 operations and maintenance of each of the utilities
9 because at that time, what we were considering,
10 whether it be no impact -- I'm just trying to read all
11 this.

12 So it didn't look at -- there was a
13 discussion around whether or not we should be
14 including the impact on the capital activity charges.
15 But it was determined that from a management
16 perspective, we would ensure given the requirements of
17 the capital build for Centra and some of the needs
18 that there would be little impact to that for -- as a
19 result of the people leaving.

20 So we based the driver on just the
21 operational activity charges. So the people left --
22 we knew which people left. We knew that there would
23 be little impact to the capital -- the amount of hours
24 time carded to capital 'cause they would just redeploy
25 existing resources to that.

1 So at that time, we chose that driver
2 based on the total activity charges only charged to
3 operating and maintenance programs.

4 THE CHAIRPERSON: Thank you.

5 Mr. Meronek, thank you. And Mr. Hacault?

6 MR. ANTOINE HACAULT: I don't know
7 what the Board's wish is. Does it want to take a
8 short break before -- I am anticipating I have half an
9 hour.

10 Depends how responsive the witnesses
11 are. I know Mr. Meronek said he thought he was going
12 to be shorter, but the answers were very long. So I'm
13 kind of reluctant to give an estimate. It depends a
14 lot on whether the answers are short or very long.

15 THE CHAIRPERSON: We're going to break
16 for fifteen (15) minutes.

17

18 --- Upon recessing at 10:16 a.m.

19 --- Upon resuming at 10:32 a.m.

20

21 THE CHAIRPERSON: You're ready, Mr.
22 Hacault?

23

24 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

25 MR. ANTOINE HACAULT: Yes, I am.

1 Members of the panel, good to see you
2 again. I -- I don't think I'm getting anywhere close
3 to CSI, but if I am, you'll let me know and follow the
4 instructions of PUB counsel.

5 The first question I have is just one
6 of clarification. In the right-hand column, if we had
7 the top, we'd see that it's a 2019-2020 test year.
8 And if we go down to the very bottom the question of
9 clarification I have is with respect to the column
10 "other" in this -- the third line up. So you see the
11 61,200 -- or 61,250,000. You move up, there's
12 1,331,000 and then the number I have a question with
13 respect to is the 852,000.

14 How much of that is VDP expenses?

15 MS. SANDY BAUERLEIN: There are no VDP
16 expenses in that number.

17 MR. ANTOINE HACAUT: Okay. In the
18 year prior to that, the -- so if we move left, there
19 is a number, 1.685 million. That was where there was
20 a VDP expense allocated to Centra Gas?

21 MS. SANDY BAUERLEIN: It was not the
22 restructuring or the severance costs, those were in
23 other expenses.

24 What in -- was in there in the prior
25 year was that transitional funding that I talked about

1 yesterday, for example, with respect to, in my area,
2 the use of robotics.

3 So it was -- it was no restructuring or
4 severance-type costs, it was costs associated with
5 initiatives to try and assist in the transition.

6 MR. ANTOINE HACAULT: So Ms.

7 Bauerlein, just to be absolutely clear in my mind, for
8 the test year, there is absolutely no VDP expense in
9 any of the lines on O&A?

10 MS. SANDY BAUERLEIN: That is -- that
11 is correct, Mr. Hacault.

12 MR. ANTOINE HACAULT: Thank you.

13 I wish all of them were going to be
14 that easy.

15 I just want to confirm Manitoba Hydro's
16 definition, and I'm moving to page 8 of the book of
17 documents, for activity charges. And it's number 3 in
18 the list.

19 The definition, and I won't bore you
20 with how many times I found it elsewhere in the
21 material, that is given for activity charges is that
22 it represents the relative amount of activity charges
23 by staff to each of the utilities. That is a
24 definition and that's -- that Manitoba Hydro has
25 generated and accepts as how that term is defined,

1 correct?

2 MS. SANDY BAUERLEIN: It explains,
3 yes, the cost driver and what the cost driver is.

4 So it's the -- again, the total amount
5 of activity charges by staff to each of the utilities.

6 MR. ANTOINE HACAULT: And that's used
7 more than once as an allocator in the material and
8 each time it's used it's defined that way, correct?

9 MS. SANDY BAUERLEIN: I would believe
10 so, with the exception of -- of the restructuring
11 charges which had a -- a cost driver that was
12 different than that one and was explained in the IR,
13 what was simply operating activity charges, not total
14 activity charges.

15 This total would imply time also
16 charged to capital projects, construction work, as
17 well as operations and maintenance work.

18 MR. ANTOINE HACAULT: Thank you.

19 Now, as Mr. Meronek indicted and you
20 indicated a number of times, the target that staff has
21 been asked to work towards was a 2 percent target and
22 that instruction came from the Manitoba Hydro Electric
23 Board, as I understand it, correct?

24 MS. SANDY BAUERLEIN: Yes, if you take
25 the 63.3 million in the prior year and you remove the

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1 costs associated with the meter exchange or meter
2 sets, I think is -- as Ms. Steinfeld called it, you
3 would be adding 1.7 percent or rounding to 2 percent
4 escalation for '19/'20 for the test year.

5 MR. ANTOINE HACAULT: Would you be
6 aware that other govern -- sorry, government funded
7 institutions, such as universities, are asked to work
8 a zero budget scenario to illustrate what would be cut
9 and what would be kept? Are you aware of that?

10 If you aren't, you just say you aren't.

11 MS. SANDY BAUERLEIN: I'm not aware.

12 MR. ANTOINE HACAULT: Okay. Has the
13 staff done a detailed budget for consideration by the
14 executive or the Manitoba Hydro Electric Board on a
15 zero budget increase?

16 MS. SANDY BAUERLEIN: Pardon me?

17 Sorry, Mr. Hacault, could you just repeat it? Repeat
18 the question?

19 MR. ANTOINE HACAULT: Has your staff
20 been asked to do a detailed budget to be able to
21 submit to the executive or the Manitoba Hydro Electric
22 Board for consideration as to what would be cut or
23 kept if that kind of a budget was approved?

24 MS. SANDY BAUERLEIN: For zero to keep
25 things at zero? No, they have not considering that

1 we've advanced those staffing reductions.

2 So unlike, I'm assuming, I don't know
3 for a fact, the university example. We've already
4 accelerated those cuts. That was a decision of -- of
5 the executive to accelerate those reductions so that
6 we've already achieved that 900 reduction earlier than
7 -- than maybe other organizations.

8 MR. ANTOINE HACAULT: Okay. I'll ask
9 you the same question with 1 percent. We've heard Mr.
10 Meronek reference the Public Utility Board's decision
11 at a 1 percent escalation rate.

12 Has the staff been asked to prepare a
13 detailed budget as to what a 1 percent escalation for
14 the test year, or for years thereafter, would look
15 like?

16 MS. SANDY BAUERLEIN: No, they have
17 not. The board was submitted and agreed with a 1.7 or
18 almost 2 percent escalation factor and that is what we
19 are working towards and assuming no further
20 significant staffing reductions.

21 MR. ANTOINE HACAULT: Has there been a
22 direction, because it has occurred in the past when
23 Mr. Brennan was here, from senior management to the
24 capital cost people to indicate how they might be able
25 to control costs and pace the costs?

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1 MR. BRENT CZARNECKI: I'm not sure,
2 Mr. Hacault, where you're deriving that information
3 from or if you have a reference, because that's -- I'm
4 not sure where you're referencing that information
5 from.

6 It would be helpful if you could
7 provide it to Ms. Bauerlein.

8 MR. ANTOINE HACAULT: It has occurred
9 in the past, whether she's aware of it or not, I'm
10 going to -- I can remove it from my question. My
11 question can be very simple.

12 Has there been a direction from senior
13 management or executive to staff instructing them to
14 control capital cost spending and suggest how it can
15 be paced and prioritized?

16

17 (BRIEF PAUSE)

18

19 MS. SANDY BAUERLEIN: That is the
20 direction that the company follows, we are very
21 cognizant of -- of costs, recognizing that those costs
22 are passed on to our customers, both electric and gas
23 customers.

24 We select and review -- there is a big
25 review of our capital budgets and projects that are

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1 put forward, and those spends are -- are prioritized
2 and you know, at times they're changed, things may be
3 advance, things may be deferred as circumstances or
4 new information comes forward. But we're always
5 looking at trying to only spend what we feel is -- is
6 necessary to ensure the safe and reliable supply of
7 both electricity and natural gas to customers.

8 MR. ANTOINE HACAUT: Maybe I missed
9 saying the word my notes say. Was there a written
10 direction? And if so, produce it.

11 I know what you said, and you've talked
12 about how you tried to do that within the 2 percent
13 budget, but is there a written direction from senior
14 management to control capital costs and to pace and
15 prioritize them?

16 MS. SANDY BAUERLEIN: You won't find
17 it in writing, it's -- it's simply clearly understood
18 in the processes and the review that goes on, but
19 there's no specific written document that says it's an
20 expectation of senior management and it's an
21 expectation of -- of the board, the Manitoba Hydro
22 Electric Board expects of its executive and management
23 teams.

24 MR. ANTOINE HACAUT: I don't have any
25 further questions.

1 THE CHAIRPERSON: Thank you, Mr.

2 Hacault.

3 MR. CHUCK STEELE: You know, if I
4 could just -- sorry to -- to interrupt, but if I could
5 just maybe add to Mr. Bauer -- or Ms. Bauerlein's
6 response.

7 We -- we do have a recently-issued
8 asset management policy that speaks to the requirement
9 to balance cost, risk, and performance, which -- which
10 is implicit to -- to control our capital expenditures
11 in that policy.

12 THE CHAIRPERSON: Thank you.

13 Now I believe I -- probably better.

14 MS. DAYNA STEINFELD: Mr. Chair, if I
15 could suggest, I don't believe we would need a break,
16 but if we could give maybe two minutes for this panel
17 to collect their things and Mr. Rainkie can move --

18 THE CHAIRPERSON: A little shuffle?

19 MS. DAYNA STEINFELD: Do a shuffle.

20

21 (BRIEF PAUSE)

22

23 CONSUMERS ASSOCIATION PANEL:

24 DARREN BRADLEY RAINKIE, Sworn

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1 THE CHAIRPERSON: The record should
2 show that Mr. Rainkie has been sworn in and --
3 MR. BRIAN MERONEK: I know there's no
4 direct, Mr. Chairman. But I wonder if we could seek
5 the Board's indulgence to have Mr. Rainkie just
6 summarize briefly what his background is, or is that
7 necessary?

8 THE CHAIRPERSON: That's fine.

9 MS. HELGA VAN IDERSTINE: I should
10 introduce myself, too, just before we go. My name's
11 Helga Van Iderstine. I am counsel with -- independent
12 counsel but with Manitoba Hydro and Centra Gas in this
13 hearing. And I'll be conducting the -- this section
14 of the process. And you may or may not see me again.
15 So thank you.

16 THE CHAIRPERSON: Thank you. Yes.

17 MR. DARREN RAINKIE: Good morning,
18 Mr. Chairman, and members of the Board, advisors,
19 Centra Gas Panel, interveners. I think that covers
20 everybody. Hopefully I didn't leave anybody out.

21 I'm what Mr. Meronek described once as
22 a grizzled veteran of these proceedings. I think I
23 have -- well, in fact I know I have been involved in
24 every Centra general rate application going back to
25 1990 when I was an advisor to the Public Utilities

1 Board, and I -- a former -- with the former employees.

2 So I do remember the historic test year
3 Mr. Peters -- setting rates based on last year's
4 numbers plus some adjustments.

5 So I sat there for five (5) years
6 working with the Board and advisors. I've had the
7 pleasure of working now with CAC in the last two (2)
8 hearings -- this one and the Manitoba Hydro
9 proceeding.

10 And for 23 years, I was part of Centra
11 Gas and Manitoba Hydro panels. I had senior
12 management positions, including manager of regulatory
13 services for about 6 years, corporate treasurer for
14 2 years, corporate controller for 5 years, VP of
15 Finance and Regulatory and CFO for 4 years, and at one
16 point for 4 months, I was the acting CEO of Manitoba
17 Hydro during a transition in leadership back in late
18 2015.

19 As part of my CFO responsibilities, I
20 was responsible for the rates and regulatory affairs
21 division, the -- see if I can remember -- the treasury
22 division, the corporate controller division, financial
23 planning -- long-term financial planning, a corporate
24 risk management, and Manitoba Hydro International.

25 And for about 20 of those 23 years,

1 I've had the pleasure of being a witness -- a subject
2 matter witness for many years and then a policy
3 witness as the -- as the CFO. And I think my last
4 appearance on a gas application was for the 2015/'16
5 cost of gas, and I think I was the acting CEO and CFO
6 at that point.

7 So I think that's kind of a broad -- my
8 CV's on the record. And if you have any questions,
9 I'd be more than happy to entertain them. Thanks.

10 THE CHAIRPERSON: Thank you.

11 Ms. Van Iderstine?

12 MS. HELGA VAN IDERSTINE: So thank you
13 very much. The first thing I should do is mark our
14 book of documents we've prepared, and it would be our
15 next exhibit -- 39, I believe. Thank you.

16 THE CHAIRPERSON: Thirty-nine.

17

18 --- EXHIBIT CENTRA NO. 39: Centra Gas Book of
19 Documents

20

21 MS. HELGA VAN IDERSTINE: So thank
22 you. Just to give you a bit of guidance about what
23 I'm going to do today. I know we've been trying --
24 you've been trying to keep within some time frames,
25 and I'm going to do my best to do that.

1 So I'm going to ask a few background
2 questions. Mr. Rainkie's gone through a bit of what I
3 was going to cover with him, but I think I will go a
4 bit further.

5 And then I'll be asking some specific
6 questions relating to this hearing and some of the
7 evidence that's been given. So that's the outline.
8 And as I said, I'm hopeful that we'll be within the
9 time allowed.

10

11 CROSS-EXAMINATION BY MS. HELGA VAN IDERSTINE:

12 MS. HELGA VAN IDERSTINE: So,
13 Mr. Rainkie, as you mentioned, you were -- have been
14 involved in the Centra Gas hearings for a long time.

15 But as I understand it, you were
16 initially employed by Centra Gas when it was owned by
17 Westcoast Energy. Is that correct?

18 MR. DARREN RAINKIE: Yes. During the
19 1994 to 1999 period.

20 MS. HELGA VAN IDERSTINE: And your
21 work there was as a senior financial analysis, and
22 then as the senior regulatory coordinator. Is that
23 correct?

24 MR. DARREN RAINKIE: That's correct.

25 MS. HELGA VAN IDERSTINE: And your

1 work with Centra Gas at that time -- I understand that
2 you were involved with submissions that you were
3 making to the Public Utilities Board.

4 MR. DARREN RAINKIE: Yes.

5 MS. HELGA VAN IDERSTINE: Now,
6 Westcoast Energy was a publically traded company?

7 MR. DARREN RAINKIE: That's correct.

8 MS. HELGA VAN IDERSTINE: So at the
9 time, Centra and Westcoast would have had
10 responsibilities to shareholders that -- who may have
11 invested in the company.

12 MR. DARREN RAINKIE: That's correct.

13 MS. HELGA VAN IDERSTINE: And you'd
14 agree that consistent with the Public Utilities Board
15 Act and with the regulation of publically held company
16 paying dividends, the submissions you were making to
17 the PUB around that time surrounding rates would have
18 been based on the rate-based rate of return, meaning
19 that the regulator could allow or disallow cost which
20 if it was then disallowed would be absorbed by the
21 shareholders either as no dividends or lower stock
22 prices.

23 MR. DARREN RAINKIE: Yes. Those are
24 the implications of a disallowance.

25 MS. HELGA VAN IDERSTINE: And then in

1 1999, Centra Gas was sold to Manitoba Hydro, and you
2 joined Manitoba Hydro.

3 MR. DARREN RAINKIE: That's correct.

4 MS. HELGA VAN IDERSTINE: Now, am I
5 correct in understanding that Manitoba Hydro and
6 Centra Gas are fully integrated utilities or entities?

7 MR. DARREN RAINKIE: That's my
8 understanding. Yes, that's correct.

9 MS. HELGA VAN IDERSTINE: And Manitoba
10 Hydro is regulated on a cost of service basis.

11 MR. DARREN RAINKIE: That's correct.

12 MS. HELGA VAN IDERSTINE: And so once
13 Manitoba Hydro acquired Centra Gas, you were part of
14 the group that would have advocated that since
15 Manitoba Hydro and Centra Gas are now Crown corp --
16 effectively Crown corporations with integrated
17 operations, Centra should be regulated on a cost of
18 service model.

19 MR. DARREN RAINKIE: Yes. I testified
20 to that.

21 MS. HELGA VAN IDERSTINE: Yeah. And
22 we've seen that the PUB has generally accepted that
23 but used the rate-based rate of return as a benchmark
24 in assessing Centra's rates but otherwise applies the
25 cost of service principles.

1 MR. DARREN RAINKIE: I'm not sure I
2 agree with that proposition. I -- in my evidence, I
3 call what we use on the gas side -- kind of a modified
4 rate-based rate of return.

5 I don't think it's a true cost of
6 service approach because the -- the Board has used the
7 reacquisition earnings of about \$15 million as the
8 limit in terms of what Centra can earn between the
9 corporate allocation of \$12 million and the -- the net
10 incomes.

11 MS. HELGA VAN IDERSTINE: And you're
12 getting ahead of me.

13 MR. DARREN RAINKIE: Okay.

14 MS. HELGA VAN IDERSTINE: So we're
15 still on background questions.

16 MR. DARREN RAINKIE: Okay.

17 MS. HELGA VAN IDERSTINE: If we can --

18 MR. DARREN RAINKIE: Well, my answer
19 would be no if you -- if you -- I don't agree with
20 that proposition.

21 MS. HELGA VAN IDERSTINE: So if you
22 look at tab 2 then of the book of documents that I've
23 got in front of you. And I'd like to take you to
24 pages 880 and 881 of the Centra Gas GRA in 2013/'14,
25 which I think you said was the last time you gave

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1 evidence with respect to Centra Gas -- this PUB. Is
2 that correct?

3 MR. DARREN RAINKIE: On gas matters,
4 yes.

5 MS. HELGA VAN IDERSTINE: Yeah. And
6 you would have -- if you look down at the bottom of
7 pages 880 and then going on to 881, you'll see
8 Mr. Peters asking:

9 "Well, it's different for Centra Gas
10 Manitoba Inc. but Mr. Rainkie -- but
11 for our neighbours to the west,
12 wouldn't most other -- every other
13 gas utility in Canada be using a
14 rate-based rate of return
15 methodology?"

16 And your answer was:

17 "Certainly. Yeah. The investor-
18 owned utilities usually use that
19 kind of methodology. Cost of
20 service is more consistent with, you
21 know, a Crown corporation."

22 That was your answer then?

23 MR. DARREN RAINKIE: Yes. That was --
24 we were discussing, I think, in the context of this
25 transcript, moving to a cost of service methodology.

1 MS. HELGA VAN IDERSTINE: And

2 Mr. Peters then responds with:

3 "And the cost of service methodology
4 as you mentioned before is a process
5 the Board has migrated to in terms
6 of setting the rates, but it still
7 does a calculation of the rate-based
8 rate of return to at least provide a
9 measure up against what -- what it's
10 finding on the cost of service
11 side."

12 And so that's what I was asking you if
13 that's generally how the PUB has approached this with
14 respect to Centra Gas.

15 MR. DARREN RAINKIE: It has, but I
16 don't think it's a true cost of service methodology.
17 I think it's a misnomer.

18 MS. HELGA VAN IDERSTINE: Okay.

19 MR. DARREN RAINKIE: How rates are
20 actually set, just to be clear.

21 MS. HELGA VAN IDERSTINE: Yeah.

22 MR. DARREN RAINKIE: Rates are set, I
23 think, on what I would call a modified rate-based rate
24 of return, and there is a side calculation check in
25 terms of rate-based rate of return is my perspective.

1 MS. HELGA VAN IDERSTINE: Now, you're
2 speaking on behalf of the regulator now? Is that --
3 'cause I was asking a question about what the evidence
4 was at the last hearing. And as I understand it,
5 that's what Mr. Peters was stating how the regulator
6 was...

7 MR. DARREN RAINKIE: Mr. Peters, as I
8 remember the context of this --

9 MS. HELGA VAN IDERSTINE: You can take
10 a look at the document.

11 MR. DARREN RAINKIE: I am looking at
12 the document. I'm just trying to provide the context
13 of probably a thousand page transcript for a moment.

14 Mr. Peters was questioning me on the
15 generic cost of service versus rate-based rate of
16 return methodologies, and that's what my -- my answer
17 is.

18 I'm not speaking on behalf of the
19 Board. I'm simply saying my interpretation of what's
20 happened and how rates have been set since, I think,
21 2005 -- I stand to be corrected -- is a modified
22 rate-based rate of return. That's my interpretation
23 of what the Board's doing.

24 MS. HELGA VAN IDERSTINE: Okay. And
25 that is not -- sorry. I will leave that because as

1 we've seen from the evidence that we're talking about,
2 the cost of service principle underlying the
3 principles which are being applied.

4 MR. DARREN RAINKIE: Sorry. I'm not
5 sure -- is there a question? Can you rephrase that?

6 MS. HELGA VAN IDERSTINE: I don't
7 think I need to rephrase it. We've discussed that
8 enough I think. We'll move on.

9 So the -- when you were the -- with
10 Manitoba Hydro, you had a variety of capacities. You
11 act as manager of the regulatory services department,
12 corporate treasurer, corporate controller, acting
13 president, chief executive officer, vice president,
14 financial and regulatory affairs, and chief financial
15 officer. Is that fair?

16 MR. DARREN RAINKIE: Yes. At some
17 points, I had the longest business card in the
18 organization.

19 MS. HELGA VAN IDERSTINE: And in that
20 context, you would have had the responsibility for
21 providing and marshalling the evidence on behalf of
22 Centra and Manitoba Hydro to the PUB for rate reviews?

23 MR. DARREN RAINKIE: That's fair, yes.

24 MS. HELGA VAN IDERSTINE: And while
25 you were with Manitoba Hydro and Centra Gas, you were,

1 at times, on the Executive Committee?

2 MR. DARREN RAINKIE: Yes, for four (4)
3 years.

4 MS. HELGA VAN IDERSTINE: And the
5 Executive Committee was -- develops policy and makes
6 recommendations to the Board of Manitoba Hydro?

7 MR. DARREN RAINKIE: That's correct.

8 MS. HELGA VAN IDERSTINE: And when you
9 -- would you agree that, when you came to this Board
10 with applications on behalf of Centra and Manitoba
11 Hydro, that you told the truth, present what you
12 believed what you were reasonable and responsible
13 estimates, applied professional judgment in your work
14 and sincerely tried to help the PUB, Manitoba Centra
15 Gas, and the ratepayers?

16 MR. DARREN RAINKIE: Yes. My -- my
17 role was to explain -- as an executive, was to explain
18 the policy of the Manitoba Hydro Electric Board to the
19 Public Utilities Board of Manitoba.

20 MS. HELGA VAN IDERSTINE: I -- I don't
21 think you meant to qualify what I said, which was that
22 you were applying professional judgment, telling the
23 truth, presenting reasonable and responsible
24 estimates?

25 MR. DARREN RAINKIE: No, no, I -- I

1 didn't modify anything. I'm just saying there's --
2 that -- that is the role that I was in at that point.

3 MS. HELGA VAN IDERSTINE: So, if we
4 can look at tab 5 in the GRA electric from 2015...

5

6 (BRIEF PAUSE)

7

8 MS. HELGA VAN IDERSTINE: And over at
9 page 304, you gave evidence at that time as follows:

10 I think the Board has concluded in
11 the last couple of rate orders that
12 Manitoba Hydro didn't have a strong
13 commitment to cost containment.

14 But I think what's happening is we
15 haven't done a good job at
16 presenting that to the Board because
17 I think Manitoba Hydro always has
18 had a strong commitment to cost
19 containment.

20 Now, was that an accurate statement of
21 your view of Manitoba Hydro at the time?

22

23 (BRIEF PAUSE)

24

25 MR. DARREN RAINKIE: Yes. Yes, that

1 was my testimony.

2 MS. HELGA VAN IDERSTINE: And -- and
3 it was true and accurate?

4 MR. DARREN RAINKIE: Yes. I'd have to
5 go back to the exact context, but I think in these
6 hearings there's complicated matters. And sometimes
7 you -- you come back to the next hearing and you say
8 we didn't do that great of a job in the past
9 explaining ourselves.

10 MS. HELGA VAN IDERSTINE: Well, is
11 there something ambiguous about the phrase:

12 I think Manitoba Hydro always has
13 had a strong commitment to cost
14 containment.

15 MR. DARREN RAINKIE: No, there's
16 nothing ambiguous about that.

17 MS. HELGA VAN IDERSTINE: So, as a
18 chartered professional accountant, you'd have
19 responsibilities in accordance with your
20 qualifications to ensure that Manitoba Hydro and
21 Centra Gas present their accounts in accordance with
22 accepting accounting principles and standards.

23 Is that correct?

24 MR. DARREN RAINKIE: That's correct.

25 MS. HELGA VAN IDERSTINE: And you're

1 familiar with the International Financial Reporting
2 Standards, I understand?

3 MR. DARREN RAINKIE: Yes, I am.

4 MS. HELGA VAN IDERSTINE: And, in
5 fact, as I understand it, from -- when Manitoba Hydro
6 and Centra Gas were moving to applying IFRS in 2015
7 and '16, that was something that you were the
8 executable -- executive accountable to oversee for the
9 transition to it on behalf of Manitoba Hydro and
10 Centra Gas?

11 MR. DARREN RAINKIE: That is correct.

12 MS. HELGA VAN IDERSTINE: In fact, at
13 that point, you were the Vice-president of Finance and
14 Regulatory Affairs and Chief Financial Officer?

15 MR. DARREN RAINKIE: That's correct.

16 MS. HELGA VAN IDERSTINE: Now, do you
17 recall that, in considering the differences in timing
18 when cer -- of when certain expenses and revenues are
19 to be recognized under IFRS for financial report and
20 when such comments -- such amounts were to be
21 recognized for rate setting pur -- purposes, that you
22 advocated that it was not appropriate for Manitoba
23 Hydro to keep separate financial records.

24 And by, "Separate financial records," I
25 mean one (1) set of financial records for the

1 regulator. And just before you answer that question
2 and to be absolutely fair to you, what I'd like you to
3 do is turn -- turn to tab 6, page 322.

4 I'm just going to read to you an answer
5 that you provided in the PUB Manitoba Hydro GRA on May
6 25th, 2015. And it starts at the bottom of page 322
7 and continues over onto 323.

8 And what you said then -- and if you
9 just want to make sure -- to make sure that it was
10 you, if -- you can look -- on the earlier page it
11 says, "Mr. Darren Rainkie."

12 So, looking at that, it says:

13 In Manitoba Hydro's view, one (1)
14 set of books is preferable. It
15 reduces the confusion of various
16 users of financial statements,
17 looking at different schedules,
18 trying to rely on different
19 information to make decisions and
20 evaluate performance.

21 It improves the transparency of the
22 rate setting process. We can trace
23 numbers in-between the financials
24 and the -- at the rate setting
25 orders. It improves the reliability

¹ of rate setting.

2 As I mentioned earlier, I think one
3 (1) set of users -- I think one (1)
4 of the users of our audited
5 financial statements is definitely
6 the Public Utilities Board. And
7 there's reliability that all of our
8 users of our financial statements
9 weigh on the -- that audit opinion
0 from the -- well, in this case, our
1 auditors are Ernst & Young
2 currently.

13 But I mean that that says to the
14 Board it doesn't have to go about
15 auditing the information, it can use
16 the information on that basis.

1 commented on the interim standards
2 on the regulatory deferral accounts.

3 Now, that was your evidence. Would you
4 agree that that's what you were -- you were
5 recommending and advocating that the Manitoba Hydro
6 and the PUB accept one (1) set of --

7 MR. DARREN RAINKIE: Yeah, I said that
8 that's preferable, as I have done in my current
9 evidence in -- in this proceeding.

10 MS. HELGA VAN IDERSTINE: And you'd
11 agree that one (1) of the principles of IFRS, when it
12 comes to the preparation of the consolidated financial
13 statements for financial reporting purposes, is that
14 accounting policies and practices of the subsidiaries
15 must be consistent with the accounting policies and
16 practices of the parent?

17 MR. DARREN RAINKIE: That's correct,
18 for financial reporting purposes, yes.

19 MS. HELGA VAN IDERSTINE: And just for
20 clarity and for the Board's purposes, in case their
21 looking for it, it -- it's -- we put the -- the IFRS
22 statement is reproduced at Tab 4 of the book of
23 authorities. I just want to confirm -- or book of
24 documents.

25 And that's the statement we're talking

1 about, Mr. Rainkie?

2 MR. DARREN RAINKIE: Yes, that's
3 correct.

4 MS. HELGA VAN IDERSTINE: Now, again,
5 you're aware from your work with Manitoba Hydro that
6 the electric line of business capitalizes the cost of
7 the meter exchange labour?

8 MR. DARREN RAINKIE: Yes, it has
9 historically.

10 MS. HELGA VAN IDERSTINE: And you'd
11 agree that, to be in conformance with IFRS, the
12 preparation of the consolidated financial statements
13 for Manitoba Hydro, Centra accounting for meter
14 exchanges should be harmonized with the accounting
15 practices in the electric line of business?

16 MR. DARREN RAINKIE: Yes, for
17 financial reporting purposes.

18 MS. HELGA VAN IDERSTINE: And, in
19 fact, while you were with Manitoba Hydro, you
20 requested that Centra Gas be permitted to capitalize
21 the cost of meter la -- meter exchanges?

22 MR. DARREN RAINKIE: Yes, the Company,
23 I think it's on the record, submitted that intent in
24 early 2016.

25 MS. HELGA VAN IDERSTINE: And that was

1 at your direction?

2 MR. DARREN RAINKIE: Yes, it was.

3

4 (BRIEF PAUSE)

5

6 MS. HELGA VAN IDERSTINE: And you'd
7 agree that, in accordance with accounting principles,
8 that regulatory deferrals within the financial
9 statements represent temporary differences in the
10 timing as to when certain expenses and revenues may be
11 recognized into income for financial reporting ser --
12 purposes?

13 MR. DARREN RAINKIE: Yes, that they
14 represent timing differences, yes. That's why they're
15 deferred and amortized.

16 MS. HELGA VAN IDERSTINE: Sorry. And
17 I should have com -- completed the sentence. And --
18 and it -- as well, when such amounts may be recognized
19 for rate setting purposes?

20 MR. DARREN RAINKIE: Yes. The -- the
21 fact that there's a different treatment for rate
22 purposes is what -- well, I'll choose my terms
23 correctly here.

24 But the fact that there's a different
25 treatment for rate purposes is what causes you to

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1 adjust the financial statements and essentially set up
2 regulatory accounts in the first place.

3 MS. HELGA VAN IDERSTINE: So, I think
4 you've answered my next question, which was, a
5 regulator may prefer for rate setting purposes that
6 the recognition on certain revenue or expenses be
7 deferred or delayed until a later date than would
8 otherwise be required in IFRS?

9 MR. DARREN RAINKIE: Yeah. I think my
10 last answer was exactly the point you're making, yes.

11 MS. HELGA VAN IDERSTINE: I'm
12 listening.

13 MR. DARREN RAINKIE: Well, that's
14 always good.

15 MS. HELGA VAN IDERSTINE: So, I do
16 actually have a fairly long question coming up, so I'm
17 just going to try and break it down a little bit.

18 If I can take you back in a bit of ti -
19 - in time. When you were in an executive position
20 with Manitoba Hydro and Centra Gas and during the IFRS
21 transition, the issue of how to account for the meter
22 exchange costs arose.

23 And, at that time, it was part of the
24 accounting issues that Centra had to resolve as part
25 of a transfer -- is transferred to IFRS.

1 Is that correct?

2 MR. DARREN RAINKIE: Yes. That's why
3 Centra wrote the letter to the PUB in early 2006 -- or
4 spring of 2016, I think.

5 MS. HELGA VAN IDERSTINE: Yeah. And -
6 - and in your role that -- that decision was being
7 made to expense the meter exchange costs on individual
8 financial statements of Centra but to capitalize such
9 costs on the consolidated accounts in order to be
10 consistent with the accounting that was be followed by
11 the parent company?

12 MR. DARREN RAINKIE: Well, I think
13 there's two (2) parts to that. It's -- it's that
14 consistency that's required, as -- as you've noted in
15 your -- in page 11 of your book here.

16 But the other part of that was to
17 conform with the PUB's directive -- or regulatory
18 directive that Centra make no changes to its
19 accounting policies until the next GRA, which, at that
20 point, was anticipated to be in early 2017.

21 So, there's two (2) parts to that
22 equation.

23 MS. HELGA VAN IDERSTINE: Perfect.
24 And -- but if you -- you'd agree that, if the PUB had
25 accepted the proposal that you were making regarding

1 the 15.3 million from the gas meter exchange, the
2 amount will then have to be repaid or recovered by the
3 ratepayer over a speci period -- specified period of
4 time?

5 MR. DARREN RAINKIE: Sorry, can you
6 repeat that?

7 MS. HELGA VAN IDERSTINE: Oh, sorry, I
8 was leaning back. I will try and lean forward. Thank
9 you for reminding me.

10 So, I think I may have mixed up some
11 tenses there, so let me try again.

12 MR. DARREN RAINKIE: Okay. It wasn't
13 me then?

14 MS. HELGA VAN IDERSTINE: No, I -- it
15 was me.

16 MR. DARREN RAINKIE: Okay.

17 MS. HELGA VAN IDERSTINE: And I --
18 undoubtedly, it was my relaxed state where I leaned
19 back and caused my thinking to get fuzzy.

20 So, would you agree that, if the PUB
21 accepted your -- your proposal regarding the 15.3
22 million from the gas meter exchange -- I've got you
23 there -- following me?

24 MR. DARREN RAINKIE: Sorry, Centra's
25 proposal to, at that point in time --

1 MS. HELGA VAN IDERSTINE: Your
2 proposal now --

3 MR. DARREN RAINKIE: Oh, okay.

4 MS. HELGA VAN IDERSTINE: -- for the
5 15.3 million.

6 MR. DARREN RAINKIE: Okay. Okay.

7 Okay. Sorry. That's, I think, where I was getting
8 mixed up, as well.

9 MS. HELGA VAN IDERSTINE: So, would
10 you agree that, if the PUB accepted your proposal
11 regarding the 15.3 million from the gas meter
12 exchange, that amount will then have to be repaid or
13 recovered by the ratepayer over a spe -- specified
14 period of time, ten (10) years or whatever, because
15 it's still an expense that needs -- still needs to be
16 accounted for?

17 MR. DARREN RAINKIE: Well, there's
18 actually two (2) parts of it. The customers have
19 actually paid the \$5 million in the last five (5)
20 years. And I was thinking about this yesterday.

21 What -- the other alternative treatment
22 would have been to set up an asset. Sorry, I'm just
23 going to -- I'm going to have to explain a little bit
24 about technical accounting to give you the answer
25 here.

1 But the way that the accounting works
2 under these regulatory standards is that, on the top
3 part of your income statement you record all of your
4 transactions as if you weren't a regulated company.

5 And then you move to the net movement
6 in regulatory accounts. You've reversed the treatment
7 that's up here and you put in the treatment that the -
8 - that the Public Utilities Board is specifying.

9 Another way of doing this back in 2016
10 would have been to set up the asset in Centra's books.
11 And then, in the net movement, reverse that and
12 expense it to conform with the PUB's requirements and
13 set up a regulatory liability because the customers
14 have funded this. They've paid the \$5 million.

15 And, essentially, your accounting
16 policy now, in capitalizing that cost, is saying we
17 don't need the \$5 million every year, we only need the
18 amortization of that.

19 So, you have to amortize the asset.
20 This is getting complicated, I know, but you have to
21 amortize the asset. But the question is, what do you
22 do with the fact that the customers have prepaid this?

23 If you set up a regulatory liability,
24 then you could amortize that liability over any period
25 of time, which I suggest to you should be lower than a

1 ten (10) year time frame because you're essentially
2 going to refund the customer's money that they
3 shouldn't have paid in the first place.

4 So, you know, there's -- there's
5 different ways of treating this, but that probably
6 would have been -- I think we're getting mixed up on
7 the amortization of the asset.

8 Customers have already paid the \$5
9 million in their rates. That was embedded in the
10 2013/'14 GRA, \$5 million a year, so why would the
11 customers have to pay for that again? That doesn't
12 make any sense, at least in the accounting world that
13 I live in.

14 MS. HELGA VAN IDERSTINE: So, sorry, I
15 don't think you actually answered my question, but I
16 was interested in what you were saying.

17 So, what you were just explaining was
18 an alternate approach which you, as CFO, could have
19 taken and chose not to do during the time frame that
20 wa -- asset was on -- or this expense was on the
21 books?

22 MR. DARREN RAINKIE: Well, regrets are
23 always regrets. But if -- if I had a time machine and
24 I knew that Centra was balking at doing what is a fair
25 thing to do for customers, I could have specified that

1 treatment and it wouldn't be -- it wouldn't even be an
2 issue right now.

3 We would have three (3) other -- three
4 (3) other IFRS accounts were captured at that point in
5 time that are collecting money from customers. For
6 some reason, Centra is hesitant to take this fourth
7 account that actually goes the other way and would
8 benefit customers and put it back on its books.

9 If I knew back then that the new
10 management would have, you know, this uneven way of
11 treating these different accounts, I could have
12 specified that alternate treatment. But, at that
13 point in time, I thought the issue was going to the
14 PUB in 2017 and the Board would issue a rate setting
15 direction and we would sort it out.

16 MS. HELGA VAN IDERSTINE: So you were
17 CFO until February 2017, as I understand it.

18 MR. DARREN RAINKIE: Yes, I was.

19 MS. HELGA VAN IDERSTINE: So -- and if
20 I understand what you're saying -- well, if I can
21 recap what you just said, one of the things is, is
22 that Manitoba Hydro is coming to this -- or Centra
23 Gas, excuse me, is coming to the Board right now with
24 this amount that they have identified as the amount
25 the customer has paid.

1 MR. DARREN RAINKIE: Yes, a \$15
2 million --

3 MS. HELGA VAN IDERSTINE: They weren't
4 hiding that fact --

5 MR. DARREN RAINKIE: -- profit
6 adjustment.

7 MS. HELGA VAN IDERSTINE: Well, or net
8 income.

9 MR. DARREN RAINKIE: Well, net income,
10 profit adjustments, retained earnings, are all similar
11 things.

12 MS. HELGA VAN IDERSTINE: But there's
13 a different this a different connotation when you use
14 that word though, which is not a word you used when
15 you were sitting on this side of the table.

16 MR. DARREN RAINKIE: What -- sorry,
17 what -- what word don't we use --

18 MS. HELGA VAN IDERSTINE: Net income.

19 MR. DARREN RAINKIE: I think in one of
20 the quarterly reports, Centra referred to it as a
21 profit adjustment, but I don't think that matters.

22 MS. HELGA VAN IDERSTINE: No, I don't
23 think so.

24 So the issue is that the Centra is not
25 -- Centra was the one who brought that amount to the

1 Board and identified that the customers has already
2 paid for it. You agree with that?

3 MR. DARREN RAINKIE: In this
4 proceeding?

5 MS. HELGA VAN IDERSTINE: Yes.

6 MR. DARREN RAINKIE: I don't think
7 Centra talked about the \$15 million -- because that
8 \$15 million is on the elimination column in Manitoba
9 Hydro, it was silent.

10 Centra talked about the three (3) other
11 regulatory deferral accounts that were set up on the
12 transition to IFRS because it's asking for recovery of
13 those from customers, but I don't recall, other than
14 an oblique reference in the -- in the quarterly
15 reports or the annual reports, any submission to the
16 PUB on what the appropriate ratesetting treatment of
17 those -- of that profit adjustment was.

18 MS. HELGA VAN IDERSTINE: But you
19 heard Ms. Bauerlein discussing it extensively
20 yesterday.

21 MR. DARREN RAINKIE: I was talking
22 about the original application. I think that was your
23 question. So --

24 MS. HELGA VAN IDERSTINE: So, and when
25 --

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1 MR. DARREN RAINKIE: I think it was --
2 that issue was identified by myself and PUB advisors.

3 MS. HELGA VAN IDERSTINE: And when
4 accounting decisions were being made during 2015 to
5 2017, those were decisions that you were making as
6 CFO.

7 MR. DARREN RAINKIE: Yes, with every
8 intent that the customers would get the benefit of
9 that once a hearing happened, and that's clear in the
10 March 2016 letter, that, as you said, I was
11 responsible for reviewing and approving to go to the
12 PUB.

13 MS. HELGA VAN IDERSTINE: And you had
14 -- and you had --

15 MR. DARREN RAINKIE: And the intent
16 was clear that that money -- we -- we -- that we felt
17 that that money should be capitalized rather than
18 expensed, and -- and the connotation of that is that
19 customers don't have to pay the \$5 million every year;
20 they pay the amortization on it. That was the intent
21 at that point.

22 And if you're asking me if I agree with
23 that intent, I do, and that's why my evidence right
24 now tries to clean this mess up and get back to the
25 intent that was present in March 2016. And I'm just

1 not sure why --

2 MS. HELGA VAN IDERSTINE: And would
3 that mean --

4 MR. DARREN RAINKIE: -- Centra is
5 hesitant to do that.

6 MS. HELGA VAN IDERSTINE: And would
7 that mean that there would have to be effectively two
8 (2) sets of books?

9 MR. DARREN RAINKIE: No. I think you
10 can transfer this from the elimination segment back to
11 the Centra set of books.

12 MS. HELGA VAN IDERSTINE: And that's
13 it you're doing the regulatory recommendation that you
14 made today for the first time.

15 MR. DARREN RAINKIE: I'm sorry, I'm
16 not sure what you mean for the first time.

17 MS. HELGA VAN IDERSTINE: Well, you
18 came up with a theory while you're sitting here about
19 a way that you could have dealt with this two (2) or
20 three (3) years ago, which is the first time we're
21 hearing about it right now.

22 MR. DARREN RAINKIE: Oh, I don't know.
23 We heard a lot of evidence yesterday that wasn't on
24 the record. So, I mean, if it's about making this,
25 you know, clear to the Board, it's -- what -- what --

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1 you know, it's unfortunate -- I think the -- all these
2 scenarios that have a regulated asset are actually not
3 correct. I think this is regulated liability.

4 This is something that's going in the
5 opposite direction and should actually reduce rates
6 for customer. I think we got the sign -- all of us
7 and the questions that we asked, we put the wrong sign
8 on this. This has got a minus on it, not a plus, and
9 so --

10 MS. HELGA VAN IDERSTINE: So, Mr. --

11 MR. DARREN RAINKIE: -- I apologize
12 for that if we didn't catch it until, you know, this
13 late date.

14 MS. HELGA VAN IDERSTINE: Mr. Rainkie,
15 if you wouldn't mind turning to Tab -- Tab 8 of the
16 Book of Documents we've provided, and if you'll turn
17 over to page -- sorry, 27 through 29, that's the
18 response that the Public Utilities Board had to
19 Manitoba Hydro's -- or Centra's proposal.

20 Do you see that?

21 MR. DARREN RAINKIE: Sorry, page 27?

22 MS. HELGA VAN IDERSTINE: 27 is the
23 response of April 4th, 2016, letter from Centra --
24 from the PUB to Centra. See that?

25 MR. DARREN RAINKIE: Yes, I see that.

1 MS. HELGA VAN IDERSTINE: That's the
2 letter you've been just discussing. Is that correct?

3 MR. DARREN RAINKIE: Well, so, I was
4 discussing the -- Centra's letter that was --

5 MS. HELGA VAN IDERSTINE: And --

6 MR. DARREN RAINKIE: -- April of '16.

7 MS. HELGA VAN IDERSTINE: And then it
8 was -- and sent -- the PUB's response then to Centra's
9 letter.

10 MR. DARREN RAINKIE: Yes, but you were
11 asking me about what I did, and I was involved in
12 making the intent known to the Board, but the Board is
13 responsible for its decision.

14 MS. HELGA VAN IDERSTINE: And makes a
15 decision, and which they respond to you on April 4th,
16 2016.

17 MR. DARREN RAINKIE: That's correct.

18 MS. HELGA VAN IDERSTINE: And in that
19 response, rather than accepting the proposal which you
20 had put forward, the Board states --

21

22 (BRIEF PAUSE)

23

24 MS. HELGA VAN IDERSTINE: -- on the --
25 on page 28, it says:

1 "While in the Board's view it would
2 be preferable for Centra's financial
3 statements to be consistent with the
4 current ratesetting methodology
5 approved by the Board, the Board
6 cannot pride -- provide the
7 requested guidance as to how Centra
8 should prepare its financial
9 statements for financial reporting
10 purposes. As such, both Manitoba
11 Hydro and Centra should seek the
12 appropriate guidance from the
13 internal and external accounting
14 advisors with respect to their
15 obligations under IFRS to comply
16 with the directives of the Board
17 Order 73/15."

18 MR. DARREN RAINKIE: Yeah, and I think
19 you stopped one (1) sentence a little bit short there.

20 "This should include a consideration
21 of the risk of the Utility having to
22 restate its financial statements and
23 its financial reporting methodology
24 -- does not align with the Board-
25 approved ratesetting methodology."

1 That is the Public Utilities Board of
2 Manitoba putting the Centra Gas on notice that there
3 have may have to be a restatement of its financial
4 statements later if -- if the ratesetting guidance is
5 different than the accounting of the Company.

6 MS. HELGA VAN IDERSTINE: Mr. Rainkie,
7 if you follow down to the next line -- let me finish.

8 MR. DARREN RAINKIE: Well, you left
9 that sentence out for some reason. I think it's very
10 important.

11 MS. HELGA VAN IDERSTINE: I actually
12 didn't leave it out. You jumped in before I could
13 finish. So maybe you could be a little bit more
14 respectful and wait for me to finish.

15 So if we go down to the bottom of the
16 line -- the page, and it will say:

17 "In the Board's view, whether each
18 of the accounting changes proposed
19 by Centra in its March 10th, 2016,
20 correspondence should be implemented
21 for ratesetting purposes will be
22 examined in the next Centra General
23 Rate Application and does not
24 warrant a normal proceeding at this
25 time. It's the Board's intention to

1 examine and make a final ruling with
2 respect to each of these issues for
3 ratesetting purposes at the hearing
4 of the next General Rate Application
5 in 2017."

6 So you'd understand from that that the
7 plan was that this would be dealt with at the next
8 General Rate Hearing. Is that correct?

9 MR. DARREN RAINKIE: Yes, I think
10 that's all of our understandings, I hope.

11 MS. HELGA VAN IDERSTINE: And in 2017
12 at the time that you had left, you weren't with Man --
13 still with Centra, you had not taken any steps to then
14 bring this forward to a General Rate Application in
15 2017. Is that correct?

16 MR. DARREN RAINKIE: Well, so I don't
17 -- it's a little disingenuous, I think, when you think
18 about the election that happened in early 2016 and the
19 Manitoba Hydro Board totally changing, and the
20 direction of the Board was really very much looking at
21 things, and this is public record, from Mr. Riley,
22 things like equity injections and into Manitoba Hydro.
23 So the agenda of Manitoba Hydro and Centra Gas was not
24 changed by Darren B. Rainkie. It was changed by Mr.
25 Riley and the MHEB.

1 So I can't take credit for that. I had
2 every intention of -- of delivering a 2017 GRA to the
3 PUB at that point, but I can't control a change in
4 government and Board.

5 MS. HELGA VAN IDERSTINE: And you --
6 but you were part of the executive team during that
7 period of time, giving advice and being part of the
8 decision-making process.

9 MR. DARREN RAINKIE: Yes, and the
10 direction from the Manitoba Hydro Electric Board at
11 that time was to -- as communicated to the Public
12 Utilities Board once again, was the concentration was
13 on the Electric side of the business because of the
14 investment in large generation, transmission assets,
15 and we were not going to put up as a priority a Centra
16 Gas GRA. And I communicated that, yes, to the Board,
17 but that's not my decision.

18 I would have preferred that we had an
19 application because, I mean, the CFO and the
20 regulatory VP does not want to be out of compliance
21 with a Public Utilities Board directive. That's not a
22 desirable thing.

23 MS. HELGA VAN IDERSTINE: Well, you
24 did hear Ms. Bauerlein yesterday, discussing what she
25 propo -- how she proposed that Centra Gas should

1 address the 15.3 million?

2 MR. DARREN RAINKIE: Yes, by not
3 addressing it, by leaving it in limbo in the
4 Eliminations column, I think is --

5 MS. HELGA VAN IDERSTINE: And over
6 time allowing it to reduce as would be anticipated.

7 MR. DARREN RAINKIE: But that's the
8 asset that's being created. What -- the part that
9 you're all missing is what do we do with the fact that
10 customers have funded \$5 million and they didn't need
11 to. You're -- you're not dealing with the rate
12 regulated liability that comes, as I -- as I said a
13 few minutes ago.

14 MS. HELGA VAN IDERSTINE: And you
15 would agree though --

16 MR. DARREN RAINKIE: There's two (2)
17 sides to a journal entry.

18 MS. HELGA VAN IDERSTINE: And you
19 would agree that Mani -- that customers and Manitoba
20 Hy -- excuse me, Centra Gas did incur that cost
21 though.

22 MR. DARREN RAINKIE: Yes, and they've
23 decided that it is not a parity expense, that it's not
24 an expense that's wasted in the -- in the year.
25 They've decided that it's to be capitalized because it

1 has benefits over ten (10) years. So the asset should
2 be amortized over ten (10) years, but what to do about
3 the intergenerational inequity of the fact that
4 customers have paid money and they didn't need to.

5 Like Ms. Bauerlein said yesterday, we
6 wouldn't want to move this amount to create an
7 intergenerational equity issue; we already an
8 intergenerational equity issue because of this
9 treatment.

10 The question right now is what to do
11 about it.

12 MS. HELGA VAN IDERSTINE: Exactly, Mr.
13 Rainkie, and -- but we can't lose sight of the fact
14 that this was an expense that has -- that -- correct,
15 is an expense. There's no doubt about that.

16 MR. DARREN RAINKIE: Yeah. And -- and
17 do you recognize that there was a revenue collected
18 against that expense? See, I think that's the part
19 that the Centra Panel is missing, in my respectful
20 submission.

21 MS. HELGA VAN IDERSTINE: And revenue
22 collected against that expense, and Centra has
23 presented one (1) way of dealing with that. You've
24 presented another way of dealing with that.

25 Would that be fair, that there's

1 options?

2 MR. DARREN RAINKIE: There's --

3 there's -- there's options, yes.

4 MS. HELGA VAN IDERSTINE: So --

5 MR. DARREN RAINKIE: I mean, not all
6 options are -- are equal in terms of fairness to the
7 customers that had paid those cost --

8 MS. HELGA VAN IDERSTINE: You'll also
9 be aware that, based solely on the information filed
10 in this application by Centra, that residential gas
11 customers are going to exper -- would experience a 10
12 percent reduction in their gas bills compared to rates
13 as filed in Centra's 2013 or '14 GRA. Is that
14 correct?

15 MR. DARREN RAINKIE: And what does
16 that have to do with an amount that should be owing to
17 the customers? Like, we have many different accounts
18 that are owed and are recoverable from the customers.
19 So, you know, I don't think singing Kumbaya, let's be
20 happy -- because most of that reduction is -- is due
21 to gas costs, that has nothing to do with this issue.

22 So in my respectful submission, you
23 know, the Board looks at all of the revenue
24 requirements of Centra and makes determination. Just
25 because there's an overall refund doesn't mean that

1 the Board shouldn't do its job and go through each
2 line item and make sure that each one is appropriate,
3 if that's what you're suggesting to me.

4 MS. HELGA VAN IDERSTINE: Well, I
5 wasn't, so if you'd just listen to my question. I did
6 hope that we'd be done in thirty (30) -- in the thirty
7 (30) minutes, so we'll try and continue along. But I
8 think you did acknowledge that Centra is proposing a
9 10 percent reduction to -- to the residential gas
10 customers.

11 MR. DARREN RAINKIE: Sure, and I
12 question the relevancy on this particular topic.

13 MS. HELGA VAN IDERSTINE: So, would
14 you agree, Mr. Rainkie, that during your tenure with
15 Manitoba Hydro and Centra Gas that you included
16 recovery in the O&A budgets for contingencies?

17 MR. DARREN RAINKIE: There probably
18 were contingencies in the budgets. It's not a partic
19 -- particularly good accounting practice or budgeting
20 practice that I'm proud of. I mean, a contingency is
21 really admitting you don't know where the details
22 should come from, but it's been a long-standing
23 practice of Manitoba Hydro. Maybe I should have done
24 more to clean that up.

25 But I think as we've seen in the

1 testimony, you know, on the last day, that's got to be
2 a little -- little crazy with, you know, budgets,
3 rebudgets, preliminary budgets, changes in budgets,
4 pluses and minuses. Like, at some point you need to
5 decide, you know, who's spending the money in what
6 part of the organization.

7 MS. HELGA VAN IDERSTINE: And it's
8 because of those changes and things that you would
9 work towards a budget and included a contingency to
10 ident -- to address that issue, of reaching the --
11 trying to -- trying to achieve the budgets you're
12 working towards.

13 MR. DARREN RAINKIE: Yeah. That's
14 what contingencies do. Whether they're a good
15 budgeting practice is another -- is another issue.

16 MS. HELGA VAN IDERSTINE: How long
17 were you CFO?

18 MR. DARREN RAINKIE: Approximately
19 four (4) years.

20 MS. HELGA VAN IDERSTINE: And would
21 you acknowledge that the July 24th update of Centra's
22 detailed O&A budget has a negative contingency of
23 approximately \$600,000?

24 MR. DARREN RAINKIE: That's what I
25 understand, although it's -- it's untested. I mean,

1 we -- the original budget, we had two (2) rounds of
2 Information Requests and thousands of pages of testing
3 and that -- that is -- that's an assertion by Centra.
4 I can't confirm it. I haven't tested it.

5 MS. HELGA VAN IDERSTINE: And you're
6 familiar with the Information Requests having to
7 respond to those hundreds of, sometimes thousands
8 Information Requests from the other side of the table.

9 MR. DARREN RAINKIE: Yes. At the --

10 MS. HELGA VAN IDERSTINE: A lot --

11 MR. DARREN RAINKIE: -- 2015 GRA, I
12 think I went to the optometrist at the end, after I
13 reviewed 2000 IRs but...

14 MS. HELGA VAN IDERSTINE: One of the
15 areas that I want to talk to you about is that you're
16 advocating a 1 percent escalation. Is that correct?

17 MR. DARREN RAINKIE: Yes, that's
18 correct, consistent with what the Board directed on
19 the larger corporation, Manitoba Hydro consolidated, I
20 guess.

21 MS. HELGA VAN IDERSTINE: And do you
22 recall that in the 2015 Electric GRA that there was a
23 suggestion from Manitoba Hydro that the escalation be
24 1 percent but that it was not going to be in
25 perpetuity but that it would be until 2021.

1 MR. DARREN RAINKIE: Yes, I mean
2 there's been a pretty significant change in the
3 budgeting of the province of Manitoba since then so
4 that -- that was a thought at the time but it's clear
5 that there's a new sheriff in town and probably for
6 another four (4) years at least.

7 So, I don't think things from a 15
8 forecast are really contextual right now.

9 MS. HELGA VAN IDERSTINE: Okay, I'm --
10 I actually don't want to talk about the Manitoba
11 government. I think that's a different issue so if we
12 can both be on the same page about that, that would be
13 helpful.

14 MR. DARREN RAINKIE: Well, Centra and
15 Manitoba Hydro are part of the public sector and roll
16 up into the government financial statements, so I
17 don't think you can quite make that distinction.

18 MS. HELGA VAN IDERSTINE: Do you
19 recall in the 2015 GRA, you described a 1 percent
20 escalation as a stretch target?

21 MR. DARREN RAINKIE: Yes, I mean
22 that's why I'm recommending it here is a cost control
23 measure.

24 MS. HELGA VAN IDERSTINE: And you
25 agree that when inflationary costs such as wage

1 increases, CPI are in excess of the escalation rate,
2 that in effect you're not keeping up with inflationary
3 pressures, and in your words would be -- it would be a
4 stretch target and would -- the effect is that it
5 reduces the ONA budget?

6 MR. DARREN RAINKIE: Can you repeat
7 the last part? Sorry, I -- I -- it trailed off.

8 MS. HELGA VAN IDERSTINE: I said that
9 in effect you're not keeping up with inflationary
10 pressures, in your words would be a stretch target,
11 which is in effect a reduction in the O&A target.

12 MR. DARREN RAINKIE: I'm not sure it's
13 a reduction in the O&A target, it's just saying there
14 are two different forces whenever a company is
15 planning operating costs, what are those cost
16 pressures and then what -- how do we want to manage
17 those cost pressures.

18 MS. HELGA VAN IDERSTINE: Let's take a
19 look at Tab 5 of the book of documents. And if we
20 look over to pages 305 and 306, 305 I think will -- so
21 this is the beginning of the discussion about the
22 escalation.

23 Page 305, you've gone past it, I think.
24 On the -- sorry, 304, sorry, is the start. There we
25 go.

1 And I think the board has concluded in
2 the last couple of -- Orders that Manitoba didn't --
3 sorry, I'm jumping ahead, it's my fault.

4 MR. DARREN RAINKIE: I think we went
5 over that already.

6 MS. HELGA VAN IDERSTINE: Yes, sorry,
7 I -- I'm confused. Page 305. There we go.

8 So limiting cost to 1 percent increase
9 is essentially equal to a 3 percent productivity
10 saving each year.

11 So in our view, that's definitely a
12 stretch target and it's reflective of a company that's
13 committed to controlling its costs in an area where we
14 have 3 to -- we have to ask for 4, close to 4 percent
15 rate increases.

16 And if you continue over to page 306,
17 and I'm sorry, we didn't highlight it. It's the
18 paragraph that starts "But the green", and the green
19 line on this chart is CPI and the red line is our
20 operating cost projections, which include -- excluding
21 accounting changes.

22 So we definitely believe that the 1
23 percent limit per year is a stretch target when you
24 recognize that wages and salaries are increasingly
25 typically at 3 to 4 percent annually and the limiting

1 of only increases to 1 percent per year is consistent
2 with the PUB's expectations.

3 So again, stretch target, 1 percent?

4 MR. DARREN RAINKIE: Yes. Of course,
5 recognizing I was talking about wage gains at that
6 point, this is where I think the provincial government
7 budgeting exercise in the public sector is very
8 germane, because at that point you were probably
9 having, you know, general wage increases of 2 or 3
10 percent in this environment, where you're having 0,
11 0.75 and 1 percent, there is not the same cost
12 pressures, so.

13 MS. HELGA VAN IDERSTINE: That
14 statement ---

15 MR. DARREN RAINKIE: A stretch target
16 would be probably lower than -- than what I had
17 recommended there in a different environment and
18 context.

19 MS. HELGA VAN IDERSTINE: And in that
20 context though, at 2015, Manitoba Hydro had not yet
21 made the VDP reductions that they subsequently made?

22 MR. DARREN RAINKIE: No, that was
23 2015.

24 MS. HELGA VAN IDERSTINE: But at the
25 time you made this statement, they had not yet made

1 the VDP reductions?

2 MR. DARREN RAINKIE: No, they hadn't.

3 MS. HELGA VAN IDERSTINE: Which would
4 further stretch Manitoba Hydro's ability to address
5 the ONA?

6 MR. DARREN RAINKIE: Well, I don't
7 think we're suggesting another VDP program and my
8 evidence, I think, I'm suggesting just what other
9 public sector organizations do, both at the
10 provincial, and as I understand, the city level, you
11 know, they -- they capture attrition, they maintain --
12 they manage vacancies to be able to manage budgets
13 expectations.

14 So I'm not suggesting, I don't agree,
15 and maybe we'll get to this with the rebuttal evidence
16 of Manitoba Hydro that 40 people have to be laid off
17 because of my recommendations, that's just utter
18 nonsense, really, particularly when you're just
19 allocating VDP savings between two (2) entities.

20 I can say, as a past executive of the
21 company, nobody is leaving the door because of that --
22 that type of an adjustment.

23 MS. HELGA VAN IDERSTINE: Mr. Rainkie,
24 I think we heard you just say that there was 0 percent
25 increase -- wage increases.

1 You are aware that the wage increases
2 are higher than that? You heard Ms. Bauerlein's
3 evidence the other day about that, didn't you?

4 MR. DARREN RAINKIE: Well that --
5 that's an interesting question because I'm not sure
6 when Manitoba Hydro is going to take it 0, it's 0,
7 it's .75 and it's 1 percent, I mean that's what the --
8 the wage free legislation is.

9 But even having said that, the numbers
10 on that schedule are, you know, there's a 1.25,
11 there's a 1, there's a .75, they certainly average
12 down to much lower numbers and I think this is clear
13 than pre-2016 and the new provincial government
14 budgeting, you know, approach.

15 I mean, we can go back and look at --
16 look at wage increases previously and they're higher
17 than what's happening in the public sector. I would
18 hope we could agree on that set of facts.

19 MS. HELGA VAN IDERSTINE: In addition
20 to wages, there would be other inflationary pressures?

21 MR. DARREN RAINKIE: Yes, and there's
22 other deflationary pressures, there's an increased us
23 of technology, you know, Manitoba Hydro has
24 consolidated its -- its district offices. I mean,
25 there is other things that happen.

1 That's the difficult part in terms of
2 only talking about pressures. It's like a one-sided
3 journal entry. What's on the other side? Where are
4 the efficiencies that are expected of a public
5 organization?

6 MS. HELGA VAN IDERSTINE: The -- the -
7 - as you -- as you have previously said and your
8 evidence has been, Manitoba Hydro is committed to cost
9 containment.

10 MR. DARREN RAINKIE: Yes. In my first
11 year as VP we moved from the prior 2 percent
12 budgeting, you know, normal just add 2 percent on like
13 the current proposal is to a 1 percent.

14 We recognized that the tide was turning
15 back in 2013, we recognized that we were pursuing
16 large projects and there was significant rate
17 pressures to customers.

18 So we actually didn't wait for the --
19 the new government to -- to make an edict to reduce
20 people, we started doing that back in 2013/'14.

21 MS. HELGA VAN IDERSTINE: I'm going to
22 come back to that, Mr. Rainkie, so I don't want you to
23 lose that point, because I want to talk to you about
24 it in a minute.

25 But you'd be aware, of course, that

1 then we've talked a little bit about it, that between
2 -- after the 2015 GRA that Manitoba Hydro and Centra
3 Gas reduced its staffing by approximately 820 persons
4 through the VDP program. Is that right?

5 MR. DARREN RAINKIE: That's correct.

6 MS. HELGA VAN IDERSTINE: In addition,
7 there were additional other people that left and -- or
8 -- or moved along that would be beyond that?

9 MR. DARREN RAINKIE: Yes, there is
10 clearly even after the VDP a significant number of
11 folks that are -- will be or are retirement eligible
12 for Manitoba Hydro.

13 So there are additional attrition
14 possibilities which I think the Manitoba Hydro
15 Electric panel recognized in making its determination
16 that 1 percent escalation was appropriate for rate
17 setting.

18 MS. HELGA VAN IDERSTINE: Well, I'd
19 like to talk to you a bit about the recent electric
20 hearing.

21 You gave evidence for CAC at that
22 hearing?

23 MR. DARREN RAINKIE: Yes, I did.

24 MS. HELGA VAN IDERSTINE: And at that
25 point, Centra had already filed its GRA application

1 and I understand you reviewed it?

2 MR. DARREN RAINKIE: Let's think of
3 the timing here. They were both filed, I think, the
4 same day, as I recall, yes.

5 MS. HELGA VAN IDERSTINE: And -- and
6 you prepared and filed evidence in this hearing around
7 the same time, June 2019, and gave evidence in May of
8 2019?

9 MR. DARREN RAINKIE: We must have put
10 evidence in earlier to have been able to appear.

11 I think it was probably in January on
12 the electric hearing.

13 MS. HELGA VAN IDERSTINE: But you --
14 at the same time, you would have been also aware of
15 and reviewing some of the information from Centra?

16 MR. DARREN RAINKIE: No, actually you
17 know what? No, because the pre-hearing conference on
18 the gas side didn't start until January 24th, so I
19 probably did a cursory review, but I -- I don't know
20 when I did a de -- a deep dive on the gas GRA, because
21 we were obviously working intently on the electric.

22 MS. HELGA VAN IDERSTINE: But
23 certainly aware of what was -- of Centra's position on
24 its application?

25 MR. DARREN RAINKIE: Yes, in general

1 terms. Yes.

2 MS. HELGA VAN IDERSTINE: And at the
3 point that you were giving evidence in the GRA
4 electric, you would have been aware that Manitoba
5 Hydro was attributing 96 percent of the VDP savings to
6 Manitoba Hydro electric line of business?

7 MR. DARREN RAINKIE: No, the -- the
8 electric GRA, as I recall, the -- there was just one
9 number. I mean, every time we asked a detailed
10 question on operating costs, we got the same stand pat
11 answer that the company was going through the details
12 and was committed to the targets, but there were no
13 details available at the Manitoba Hydro Electric GRA
14 other than I think there was a -- a very high level
15 target calculation.

16 MS. HELGA VAN IDERSTINE: I guess
17 we'll both have to look through that evidence.

18 But you -- it would be fair to say that
19 you did not express any concerns about the allocation
20 of the VDP savings in that manner either, or -- in --
21 towards the elective line of business or Centra at
22 that time?

23 MR. DARREN RAINKIE: It wasn't a
24 matter that was under -- under review, because I mean
25 the company didn't have -- it couldn't produce a

1 forecast, so I'm not sure how we would have pursued
2 that.

3 Like I said, every time we asked a
4 detailed IR and we can turn it up if we go to the
5 Board's website and go through about 50 IRs where the
6 response of Manitoba Hydro is we have no detailed
7 budget and we're committed to the targets.

8 That's a fact.

9 MS. HELGA VAN IDERSTINE: And you
10 would have had the '18/'19 budget for Manitoba Hydro?

11 MR. DARREN RAINKIE: I don't -- I
12 don't recall if there was -- there was no detail on
13 '18/'19 as well.

14 I mean, Manitoba Hydro hasn't produced
15 a -- a O&A budget for over two years, as I recall.
16 I'm not sure why, but they haven't.

17 MS. HELGA VAN IDERSTINE: As I said,
18 we can check the evidence on that.

19 So you were --

20 MR. DARREN RAINKIE: Just to be clear,
21 I mean, I think there was a rebuttal point in Centra's
22 evidence that said, you know, kind of like I was
23 snookering the electric side becoming and making the
24 recommendation on the gas side, and I'm sure you have
25 not -- if I'm working for CAC on the electric side at

1 the next general rate application and the PUB decides
2 there's a better allocation, I'll accept it on the
3 electric side. I mean, this is -- this form is about
4 what's fair and what is a fair allocation of the
5 benefits, you know, between electric and gas
6 operation, not who came first in the application and
7 the level of detail that's available.

8 So -- so --

9 MS. HELGA VAN IDERSTINE: Are you --
10 MR. DARREN RAINKIE: Just to make that
11 clear, in terms of your rebuttal evidence, I -- I have
12 no intention of going back to the electric and saying
13 well, we should do something different.

14 MS. HELGA VAN IDERSTINE: So, Mr.
15 Rainkie, I think we've been through this before, but
16 you were employed by Manitoba Hydro until February
17 2017?

18 MR. DARREN RAINKIE: Yes, I was.

19 MS. HELGA VAN IDERSTINE: And in Mr.
20 Meronek's opening statement we heard him saying that
21 CAC would be arguing for a \$56 million O&A budget.

22 Is that your position as well?

23 MR. DARREN RAINKIE: Yes, that's my
24 recommendation.

25 MS. HELGA VAN IDERSTINE: Can you look

1 at page -- can we have the board -- the PUB Board's
2 book of documents -- sorry, I should have asked for
3 that earlier, page 4 of it. And scroll down a little
4 bit further. Thank you, that's good.

5 So actually, we should go up to the
6 top, I'm going to have to go -- it's going to be a
7 little bit difficult because I just want to make sure
8 everybody sees the years here.

9 So the IFRS accounting and the gap
10 counting is identified starting in 2013/14 and then
11 continues through with forecasts and test years to
12 2019/20.

13 Do you see that?

14 MR. DARREN RAINKIE: Yes.

15 MS. HELGA VAN IDERSTINE: And you
16 would have been the CFO and the person presenting the
17 budgets and overseeing financial accounting and
18 forecasts for Manitoba Hydro between 2014 to 2017, is
19 that fair?

20 MR. DARREN RAINKIE: Early 2017, I
21 didn't -- the past budget I presented would have been
22 the 2015 forecast late in 2015.

23 MS. HELGA VAN IDERSTINE: Or the
24 2016/17 one?

25 MR. DARREN RAINKIE: No. No, I was

1 not there for the 2016/17 forecast.

2 MS. HELGA VAN IDERSTINE: But you
3 would have --

4 MR. DARREN RAINKIE: That wasn't
5 approved until April of 2017. I left in --

6 MS. HELGA VAN IDERSTINE: February.

7 MR. DARREN RAINKIE: February.

8 MS. HELGA VAN IDERSTINE: Yes, so you
9 would have been here for most of the year of the
10 2016/17 actuals, but left just before the end of that
11 year?

12 MR. DARREN RAINKIE: Yes, that's --

13 MS. HELGA VAN IDERSTINE: So just --
14 because you have to go back and forth down this line,
15 I'm sorry, if you can now go down to the operations
16 and maintenance, and if you look at what's the 2013/14
17 year, you'll see the total program costs across is 68
18 million in 2013/'14. Go down further -- a little bit
19 -- oh, yeah. There you go.

20 MR. DARREN RAINKIE: Are you talking
21 about the approved amount for 2013/'14? The first
22 column?

23 MS. HELGA VAN IDERSTINE: Yes.

24 MR. DARREN RAINKIE: Yes.
25 68.8 million?

1 MS. HELGA VAN IDERSTINE: Yes.

2 MR. DARREN RAINKIE: I see that.

3 MS. HELGA VAN IDERSTINE: And so you
4 would have been responsible for that budgeting in the
5 2013/'14 year -- that 68 million?

6 MR. DARREN RAINKIE: Yes. Yes.

7 MS. HELGA VAN IDERSTINE: And then the
8 following year 2014 to '15 --

9 MR. DARREN RAINKIE: Yes. I -- you
10 can go through all of them up to --

11 MS. HELGA VAN IDERSTINE: -- 66 is the
12 actuals for 2013/'14?

13 MR. DARREN RAINKIE: 66.8 million,
14 yes.

15 MS. HELGA VAN IDERSTINE: Yeah.
16 Sorry. Again, that's something you were responsible
17 for?

18 MR. DARREN RAINKIE: Responsible for
19 reporting or --

20 MS. HELGA VAN IDERSTINE: Well,
21 reporting. Sorry.

22 MR. DARREN RAINKIE: -- responsible
23 for the whole corporation?

24 MS. HELGA VAN IDERSTINE: Reporting.

25 MR. DARREN RAINKIE: Yes.

1 MS. HELGA VAN IDERSTINE: And then --

2 MR. DARREN RAINKIE: So that -- that
3 would have been captured in our accounting system.

4 Yeah.

5 MS. HELGA VAN IDERSTINE: And then the
6 actuals to 2014/'15 are 67.4? So the --

7 MR. DARREN RAINKIE: Point -- point 5
8 if you want to round but yes.

9 MS. HELGA VAN IDERSTINE: So it's gone
10 up a little bit.

11 MR. DARREN RAINKIE: Yes.

12 MS. HELGA VAN IDERSTINE: And in the
13 following year, it's gone down to 66.6? Do you see
14 that?

15 MR. DARREN RAINKIE: Yeah. Now, those
16 two (2) years are not necessarily comparative 'cause
17 the one's under Canadian and the other one's under
18 international, so --

19 MS. HELGA VAN IDERSTINE: Right. So
20 that's the 2015'16 --

21 MR. DARREN RAINKIE: -- technic --

22 MS. HELGA VAN IDERSTINE: -- year?

23 MR. DARREN RAINKIE: We have to be
24 careful about those two (2). Yeah.

25 MS. HELGA VAN IDERSTINE: Quite close

1 though overall but a little bit of a drop?

2 MR. DARREN RAINKIE: Yeah. You have
3 to -- it gets complicated in terms of the accounting
4 adjustments that might be in there. So --

5 MS. HELGA VAN IDERSTINE: Okay. Well,
6 let's look at the next year because the next year is
7 the first -- is the first full year following the
8 transition to IFRS, right? So it's --

9 MR. DARREN RAINKIE: Sorry. Can we
10 just pan up again? I'm losing track of which year --

11 MS. HELGA VAN IDERSTINE: I'm sorry.
12 Yeah.

13 MR. DARREN RAINKIE: -- yeah. Sorry.
14 It's not your fault. I'm just --

15 MS. HELGA VAN IDERSTINE: Yeah. So
16 we're now at the 2016/'17 year.

17 MR. DARREN RAINKIE: The first column
18 is '15/'16 after the --

19 MS. HELGA VAN IDERSTINE: IFRS. And
20 the next one is the second year in IFRS. Right?

21 MR. DARREN RAINKIE: Second -- yes.
22 Okay.

23 MS. HELGA VAN IDERSTINE: So --

24 MR. DARREN RAINKIE: Oh, yeah. I --
25 sorry. I've got the hard copy. I'm not sure why I'm

1 struggling through this but sorry.

2 MS. HELGA VAN IDERSTINE: Yeah. So if
3 you look down in the second year into it -- the 65.3.
4 The O&A total operating cost dropped a little bit
5 further.

6 MR. DARREN RAINKIE: Yes.

7 MS. HELGA VAN IDERSTINE: And that was
8 around the time you departed in that year.

9 MR. DARREN RAINKIE: Yeah. A few -- a
10 few months before the '16/'17 actual.

11 MS. HELGA VAN IDERSTINE: So in terms
12 of the budgeting process and presenting the
13 financials, you'd have been responsible essentially up
14 to there, although you left just before the -- the end
15 of that 2016/'17 actuals year.

16 MR. DARREN RAINKIE: Yes. I would
17 have been responsible for the budgeting up to the 2015
18 forecast.

19 MS. HELGA VAN IDERSTINE: And then we
20 see in 2017/'18, O&A drops to 63 million. You see
21 that?

22 MR. DARREN RAINKIE: Yes.

23 MS. HELGA VAN IDERSTINE: And then in
24 2018/'19, the forecast is -- remained at 63.3 million.
25 And then for the test year, 61.25.

1 So would you agree that that is
2 consistent with the cost containment that Manitoba
3 Hydro has address -- attempted to address over time in
4 Centra Gas?

5 MR. DARREN RAINKIE: Well, yeah.
6 The -- the study I -- the study operating costs during
7 that period of time is reflective of a 1 percent
8 escalation budget.

9 The -- you had to be careful of the
10 61.25 because that's -- it reflects the much talked
11 about metre exchange accounting. So if you added
12 \$3 million onto that, that number would be 64.25
13 million for --

14 MS. HELGA VAN IDERSTINE: Okay. So
15 that's --

16 MR. DARREN RAINKIE: -- to be
17 comparable.

18 MS. HELGA VAN IDERSTINE: We haven't
19 got there yet. Looking at those numbers though,
20 the -- starting with the 68 million and down to
21 63 million, which is in the most recent statements,
22 would you agree that approximately 70 percent of the
23 O&A in those is due to labour?

24 MR. DARREN RAINKIE: Yeah. I think
25 that's a stat that Manitoba -- sorry -- that Centra

494

1 has provided on the record. I don't -- I don't have a
2 quibble with that.

3 MS. HELGA VAN IDERSTINE: And so to
4 reduce from the 61 million, which is what Centra's
5 projecting, to the 56 million that you were
6 recommending would mean a further 8 percent reduction
7 in one (1) year. Would you agree with that?

8 MR. DARREN RAINKIE: No. That's where
9 we're going to part company very quickly.

10 MS. HELGA VAN IDERSTINE: Well, 61 to
11 56 suggests --

12 MR. DARREN RAINKIE: Okay.

13 MS. HELGA VAN IDERSTINE: -- a fairly
14 significant reduction in one (1) year to my mind --

15 MR. DARREN RAINKIE: Let -- let's
16 go --

17 MS. HELGA VAN IDERSTINE: -- and much
18 greater than any of the reductions that you achieved
19 during the years that you were vide president.

20 MR. DARREN RAINKIE: Okay. Let's --
21 let's go through the pieces to my recommendation.

22 Number one is to have a more -- a fair allocation --

23 MS. HELGA VAN IDERSTINE: Well, could
24 we first analyze --

25 MR. DARREN RAINKIE: Well, okay. If I

1 can't answer, then I can't --

2 MR. BRIAN MERONEK: Well, you know,
3 Ms. Van Iderstine, with all due respect, he is asked a
4 question, and the witness is entitled to answer it,
5 and he's not being allowed to. So I would ask that he
6 be allowed to answer.

7 MS. HELGA VAN IDERSTINE: And I'm
8 asking to answer my question first, and then if he's
9 got something that you want to address later, then we
10 can deal with that.

11 But first of all, a \$61 million to
12 \$56 million, I thought he had said that 56 -- was what
13 he was advocating was a \$56 million O&A budget. Am I
14 wrong on that?

15 MR. BRIAN MERONEK: And he said that
16 the percentage -- the math is correct. But he's now
17 explaining that there's a distinction that he has to
18 make with the math.

19

20 CONTINUED BY MS. HELGA VAN IDERSTINE:

21 MS. HELGA VAN IDERSTINE: But is that
22 a \$56 million was what you're suggesting for O&A, and
23 this is a math issue now we're hearing?

24 MR. DARREN RAINKIE: No, it's not.

25 MS. HELGA VAN IDERSTINE: Is that what

1 you're saying?

2 MR. DARREN RAINKIE: It's not a math
3 issue. It's a -- it's an issue of recognizing my
4 recommendation. I'm saying Centra should be allocated
5 an extra \$2.7 million of benefits from the VDP to be a
6 fair allocation that is not resulting in people going
7 out the door. I do not agree with that.

8 There's a \$1.1 million contingency in
9 2019/'20 which is essentially a plug because the
10 \$61.25 million budget was set two (2) years ago, and
11 when they did the details -- I don't know if it was
12 the preliminary details or the preliminary or the
13 final details or whatever -- they recognized that
14 the -- the amounts of money that the departments
15 wanted to spend was \$1.1 million less than the target.

16 So they put a \$1.1 million plug in --
17 or called a positive contingency to get up to 61.25.
18 Why would you need to lay off anybody for a plug
19 that's in an accounting system?

20 Now, you know, the -- the escalation is
21 a little different. I'm saying, you know, I think you
22 should hold the line at 1 percent versus 2 percent.
23 And in that case, you might have to have some -- some
24 attrition.

25 But if you remember at the -- at the

1 Hydro hearing, the PUB said we see that there's
2 further reductions that can be made at Manitoba Hydro
3 and further savings that be gained from the supply
4 chain initiative.

5 So it doesn't all come from labour.

6 But once again, managing attrition? Managing
7 vacancies? That's pretty common in the public sector,
8 particularly under the current budgeting constraints
9 of the provincial government.

10 So I guess if we think that Hydro's,
11 you know, done its job because it's done the VDP and
12 there's no more to do, then we can go back to
13 2 percent escalation which really reflects a world
14 that was around in 2013.

15 But we're in 2019, moving to 2020 now,
16 and I think Manitoba Hydro, as part of the public
17 sector, should reflect, you know, what's going on in
18 the context around --

19 MS. HELGA VAN IDERSTINE: So --

20 MR. DARREN RAINKIE: We can't go back,
21 or we shouldn't go back.

22 MS. HELGA VAN IDERSTINE: So the
23 \$56 million that you are advocating for, how do you
24 reconcile that with the actuals?

25 MR. DARREN RAINKIE: With the actuals?

1 MS. HELGA VAN IDERSTINE: How will you
2 achieve them?

3 MR. DARREN RAINKIE: Well, there's --
4 there is a misallocation of -- of benefits. That's --
5 that's the majority of my recommendation.

6 MS. HELGA VAN IDERSTINE: But isn't
7 that -- that's the accounting issue. You know, we're
8 talking about real people doing real work for -- under
9 that O&A operating the functions of Centra Gas and
10 ensure that it's safe and reliable for the people of
11 Manitoba.

12 And how do you do that with the
13 reduction of -- from 63 to \$56 million in one (1)
14 year? That's the problem.

15 MR. DARREN RAINKIE: Sorry. Can we go
16 through your question again? I'm not sure where -- I
17 think we're getting our wires crossed here.

18 MS. HELGA VAN IDERSTINE: I'm --
19 simply asked you, Mr. Rainkie, to justify the
20 \$56 million in real terms with real people and real
21 operating expenses that this -- that Centra gas has to
22 incur in order to provide a safe reliable system.

23 MR. DARREN RAINKIE: Part of that is
24 providing fair and just rates. And if there's a
25 misallocation of the benefits to -- to Centra, then

1 that's not something the PUB should accept, and that's
2 the basis -- you know, half of my recommendation.

3 Your -- your own budgeting says that
4 you don't need \$1.1 million. So, you know, this idea
5 that we have to lay off 40 staff is -- I don't know.
6 I think it's nonsensical.

7 MS. HELGA VAN IDERSTINE: If I just
8 might have a moment, Chairman Ring.

9

10 (BRIEF PAUSE)

11

12 MS. HELGA VAN IDERSTINE: Thank you,
13 Mr. Rainkie.

14 MS. VICE-CHAIR KAPITANY: Mr. Rainkie,
15 I hate to take you back to the very beginning of this
16 discussion. But you made a statement about the manner
17 in which Centra Gas is regulated.

18 And I believe I heard you say that
19 Centra is regulated on a modified rate of return
20 basis. And you said, I think, that there is a side
21 calculation that is done.

22 So I just wonder if you could clarify
23 what that side calculation is?

24 MR. DARREN RAINKIE: Sure. As part of
25 the minimum filing requirement, Centra also calculates

1 a rate-based rate of return calculation because as
2 I -- as I've understood from legal counsel, it's --
3 it's still part of the -- the PUB Act to do that.

4 So it's -- it's kind of a side check, I
5 guess, to make sure that the rates -- they're in place
6 or not -- not higher than if, you know, Centra was
7 treated like a private company.

8 So it's -- I think it's there to
9 satisfy the legislation. Now, whether you can really
10 do a no harm -- I think it -- that was set up as a no
11 harm kind of a calculation right after Centra's
12 transitioned from a private company to a public
13 company.

14 Now, I really question 20 years later
15 whether you can look at that calculation and say, you
16 know, there's no harm to customers.

17 That's why I'm proposing, I think, we
18 really move to a true cost of service methodology that
19 looks forward in the forecast and says: How do we want
20 to set rates this year based on, you know, where our
21 costs are going in the future and forget about
22 30 percent equity ratios which, you know, the Board is
23 already determined on the electrical panel which you
24 would know that has really no relevance to -- to a
25 Crown organization?

1 VICE-CHAIR KAPITANY: Thank you.
2 BOARD MEMBER WATSON: Quick question,
3 Mr. Rainkie. In your positions with controller and
4 CRO and president and you were developing the budgets
5 in 2014/2015 and your proposals now, why didn't you
6 implement them when you were in your positions in
7 Hydro and...

8 MR. DARREN RAINKIE: The -- the
9 2000 -- I'm just trying to think, get my years
10 straight.

11 I became vice president early in 2013.
12 So the first budget that I put together was later in
13 that year with my colleagues on the executive
14 committee, of course. We were all committed to this.

15 So the next budget was approved by the
16 Manitoba Hydroelectric Board probably sometime late
17 in -- late in 2013 or early 2014.. I can't quite
18 remember on the fly. But some -- sometime within a
19 four-month period between November and February of the
20 following year.

21 And at that point, as I said earlier,
22 we recognized with the pressure of Keeyask and -- on
23 rates that, you know, just automatically increasing
24 operating costs by 2 percent was not going to cut it.

25 If we were going to go out and ask

1 customers for a 4 percent rate increase, then we
2 better look at our own house first. And that's where
3 the 1 percent stretch target started.

7 MR. DARREN RAINKIE: Do a -- sorry.

11 MR. DARREN RAINKIE: Well, I took time
12 to -- like the downward trajectory of this reflects
13 attrition strategy of gradually reducing people. So
14 it's gradually coming down.

15 BOARD MEMBER WATSON: So the VDP was
16 implemented after your departure. Correct?

17 MR. DARREN RAINKIE: Yeah. There
18 was -- between the -- my becoming the vice president
19 and the VDP, that was -- that happened in 2017. That
20 was after I left the -- we really didn't have a name
21 for it, but we made a commitment to reduce
22 400 staff -- I think it was 330 staff between 2014/'15
23 and 2016/'17.

24 And so the trajectory here reflects an
25 attrition strategy as people retired or left the

1 company of gradually implementing that stretch target.

2 BOARD MEMBER WATSON: But the --

3 MR. DARREN RAINKIE: I hope I'm

4 answering your question. I'm not sure if I had --

5 BOARD MEMBER WATSON: -- the OE was

6 dropping after you departed.

7 MR. DARREN RAINKIE: Well, I mean,

8 '16/'17 reflects -- I -- I was there for most of the

9 year, so '16/'17 reflects that. It's going from 66.8

10 down to sixty-se -- it depends, too, what -- what was

11 charged here during the year. These are actuals.

12 You can have things like emergencies
13 and things like that where there's a million dollars
14 of cost you didn't budget, so you'd have to go through
15 to make sure.

16 But, generally, I think, if you look at
17 Manitoba Hydro and Centra Gas's budgets over that
18 period of time, we were holding -- trying to hold the
19 line at the 1 percent through a stretch target. That
20 was before the VDP occurred, before then.

21 BOARD MEMBER WATSON: And the text
22 year before -- before us now is at \$61 million,
23 correct?

24 MR. DARREN RAINKIE: Yes.

25 BOARD MEMBER WATSON: Okay. Thank

1 you.

2 BOARD MEMBER NEMEC: Mr. Rainkie, I
3 just have one (1) question on -- and I'm looking at
4 the letter of March 10th, 2016, from Manitoba Hydro to
5 -- to the Pu -- Public Utilities Board recomme --
6 requesting for a change in the IFRS accounting
7 matters.

8 And at the bottom of the first page it
9 talks about the change for the meter testing and
10 requests, I believe, PUB's confirmation that this
11 approach of capitalizing the cost relating to the
12 meter sampling on a perspective basis in the 2015/'16
13 fiscal year.

14 So, it doesn't really -- I -- I don't
15 think it matters if you would have implemented this
16 policy in 2015 and '16 versus 2019/'20. You would
17 still have an issue of the ta -- the ratepayers
18 already have pre-funding the meter costs.

19 So, that would have been the same issue
20 in 2 -- would it have been the same issue in --

21 MR. DARREN RAINKIE: Okay.

22 BOARD MEMBER NEMEC: -- 2015/'16 as it
23 is today?

24 MR. DARREN RAINKIE: If -- if the
25 alternate treatment that I talked about earlier of

1 recognizing this as a rate regulated liability had
2 been put on the books, it would be on the books of
3 Mani -- of -- of Centra right now as opposed to being
4 in this nether region of, you know, the elimination
5 column.

6 So, I don't think we would ha -- be
7 having much of an argument right now because there
8 would be three (3) other accounts that were set up
9 that are amortizing, you know, for recovery, and this
10 one (1) would be amortizing to refund.

11 So, if we had done that back then, I
12 don't think we'd be saying should we take this orphan,
13 you know, account and move it back into the Centra
14 books because it would already be in the Centra books.

15 BOARD MEMBER NEMEC: So, at this case,
16 you would have already assumed that there was going to
17 be a deferred liability or a liability that would be
18 owing to the ratepayers. You would have assumed
19 that's how the -- the ratepayers would have been
20 recovering that?

21 MR. DARREN RAINKIE: Yeah. Yeah, that
22 would probably, in retrospect, been a better treatment
23 and we wouldn't be having this debate right now.

24 THE CHAIRPERSON: Thank you, Ms. Van
25 Iderstine. Mr. Hacault...?

1

2 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

3 MR. ANTOINE HACAULT: Yes, a couple of
4 questions. I had said initially that I was going to
5 try and clarify things because we don't have any
6 evidence on this issue and didn't have in scope.

7 There's been a lot of talk about your
8 role as CFO and your responsibilities. Sir, you also
9 talked about a 1 percent target that you participated
10 in, formulating for the electric utility, so that's
11 the context of my question.

12 If and when you asked the staff to
13 provide you details and explain how they could meet
14 that 1 percent did you actually get an answer?

15 MR. DARREN RAINKIE: Well, you know
16 what? In -- in the -- in the program that we had
17 going between 2014/'15 and 2016/'17, the executive
18 came together. Each member -- and this is on the
19 public record, by the way. It was at the 2015
20 electric GRA. I'm not disclosing any confidential
21 information.

22 The executive members came together and
23 went through with their division managers, department
24 managers, and identified cuts, if you like, in terms
25 of staff reductions that -- that the various vice-

1 presidents and senior managers would agree to.

2 So, in that case, we had a fair amount
3 of detail in terms of how it would occur. I mean,
4 things happen in three (3) years. So, maybe you had -
5 - you thought Joe was going to go but Sally went
6 instead, you know, like, it -- it's -- it's not always
7 a one (1) for one (1).

8 But I think when you install that type
9 of a system, the proof is in the pudding. We
10 committed to 330 staff reductions during those three
11 (3) -- three (3) years, and we actually delivered four
12 hundred (400).

13 So, when you communicate clearly to
14 staff the expectations, the capable managers of
15 Manitoba Hydro and Centra will deliver. If you say,
16 hey, 2 percent, then it's kind of like a status quo.

17 Or if you say, you know, here's a
18 program, it ends, like, a program has a start, a
19 middle, and an end. If you say, you know, we have a
20 VDP program, that kind of communicates, well, when
21 it's done, it's done.

22 Well, unfortunately, and whether it's
23 fair or not, cost control in the public sector is just
24 as important as cost control in the private sector in
25 -- in terms of delivering vital services and your job

1 is never done.

2 And if that's a -- if that's a tough
3 job, then I don't know, I guess that's -- you just
4 have to suck it up, Mr. Hacault.

5 MR. ANTOINE HACAULT: With respect to
6 the 1.1 million contingency, I'm having trouble
7 understanding why you say that -- that was kind of a
8 plug.

9 MR. DARREN RAINKIE: Well, because the
10 \$61.25 million O&A target was set in Manitoba
11 Hydro/Centra forecast number 2016. So, that was set -
12 - the target was set in April of 2017.

13 So, the Company didn't do detailed
14 budgets for a couple years. So, as it was coming to
15 the 1920 year, it said, well, you had a prior target
16 that was set a couple years ago of 61.25 million.

17 It asked the managers to go and say how
18 much money do you think you really should expend on
19 the gas side of the business. And the managers come -
20 - came back with a number in totality that was \$1.1
21 million less than the previously established target.

22 So, I mean, you can call it a
23 contingency. You can put fancy names on it, like, you
24 know, transitional requirements, but, essentially,
25 that was the management of the Company saying to the

1 senior management we don't need that much money.

2 And, Mr. Hacault, maybe it's crass to
3 call it a plug, but, you know, that's -- that's the
4 reality of what it is.

5 MR. ANTOINE HACAULT: I'm going to
6 change the subject area. There's been evidence in
7 rebuttal, and also during Centra, about the different
8 allocators.

9 And I'm not too sure why you think your
10 allocator, 8 percent, is better than the utility's one
11 (1) at 4 percent.

12 MR. DARREN RAINKIE: So, the Hacault -
13 - Mr. Hacault, the key consideration of allocating any
14 amount is looking at the nature of that amount. And
15 clearly, the VDP savings are -- are mainly salaries
16 and benefits, people costs.

17 So, when you ask yourself -- and I
18 think we all agree the purpose of an allocator is to
19 find a correlation between the amount you're going to
20 allocate and the allocator, there's supposed to be a -
21 - in Mr. -- Ms. Derksen's terminology, a cost causal
22 relationship.

23 So, as you look at the -- you know,
24 there's five (5) options, I think, that Centra had.
25 It could use assets. It could use number of

1 customers. It could use activity charges. It could
2 develop a custom allocator for this purpose or it
3 could actually use the 11 percent factor beca -- be --
4 which is the -- the relative proportion of operating
5 costs that get charged to Centra. That's been a very
6 steady number over the last five (5) or six (6) years
7 at 11 percent.

8 It's not uncommon in cost allocation --
9 and Ms. Derksen's better at this than I am. She's a -
10 - she's an expert. I'll call myself a policy wonk on
11 this one (1). But it's not uncommon to take the
12 outcome of another allocation and use it as an
13 allocator.

14 So, if 11 -- you know, so -- so those
15 were the options, so let's -- let's evaluate them. Is
16 there a strong correlation between generating stations
17 and transmission lines and labour savings from a VDP,
18 labour and benefit savings?

19 That, to me, is a weak correlation.

20 Would number of customers be good -- by the way,
21 that's 33 percent. I think that would be over
22 allocating costs to the gas side. I don't think the
23 number of customers has a strong correlation.

24 But then we have this -- we have the
25 activity charges, which is, you know, basically, the

1 allocation -- the relative split of -- of labour
2 between the two (2) utilities. That would have been
3 the best allocator.

4 And if -- if there's something wrong
5 with the 8 percent, then I would have defaulted to the
6 11 percent because the 11 percent, if you think of it,
7 is the composite allocator. It is the composite of
8 hundreds of direct charges and different allocations
9 to the gas company.

10 It's, like, if you weighted every
11 allocator in the Company, it would be the composite.
12 So, if 8 percent wasn't good for some reason, then I
13 would have moved to the 11. I surely wouldn't have
14 moved back to the 4 because there's a very weak
15 correlation between assets.

16 Like, what do generating stations and
17 transmission lines have to do with the allocation?

18 MR. ANTOINE HACAULT: Sir, you talked
19 about 11 percent. I don't know where you're getting
20 that number. Which -- which book -- which page in the
21 book in the book of documents?

22 MR. DARREN RAINKIE: Oh, okay. It's
23 probably up front in the O&A piece. Give me one (1)
24 second, Mr. Hacault. There's an -- it's actually page
25 6 in the book of documents.

1 (BRIEF PAUSE)

2

3 MR. DARREN RAINKIE: So, when you look
4 at that, it's a stable allocator from 2015/'16. So,
5 for five (5) years it's been around 11 percent. And
6 so, when you look at the total operating costs of
7 Manitoba Hydro consolidated of \$572 million,
8 approximately 11 percent, or 61.25, is allocated to --
9 to Centra.

10 So, you could have used that as an
11 allocator. It's not uncommon to use an allocation to
12 drive another allocation. Like, if I was doing a
13 smell (phonetic) test on this as a CFO, my expectation
14 is there was a hundred million dollars of VDP savings.
15 About 40 percent of that's capitalized, so about 60
16 percent of that shows up in operating costs.

17 So, you'd expect over the whole company
18 there would be about a \$60 million decrease in
19 operating costs, times 11 percent. If I was reviewing
20 the details, if it came to the executive, I would have
21 said why isn't there \$6 million of savings allocated
22 to Centra. I mean, that would have been my first
23 smell test.

24 My second smell test would have been,
25 okay, we're promoting \$1.2 million of escalation a

1 year at 2 percent. You know, that's \$2.4 million over
2 two (2) years, 2018/'19 and 2019/'20.

3 We're only allocating \$2.7 million of
4 benefits to the gas side of the Company. We're wiping
5 out any of the benefits to the gas side of the Company
6 within two (2) years. Is that a fair and just result?

7 Manitoba Hydro -- you know, there was
8 eight hundred and twenty-one (821) people, like, the
9 first VDP in a generation, and there's no enduring
10 benefits to the gas side of the business. I mean,
11 that's not a fair result.

12 And the kicker for me we allocate
13 Centra, a company one sixth the size of -- of Manitoba
14 Hydro, 6 percent of the costs of the VDP, the -- the
15 severance cost, and yet we're only allocating 4
16 percent of the benefits, and we don't kind of sit
17 there and go, you know, is something -- is something
18 right here.

19 I mean, the 4 percent just does not
20 pass the smell test either from a management
21 perspective of looking at them or, in my humble
22 submission, from a regulatory perspective in terms of
23 making sure that the customers on the electric and the
24 gas side get a fair allocation.

25 MR. ANTOINE HACAULT: Members of the

1 Board, I think I've used the time that was allocated
2 to me, so I thank you very much for the opportunity to
3 ask some questions.

4 THE CHAIRPERSON: Thank you, Ms.

5 Hacault. Ms. Steinfeld...?

6 MS. DAYNA STEINFELD: Thank you, Mr.
7 Chair. And I'll borrow a term from Mr. Williams on
8 the electric side of things. I think I have just a
9 few short snappers. So, hopefully, I won't keep us
10 going too long overtime.

11

12 CROSS-EXAMINATION BY MS. DAYNA STEINFELD:

13 MS. DAYNA STEINFELD: Mr. Rainkie, you
14 were here yesterday and heard Ms. Bauerlein's evidence
15 that there are transitional funds being used or
16 transitional costs that have been occurred -- that
17 have been incurred in the -- within the last two (2)
18 fiscal years.

19 Do you recall that evidence?

20 MR. DARREN RAINKIE: Yeah. I recall
21 it was an example around accounts payable, which, as I
22 recall, has about ten (10) staff out of six thousand
23 (6,000), so I would be careful to take, you know, one
24 (1) small anecdote and -- and put a lot of meaning
25 around it.

1 Like, if there are contingencies of
2 \$2,000, there would be a list of initiatives that
3 would have to total to that.

4 MS. DAYNA STEINFELD: And when you're
5 saying we shouldn't take one small anecdote, are you
6 saying that you are not aware of any evidence or
7 information that details those transitional funds
8 having been spent?

9 MR. DARREN RAINKIE: I think we asked
10 for an information request that said were there any
11 expenditures in 2018/19 and 2019/20, I thought the
12 answer was none. I don't have it at my fingertips,
13 but we could look for it if we want to take the time.

14 But I don't think -- let's just be
15 clear, I don't -- I think Ms. Bauerlein clarified this
16 morning if I understood her testimony, that there's
17 transitional funds and then there's the contingency
18 and I think at least for the 2019/20 test year there
19 was clarification that that wasn't -- that wasn't, you
20 know, a provision for transitional requirements, that
21 it was a contingency because the -- the details didn't
22 add up to a prior established target.

23 MS. DAYNA STEINFELD: Does Centra's
24 July 24th pre-hearing update and the evidence in their
25 rebuttal change your view that there's a \$1.1 million

1 dollar, we'll use your word, plug in O&A?

2 MR. DARREN RAINKIE: Well,
3 unfortunately, like we asked mainly the PUB advisors
4 asked dozens of questions with thousands of pages of
5 evidence in terms of testing the prior budget. And
6 then we get this on July 24th, so like, I think
7 there's -- there's two issues.

8 Number 1, it was unplanned and it could
9 have been, as we heard this morning, provided, that
10 could have been provided and set first and second
11 round IRs if it was available May 31st, subject to
12 check.

13 So there's a procedural issue, I think,
14 in terms of not getting the information.

15 There's another issue in terms of we
16 haven't had a chance to test it. So how do I change
17 my opinion on something when I don't have a -- you
18 know, a chance to test it. I think that would be
19 inappropriate.

20 MS. DAYNA STEINFELD: Okay, I have
21 your point.

22 Ms. Villegas, if we could put on the
23 screen Centra Exhibit 39 at page 14 of that exhibit.

24 And Mr. Rainkie, in your discussion
25 with Board member Watson earlier you mentioned that

1 there was a commitment to 330 positions being reduced
2 in a 3-year period.

3 Sorry, on page -- I believe it's --
4 it's marked page 14 at the top of the page. And if we
5 just stay right there on transcript page 302, starting
6 at line 12 in your testimony at this point in time you
7 make the point again about the commitment of the 330.

8 You go on here to say calculations that
9 we didn't recently file information requests indicate
10 that we would need reductions in the order of an
11 additional 600 reductions to 22/23 in order to make
12 the 1 percent target that we've set.

13 Do you see that there?

14 MR. DARREN RAINKIE: Yes.

15 MS. DAYNA STEINFELD: And just so I'm
16 clear, was the plan of the corporation at the time
17 that in addition to the 333 positions being reduced in
18 the 3-year period, at the conclusion of that 3-year
19 period there would be additional position reductions?

20 MR. DARREN RAINKIE: Yes, that would
21 be required to -- to be able to meet that target, but
22 as I -- as I indicated to Board member Watson, there
23 was a committed plan for three years, then the VDP
24 kind of, you know, came in after that.

25 So -- so there was only a detailed plan

1 for the first three years, but the implication of
2 setting a stretch target like that was that you would
3 have to reduce staff.

4 Now, whether that would be through an
5 attrition or a VDP was something, you know, that was
6 talked about along the way, you know. There wasn't a
7 firm plan of how to deliver that, if that makes sense?

8 MS. DAYNA STEINFELD: Yes, thank you.

9 We heard evidence from Ms. Bauerlein
10 regarding a negative contingency. Ms. Bauerlein also
11 spoke about how when we look at the allocation of the
12 VDP savings if we tracked actuals we can see if the
13 right amount is being spent.

14 Does the fact that there's now a
15 negative contingency suggest that there should be more
16 savings being allocated to Centra?

17 MR. DARREN RAINKIE: I suppose it
18 could be the missing equation in -- in the -- you
19 know, when the department managers rolled up all of
20 the -- of the -- of their estimates of what it would
21 take to run the business, that could be a reason why
22 it was lower than the target.

23 I don't really understand how you could
24 -- like, I -- I was controller for five years and CFO
25 for four years, so total of nine (9) years I spent

1 pouring over monthly variance reports, you know, this
2 is up, this is down, this is up, this is down, this is
3 up this is down, this is up, this is down, this is up,
4 this is down and I -- and I'm not exaggerating.

5 I am not sure how you could conclude
6 that -- and there's so many different things that
7 happen, storms, those types of things. I'm not sure
8 how you could conclude that simply meeting a target
9 means that the allocation was -- was correct.

10 There's just so many other variables in
11 there, it's like unscrambling the omelette, I'm not
12 quite sure once the eggs are in how you -- how you
13 pull them out.

14 MS. DAYNA STEINFELD: Based on your
15 experience as a witness before this board, do you
16 recall whether the PUB has in prior orders taken issue
17 with or ordered reductions in Centra's O&A expense?

18 MR. DARREN RAINKIE: Well, going back
19 to the good old days when Mr. Peters and I were -- had
20 more hair and we're sitting together devising cross, I
21 recall every time there was an order of the Public
22 Utilities Board there was an automatic position freeze
23 for a number of months as we figured out how to -- how
24 to deliver on that and Mr. Forest, bless his heart and
25 -- and I still keep up with him from time to time, so

1 he was a tough regulator.

2 We used to go in with a rate increase
3 and it would be very seldom that we would come out
4 without a rate decrease at the end of the process, so

5 --

6 MS. DAYNA STEINFELD: I don't want to
7 presume to guess at when Mr. Peters had more hair, but
8 approximately what time period are you referring to
9 when those kinds of reductions were being ordered?

10 MR. DARREN RAINKIE: Well, I think
11 particularly in the -- I -- I was -- started being
12 involved in 1990, so probably in the 1990s.

13 Yes, there have been times when there
14 were contingency, I think it was in the 2009/10
15 general rate application, there was a \$5 million
16 dollar contingency for IFRS that didn't have any
17 details around it.

18 So I recall the Public Utilities Board
19 denying that, saying you know, for rate setting
20 purposes you have to have plans to spend the money,
21 we're not just going to include it in -- in rates.

22 So I've been on the other side of this
23 a lot. I've been on that side, I've been here and
24 there, so I -- I've taken it all the way around. So
25 it's a tough business, what can I say?

1 MS. DAYNA STEINFELD: Fair enough.
2 Turning to the -- what I'm going to
3 call meter sets and I'm going -- you were here
4 yesterday and heard my explanation for that shorthand.

5 MR. DARREN RAINKIE: Yes.

6 MS. DAYNA STEINFELD: Do you agree
7 with Ms. Bauerlein that the \$15.3 million dollars that
8 you've identified if -- if credited to Centra's
9 retained earnings through whatever option is used
10 would, I believe her words were naturally unwind over
11 time.

12 Do you agree with that?

13 MR. DARREN RAINKIE: Yes, the -- the
14 amortization of acid created by capitalizing those
15 costs would unwind over time. But the retained
16 earnings would naturally grind -- grind down, but they
17 would still be there, they'd be \$50 million dollars
18 more retained earnings this year.

19 If you treat it as, as I was talking
20 about this morning, as -- or earlier as a regulated
21 liability, that would be refunded over time.

22 Every cost is set up and every cost
23 eventually has to be accounted for and refunded. That
24 doesn't really tell you much about the accounting
25 treatment.

1 MS. DAYNA STEINFELD: So just --
2 MR. DARREN RAINKIE: Sorry, about the
3 regulatory treatment.

4 MS. DAYNA STEINFELD: Just so I can be
5 clear, you would have \$15.3 million dollars more in
6 retained earnings, you --

7 MR. DARREN RAINKIE: Under my
8 preferred alternative.

9 MS. DAYNA STEINFELD: Yes. You
10 wouldn't be removing amounts from retained earnings
11 necessarily, and each year you would have depreciation
12 and amortization that would in that year change the
13 numbers.

14 MR. DARREN RAINKIE: You would -- you
15 would amortize the 21 or 22 -- I think there's a 21 or
16 \$22 million dollar asset that's been built up in that
17 elimination column.

18 You would -- the amortization of that
19 would naturally grind down the 15 million over time.

20 MS. DAYNA STEINFELD: You mentioned
21 earlier in your discussion with Ms. Van Idersline
22 another option that has occurred to you in thinking
23 through this problem.

24 Is that an option that you're saying is
25 available today, or it's something that you could have

1 done in that 2015/16 time period?

2 MR. DARREN RAINKIE: Both. Could have
3 done that back then, and in retrospect, could have
4 saved a few hours of this hearing debating it.

5 I think it still could be done if the
6 Board directed it.

7 My view is that the -- the recording of
8 this in the elimination column -- I'm repeating
9 myself, but just to be clear -- happened as a result
10 of two things. One, the requirement under IFRS to
11 have harmonized accounting policies.

12 And two, a direction of the public
13 utilities board that it was not prepared to change any
14 accounting policy until a general rate application.
15 It was not going to do it through a letter back and
16 forth between Manitoba Hydro and the PUB.

17 So in my -- it's like a fruit of the
18 tree type of an argument. If -- if a regulatory
19 directive creates an accounting issue, then another
20 regulatory directive can unwind that accounting issue,
21 in my humble professional opinion.

22 MS. DAYNA STEINFELD: And just so I'm
23 clear on the new option that you've identified and --
24 and that you're saying now could be done by the board
25 today, that would be to set it up as a regulatory

1 liability?

2 MR. DARREN RAINKIE: Yes, you've have
3 to set -- so in the top part of your -- in the top
4 part of your income statement, which is normal
5 accounting, if you like for non-regulated, you'd set
6 it up as an asset. Underneath you'd reverse that and
7 then set it up as a regulatory liability.

8 You would amortize the asset probably
9 over the ten-year period that Manitoba Hydro is
10 recommend -- sorry, Centra has recommended.

11 And then the question becomes -- and
12 it's an intriguing one and I zipped through this
13 earlier, is what to do with the regulatory liability.
14 Customers have paid \$5 million dollars through revenue
15 for a cost that Manitoba Hydro and Centra are saying
16 was -- didn't need to be expended each year, it could
17 be amortized over time, which is created inter-
18 generational equity issue. People -- sorry -- people
19 have contributed money that they didn't need to.

20 So you could take -- you could refund
21 that -- that liability over a shorter period than the
22 amortization of the assets. So you could take that 50
23 million and refund it \$5 million dollars a year over
24 three years.

25 I think -- I think in a situation where

1 there's inter-generational issue, you want to rectify
2 it as soon as you can, not just keep it there in limbo
3 for ten years until that amount grinds down.

4 I think that's where I differ from the
5 position of the company.

6 MS. DAYNA STEINFELD: And the issue
7 that you're identifying there is that the longer you
8 wait, the more likely it is that the ratepayers who
9 paid what you're identifying is \$5 million dollars a
10 year too much would not benefit from the refund or
11 crediting back of that amount?

12 MR. DARREN RAINKIE: That's correct.

13 I mean, it's the same thing if you had
14 a gas cost deferral refund. You know, you -- you'd
15 have to make sure you get it back to customers as
16 quickly as possible.

17 There are other considerations, of
18 course, rate stability and things like that.
19 Sometimes you put too big of a writer on you're
20 setting up the customers, you know, when that writer
21 comes off then rates go up and you have to look at
22 both inter-generational issues as well as rate
23 stability and -- but the difficult part in the gas
24 side is you've got so many different accounts coming
25 and going and gas deferrals and you change rates every

1 -- every quarter through the primary gas rate
2 applications.

3 So rate stability hasn't been quite as
4 big a factor as on the gas side as it might be on the
5 electric side, where you have a bit more of a stable
6 platform of costs, if you like.

7 MS. DAYNA STEINFELD: And if that was
8 -- if the Board agreed with your position that there
9 should be some kind of crediting or refunding of that
10 \$15.3 million dollars and liked this regulatory
11 liability approach you've identified today, you're
12 suggesting that the Board would direct that that
13 accounting treatment be done and also direct the
14 length of the amortization period?

15 MR. DARREN RAINKIE: Yes. No
16 different than the other -- there's three other
17 accounts that were created on the transition target
18 for us. They may be called by different names, but
19 there's the ineligible overhead, there's the
20 difference between ASL and ELG depreciation, and
21 there's gains and losses on asset retirements.

22 Those all have an -- a different sign,
23 they're a positive. They've been set up to capture
24 costs that the customer will have to pay.

25 I'm suggesting we take the fourth one

1 and have a similar and fair -- it's a fairness issue
2 for me, a fair treatment of that one, which will
3 offset some of the -- some of those other accounts.

4 And why not?

5 Like -- like, as Ms. Bauerlein said
6 yesterday, nobody is benefiting from that 15 million
7 sitting in the elimination column, nobody is getting
8 paid dividends or -- or bonuses on it, so why would
9 that not be repatriated to the Centra Gas financial
10 statements?

11 Sorry, I'm asking a question for the
12 Board's -- an open-ended question for the Board to
13 ponder.

14 MS. DAYNA STEINFELD: And Mr. Rainkie,
15 just to maybe close the book on this, in this
16 regulatory liability option, in making the journal
17 entry, how does the credit get reflected? What's the
18 journal entry that would get made?

19 MR. DARREN RAINKIE: I haven't gone as
20 far as the journal entries yet because I get
21 complicated and although I don't accept complication
22 as an issue here, if you want to pull up a -- let's --
23 let's deal with that issue for one moment, because
24 we've heard a lot about it.

25 Can we pull up -- there's a list of

1 regulatory deferral accounts that Centra is asking
2 approval of in this application, and you know I can
3 find it -- I can find it every time other than when I
4 need it. Give me one second here. There's a --
5 there's a net movement -- oh, here it is. It's page
6 47 of the PUB book of documents.

7 So I haven't quite gone through the
8 journal entries yet, but the principle, like I said,
9 is you -- you account for things like a non-regulated
10 entity, what -- up on the top part of your income
11 statement, you then reverse those entries and you put
12 in the entry that -- that the regulator has specified.

13 Well, that's what's happening on this
14 schedule. There is a dozen accounts on here, so
15 there's lots of complexity here. I'm not sure what a
16 -- if there's 12 of them here. Does a 13th one really
17 matter in terms of added complexity?

18 Centra has segregated these other three
19 accounts for five years and scrupulously, you know,
20 kept them in their accounts because they're expecting
21 to recover them from customers.

22 Shouldn't fairness dictate that we do
23 the same thing with something that's got a -- you
24 know, the other side, the refund.

25 That's my point here.

1 MS. DAYNA STEINFELD: Thank you, Mr.
2 Rainkie.

3 Mr. Chair, those are my questions of
4 Mr. Rainkie.

5 MS. HELGA VAN IDERSTINE: Mr. Chair,
6 I'm sorry to interrupt. If I might have just a minute
7 before you take the next step, which I think might be
8 that you're planning to adjourn for a moment. So if I
9 might just have a minute.

10 Thank you.

11 THE CHAIRPERSON: Thank you, Ms.
12 Steinfeld. Thank you, Mr. Rainkie.

13 We are now adjourned for lunch, we will
14 reconvene at 1:15.

15

16 (WITNESS STANDS DOWN)

17

18 --- Upon recessing at 12:32 p.m.

19 --- Upon resuming at 1:18 p.m.

20

21 CENTRA GAS PANEL 2: COSS and Heating Value Deferral
22 Account

23

24 PAUL CHARD, Previously Sworn
25 SHANNON GREGORASHUK, Sworn

1 THE CHAIRPERSON: Good afternoon, Ms.
2 Gregorashuk. You've just been sworn in, and Mr.
3 Chard, you have been sworn in yesterday, so you're
4 still under oath.

5 Mr. Meronek...?

6 MR. BRIAN MERONEK: Yes, sir.

7 THE CHAIRPERSON: Pardon me.

8 MR. BRIAN MERONEK: That is my name.

9 MS. DAYNA STEINFELD: Mr. Chair, I
10 suggest these witnesses have been granted the
11 opportunity by the Panel to provide direct evidence,
12 so unless there's any housekeeping matters, I'll turn
13 it to Mr. Czarnecki.

14

15 EXAMINATION-IN-CHIEF BY MR. BRENT CZARNECKI:

16 MR. BRENT CZARNECKI: And I'll be
17 short. They're ready to make their presentation to
18 the Panel and everyone in the room.

19 THE CHAIRPERSON: Thank you.

20 MS. SHANNON GREGORASHUK: Good
21 afternoon, Panel Chair Ring, Vice-Chair Kapitany,
22 Board members Nemec, Hainsworth, and Watson, and all
23 others present. My name is Shannon Gregorashuk and
24 I'm the Manager of Rates and Cost of Service with
25 Manitoba Hydro.

1 I would also like to introduce Ms.
2 Vesha Tanashevitch, who is a Rates and Cost of Service
3 Analyst at Manitoba Hydro and is seated in the back
4 row today. Along with Mr. Chard, I am appearing
5 before this Board today with respect to Centra's
6 proposed rates and related customer bill impacts
7 arising from Centra's 2019/20 General Rate
8 Application.

9 Next slide, please.

10 As part of this application, Centra is
11 proposing to implement new base rates on November at,
12 2019, to incorporate forecasted non-primary gas costs
13 of approximately \$71 million based on a 2019/20 gas
14 year and non-gas costs of approximately 148.5 million.
15 Base rates associated with primary gas are not dealt
16 with as part of this application. Rather, they will
17 be updated as part of the next quarterly primary gas
18 rate application filed in accordance with the PUB
19 approved ratesetting methodology to be effective
20 November 1st, 2019.

21 As part of this application, Centra is
22 also proposing to implement a number of rate riders
23 that will refund to customers a net amount of
24 approximately \$21 million of non-primary gas cost
25 deferral balances accumulated between November 1st,

532

1 2015, and October 31st, 2019, with updated -- updated
2 carrying costs also to October 31st, 2019.

3 Centra is proposing to implement these
4 rate riders on November 1st, 2019, for a 12-month
5 period to expire on October 31st, 2020.

6 Next slide, please.

7 The forecast of non-primary gas costs
8 included in the base rates as part of this application
9 of \$71 million is a decrease compared to the non-
10 primary gas costs currently embedded in rates of \$81
11 million, which have been in place since November 1st
12 of 2015, following Centra's last cost of gas
13 application. As a result, almost all customer classes
14 will see a reduction in the gas cost component of
15 their rates compared to what is currently approved.

16 Centra's forecasts of non-gas costs
17 included in the base rates proposed this application
18 is 148.5 million compared to the total non-gas costs
19 of 151 million reviewed as part of Centra's last
20 General Rate Application. Based on the results of
21 Centra's currently utilized and approved cost
22 allocation methodology, the impacts to customer
23 classes arising from the change in non-gas costs will
24 vary.

25 The base rates customer bill impacts

1 shown in the table on slide -- on this slide,
2 represent the changes in non-primary gas costs and
3 non-gas costs included in this application, and are
4 provided as a comparison with customers' total bill at
5 existing rates as of May 1st, 2019, to the total bill
6 at proposed rates effective November 1st, 2019.

7 For parties who have been granted
8 access to confidential information filed this
9 application, Centra has also disclosed the bill
10 impacts for the power station and special contract
11 classes on this slide.

12 Base rate impacts for transportation
13 service, or T-service customers, are shown separately
14 on this slide. However, it is important to note that
15 T-service is a service offering and not a separate
16 rate class.

17 Customers in the high volume firm and
18 mainline classes may choose between sales, service,
19 and T-service. T-service allows customers to purchase
20 and transport their own gas supply to Centra's
21 distribution system.

22 The base rate bill impact to the
23 typical residential customer is a decrease of 5.4
24 percent or \$37, which represents the difference in the
25 annual bill proposed for November 1, 2019, compared to

1 the annual bill as of May 1st, 2019.

2 The impacts for the small general
3 service customer class are being driven by a decrease
4 in the non-gas costs allocated to this class as a
5 result of Centra's proposal to discontinue funding the
6 furnace replacement program, an overall decrease in
7 Centra's operating administrative costs compared to
8 the last GRA, as well as lower non-primary gas costs.

9 The customer bill impacts for all other
10 classes incorporate changes to Centra's non-gas costs
11 and non-primary gas costs and allocations based on the
12 current cost allocation methodology.

13 The impacts are also reflected --
14 reflective of an updated volume forecast, which has
15 resulted in a shifting cost responsibility among the
16 customer classes. T-service customers are
17 experiencing an increase in their bills when compared
18 to current rates. The impact to these customers and
19 impacts to the special contract customer class will be
20 discussed further in the next few slides.

21 Next slide, please.

22 The base rate customer bill impacts for
23 transportation service customers and the high volume
24 firm and mainline customer classes range from an --
25 increases of 20.8 percent to 41.8 percent as shown on

1 the previous slide. These bill impact calculations
2 incorporate only downstream costs associated with the
3 transportation service that is provided to these
4 customers.

5 Accordingly, the transportation service
6 customer bill impacts are not directly comparable to
7 the sale service customer bill impacts would -- which
8 incorporate the upstream cost of transferring gas to
9 the Centra system, as well as the downstream costs
10 associated with delivering gas to these customers.

11 The bill impacts to the transportation
12 service customers are primarily the result of a
13 reversal of a bill decrease, resulting from Order
14 71/17 where the PUB directed that the non-gas
15 components of Centra's rates should revert back to
16 levels approved in 2010, effective August 1st, 2017,
17 for all customer classes except power station and
18 special contract customers.

19 An illustration of the changes to the
20 T-service customer bills between 2010 and 2019 is
21 shown on the graph. Here we can see the impact of the
22 rate decrease that occurred in 2017, as well as the
23 corresponding increases that are being proposed as a
24 result of this application.

25 Next slide, please.

1 This slide summarizes Centra's response
2 to first round Information Request PUB Centra 143,
3 which requested bill impact comparisons to illustrate
4 the effect the reversion of non-gas costs in 2017 had
5 on current proposed rates. These comparisons are
6 based on the bill impacts filed with the supplement.
7 As shown in the table, had the rate reversion not
8 occurred in 2017, the bill impacts for T-service
9 customers would be dramatically different than the
10 current proposed.

11 Next slide, please.

12 The special contract class' share of
13 non-gas costs has increased since the last GRA. This
14 is driven by a change in the relative proportion of
15 rate base that is transmission related versus
16 distribution related, as a result of significant
17 transmission investments made since the last GRA.

18 Under Centra's currently approved and
19 utilized cost allocation methodology, an increase in
20 the proportion of transmission-related assets results
21 in more costs being allocated to transmission served
22 customers. A higher proportion of transmission
23 investments also results in higher overall levels of
24 finance expense and capital taxes that are allocated
25 to all customer cash -- classes.

1 A portion of the bill impacts for the
2 special contract class is also reflective of the
3 decision in Order 79/17 to freeze the non-gas
4 component of rates for this class at levels approved
5 in the last GRA. Had the rates reverted in 2017, the
6 special contract customer class would have experienced
7 a 14 percent increase effective August 1st, 2017,
8 which would have reduced the impact of a base -- base
9 rate increase proposed in this current GRA.

10 Next slide, please.

11 Rate riders are temporary rate changes
12 that are added to base rates typically for a 12-month
13 period, designed to either collect or refund the
14 balances of Centra's various gas costs and other
15 deferral accounts. As part of this GRA, Centra is
16 proposing to dispose of the balance in its
17 supplemental gas transportation to Centra,
18 distribution to customers, and heating value margin
19 deferral account balances accumulated between November
20 1st, 2015, and October 31st, 2019, with updated
21 carrying costs also to October 31st.

22 As noted earlier, the net amount of
23 these various deferral account balances result in a
24 refund to customers of approximately \$21 million.
25 Centra is proposing to implement these rate riders on

1 November 1st, for a 12-month period to expire on
2 October 31st, 2020.

3 Billed rate impacts will vary between
4 customer classes and are reflective of the customers'
5 cost responsibility for the balances that have
6 accumulated in each of the various deferral accounts.

7 Once again for those parties who have been granted
8 access to confidential information filed in this
9 application, Centra has also provided the bill impacts
10 for power station and special contract customer
11 classes on this slide.

12 MR. PAUL CHARD: Next slide, please.

13 While the PUB has invited submissions
14 on bill mitigation options, in making any
15 determination on that issue the Panel will first need
16 to be satisfied that bill mitigation is indeed
17 required in this case.

In providing context to making that determination, Centra referred in its rebuttal evidence to a PUB order from 1991. This order was the -- one (1) of the first orders following the introduction of transportation service in Manitoba, and one (1) of the issues before the Board at that time was how it should evaluate the rate changes that would be experienced by different customers who had

1 elected to take different services from the Utility.

2 The conclusion of the Board -- that the
3 Board came to at that time was that the cost of gas
4 must be considered as an integral part of the
5 calculation of the total annual impact.

6 In today's context, Centra has provided
7 calculations of the bill impacts for T-service and
8 special contract classes that have incorporated
9 Centra's most recently approved primary gas rate. The
10 next slide, please.

11 So, that -- those calculations are
12 shown here. The resulting calculations show increases
13 for each of these classes in the low single digits.
14 These are base rate impacts. The billed rate impacts
15 vary by class. For high volume firm, the -- there's a
16 slight increase for main line T-Service customers. It
17 is lower than what appears on the slide.

18 And for the special contract customer,
19 it is higher than what appears for the panel who has
20 the -- the CSI version, but it is still below 5
21 percent. And the precise calculation can be found on
22 page seven of our rebuttal evidence. Next slide,
23 please.

24 And, actually, I guess before I move
25 off -- or too far off of that slide, I'd like to just

1 take a -- a moment to -- to put some qualifications
2 around those numbers for the panel. That's -- that's
3 the calculation that Centra's put on the record.
4 There's also a calculation that CAC has provided in
5 its evidence. And the special contract customer also
6 put a calculation on the record that took into account
7 their upstream transportation costs, as well as what
8 they will pay to Centra. That impact was also
9 redacted on the public version, as -- it was
10 commercially sensitive information, but the panel has
11 access to that information.

12 So the caution that I want to provide
13 is that there may be a temptation, at least in your
14 mind, to try to put those together to try to get a
15 more complete picture of what the total impacts are.
16 And I'd actually caution you against doing that.

17 I'd say that each calculation is valid
18 on its own, and it shows you something specific on its
19 own. But we need to recognize that the nature of the
20 special contract customer and its sophistication means
21 that its ability to move and buy gas means that their
22 purchase price will be something different than
23 Centra's. So, you can't take one and -- and another
24 and -- and add them together. And as an example of
25 that, they may incur higher transportation costs and

1 by doing that, incur a lower cost of gas. Next slide,
2 please.

3 So based on the calculations and the
4 history of rate changes that have resulted since the
5 2017 rate reversion, Centra's view is that in this
6 case bill mitigation is not actually required.

7 However, given the PUB's direction and request for
8 parties to provide bill mitigation options, Centra has
9 provided two options for the PUB's consideration.

10 Each of these options has variations that could be
11 selected which would drive somewhat different
12 outcomes.

13 The first and most administratively
14 simple, which also has the advantage of not affecting
15 accepted cost allocation practice, is that -- is that
16 the payment of the rider related to the heating value
17 margin deferral would be paid by the special contract
18 class over time. So, we proposed up to two (2) years
19 and which we think is in keeping with past practice,
20 but another time frame could be selected as well.

21 So this alternative essentially extends
22 the payment terms on the rider. The rider in this
23 class is normally collected as a single payment
24 charged to the customer on the first bill following
25 the rate change. By extending the payment terms on

1 this amount over two (2) years, much like PGBA
2 balances and exceptional circumstances have been
3 extended, the bill impact experience by this customer
4 would be lower.

5 Our second proposal relates to making
6 changes to the way the heating value margin deferral
7 is allocated. There are two (2) options in this
8 regard that have been proposed in this proceeding, and
9 we can go to the next slide for that.

10 So, the first alternative was proposed
11 by Ms. Derksen and is essentially to implement the
12 Christensen Associates' recommendation on heating
13 value at this time. This would remove the special
14 contract class from the allocation of the heating
15 value margin deferral and allocate the entire amount
16 of the deferral to all other classes based on their
17 class volume, which is Centra's current methodology.
18 This results in the special contract class having no
19 responsibility for the heating value margin deferral,
20 and increases the cost to all other classes.

21 The second alternative is to change the
22 allocation methodology for the heating value margin
23 deferral. Mr. McLaren, on behalf of IGU, has proposed
24 that the allocation be done on the basis of volumetric
25 revenue. The results of this methodology is to shift

1 responsibility away from all the higher volume classes
2 towards the Small General Service class. This results
3 in the amount being allocated to the SGS class
4 doubling, and Centra has estimated that in this case
5 it would result in an increase to the SGS class of
6 approximately 0.7 percent. As this is a change in
7 methodology, there may be an argument that it would be
8 better to review this change as part of the overall
9 cost of service review.

10 So, in conclusion, Centra's position is
11 that bill mitigation is likely not warranted based on
12 the overall customer impacts. But should the PUB
13 determine that some form of bill mitigation is
14 required, one (1) of the -- these proposed adjustments
15 to the heating value margin deferral would be
16 appropriate options to consider because they avoid
17 delving too far into the accepted cost allocation
18 practices.

19

20 (BRIEF PAUSE)

21

22 THE CHAIRPERSON: Mr. Czarnecki, that
23 concludes your direct?

24 MR. BRENT CZARNECKI: Yes, it does,
25 Mr. Chairman. Thank you. The witnesses are available

1 for cross-examination.

2 THE CHAIRPERSON: Thank you. Ms.

3 Steinfeld...?

4 MS. DAYNA STEINFELD: Thank you, Mr.
5 Chair.

6 And good afternoon Ms. Gregorashuk and
7 Mr. Chard. Please, answer whoever feels best
8 positioned to answer. I'll direct my questions
9 generally to both of you. I would also just like to
10 remind you that my questions are not intended to
11 elicit commercially sensitive information, and if at
12 any time you feel you need to rely on commercially
13 sensitive information to answer a question, please
14 consult with your counsel before doing so.

15 I would also note, Mr. Czarnecki, I
16 believe we will -- Centra will want to mark the
17 PowerPoint slides as an exhibit. And I think we would
18 do -- I think it's Centra-40 would be the public
19 redacted version and 41 would be the CSI. Can you
20 confirm?

21 MR. BRENT CZARNECKI: Yes, please.

22

23 --- EXHIBIT NO. CENTRA-40: Public redacted version of
24 the PowerPoint slides

25

1 --- EXHIBIT NO. CENTRA-41: CSI version of the
2 PowerPoint slides

3

4 CROSS-EXAMINATION BY MS. DAYNA STEINFELD:

5 MS. DAYNA STEINFELD: And with those
6 housekeeping matters, I'll -- I'll turn to some
7 questions.

8 And I'd like to just start -- I'm going
9 to start with the heating value margin deferral
10 account. And I'd like to start with some background,
11 just to help me understand the heating value margin
12 deferral, what it is, and how that deferral account
13 works. We will get to the positions of the different
14 parties and -- and the evidence. But to -- to start I
15 -- I just need a little bit of help from -- from the
16 witnesses in making sure we're all on the same page.

17 So, as a starting point, my
18 understanding is that Centra purchases the gas
19 molecules based on heat content, correct?

20 MR. PAUL CHARD: That is correct.

21 MS. DAYNA STEINFELD: And where heat
22 content and the gas is higher, the gas is what we
23 might call richer, and that results in customers
24 burning less gas?

25 MR. PAUL CHARD: That would be correct

1 as well.

2 MS. DAYNA STEINFELD: But customers
3 are charged based on volumetric consumption, correct?

4 MR. PAUL CHARD: That is correct.

5 MS. DAYNA STEINFELD: And so what that
6 means is that customers are paying amounts on their
7 bills that do not necessarily equal the amounts that
8 Centra has paid for the gas based on heating content?

9 MR. PAUL CHARD: Yes, I believe that
10 would be correct.

11 MS. DAYNA STEINFELD: And so what that
12 really means is there are sometimes profits to Centra
13 as a result of those differences, and sometimes losses
14 to Centra as a result of those differences? Maybe
15 those aren't the right words to use but --

16 MR. PAUL CHARD: So I think we need to
17 be careful. You're talking about purchasing the
18 commodity and the price that Centra pays for the
19 commodity. But, in fact, the heating value is an
20 assumption that is made in our load forecast and goes
21 into setting all of our rates. So, not just primary
22 rates but all of the rates that you're -- that the
23 Board is being asked to approve.

24 MS. DAYNA STEINFELD: But at a -- at a
25 conceptual level, what -- what that means is that

1 because customers are paying their bills based on
2 volumetric consumption, sometimes customers are paying
3 more than they should and sometimes they're paying
4 less than they should?

5 MR. PAUL CHARD: Right. To the extent
6 that the heating value is higher -- make -- make sure
7 I get this going in the right direction -- they are
8 paying less than they should, and to the extent that
9 the heating value is lower, they are paying more than
10 they should.

11 MS. DAYNA STEINFELD: I'm told that
12 that's right. And when that happens, the -- those
13 differences are recorded in a deferral account and no
14 -- that deferral account periodically is refunded in
15 certain circumstances to customers, and in certain
16 circumstances to Centra?

17 MR. PAUL CHARD: That is correct.

18 MS. DAYNA STEINFELD: And in your
19 slides you mentioned -- a few different places; one
20 (1) was on slide 2 -- that Centra has rate riders to
21 refund amounts to customers, and that there is an --
22 on a net basis, a refund in this proceeding to
23 customers. But if we isolate it to just the heating
24 value margin deferral account in this proceeding,
25 we're talking about a refund to Centra, correct?

1 MR. PAUL CHARD: That is correct.

2 MS. DAYNA STEINFELD: So there is an
3 amount owing to Centra pay -- customers were not
4 paying enough for their gas and that amount has to now
5 be collected from customers to keep Centra whole?

6 MR. PAUL CHARD: Correct.

7 MS. DAYNA STEINFELD: I'm coming along
8 in my understanding Mr. Chard, thank you.

9 And if we look at this -- this issue
10 about how -- what the methodology should be in
11 refunding whether it's to customers or to Centra,
12 would you agree that the Board can look at that issue
13 separate from any question of bill mitigation?

14 MR. PAUL CHARD: I'm not sure I follow
15 the question.

16 MS. DAYNA STEINFELD: I'll put it
17 another way.

18 If -- if the Board agrees with your
19 primary position, as I understand it, that there
20 should not be any bill mitigation measures put in
21 place in this proceeding, could the Board nonetheless
22 look at this issue of the disposition of a heating
23 value margin deferral account and reconsider the
24 methodology?

25 MR. PAUL CHARD: I -- I think that

1 certainly they could, yes.

2 MS. DAYNA STEINFELD: So we -- we
3 could look at it from a bill mitigation perspective,
4 but we could also just look at is as is this being
5 done the -- the way that it should.

6 MR. PAUL CHARD: Yes. I think
7 essentially the Board would be choosing to move a
8 single issue out in front of any other cost allocation
9 issues and making a determination on that.

10 Now, that might be an interim
11 determination and in which case the heating val -- the
12 disposal of the heating value deferral, you know,
13 could be part of a generic review, or in fact it could
14 be essentially a final determination or a
15 determination that is confirmed through a generic
16 process.

17 MS. DAYNA STEINFELD: But you're not
18 saying that the Board shouldn't look at it now, and in
19 fact you're saying if they do it for a bill mitigation
20 purpose, it's valid to do it now.

21 MR. PAUL CHARD: Yes.

22 MS. DAYNA STEINFELD: If we could turn
23 to PUB Exhibit 25, Board counsel's book of documents,
24 I believe it is Tab 6 and page 269, the very last page
25 of that tab.

1 Mr. Chard, you'll confirm that this is
2 a page from Centra's rebuttal evidence?

3 MR. PAUL CHARD: Yes, that's correct.

4 MS. DAYNA STEINFELD: And at the top
5 of this page there is a chart, and maybe we can zoom
6 in a little bit to see the numbers.

7 And again, at a -- at a conceptual
8 level if we look at row 9 of this chart, is what we're
9 seeing the percentage responsibility of each class for
10 the accumulations into the deferral account?

11 MS. SHANNON GREGORASHUK: Sorry, could
12 you repeat that, please?

13 MS. DAYNA STEINFELD: If we look at
14 row 9 of this chart, would you agree that the
15 percentages shown there equate to the percentage
16 responsibility of each customer class for the
17 accumulations into the deferral account?

18 MS. SHANNON GREGORASHUK: So the
19 percentages shown on line 9 reflect the methodology
20 based on if -- if it was allocated based on the
21 volumetric revenue as proposed.

22 MS. DAYNA STEINFELD: I'm sorry, I
23 understand that this chart is showing the differences
24 in the methodology, but if we also just isolated it
25 and look at how the amounts get accumulated into the

1 account, this row would be showing us that as well.

2 MR. PAUL CHARD: I think -- so I think
3 it's close without being able to -- to say it's
4 exactly correct, but it's certainly we think more
5 reflective than line 6 would be, which is actually the
6 current methodology.

7 MS. DAYNA STEINFELD: And just to
8 clarify, when we're talking about volumetric revenue,
9 we're talking about non-gas volumetric revenue in this
10 -- on this table?

11 MR. PAUL CHARD: That is correct.

12 MS. DAYNA STEINFELD: So line 9 is --
13 is pretty close to the cost responsibility for the
14 amounts going into the account.

15 If we look at row 6, we're seeing the
16 cost responsibility for the current disposition of the
17 account. Is that correct?

18 MR. PAUL CHARD: That is correct.

19 MS. DAYNA STEINFELD: So if I put it
20 another way, right now, again accepting that the
21 numbers might be slightly off, but right now the SGS
22 cost is responsible for about 70 percent of the
23 accumulations into the account, and is responsible for
24 about 32 percent of the disposition of the amounts in
25 the account.

1 Have I got that right?

2 MR. PAUL CHARD: Yes.

3 MS. DAYNA STEINFELD: And I take it
4 from your rebuttal evidence, that Centra accepts that
5 there is a mismatching between how the amounts in the
6 account are accumulated and how they are disposed of?

7 MR. PAUL CHARD: Correct.

8 MS. DAYNA STEINFELD: And just for
9 clarification, staying on this page, is Centra able to
10 advise which gas years were used in compiling this
11 table?

12 And if you need to take that as an
13 undertaking, that's fine.

14 MS. SHANNON GREGORASHUK: So, the
15 amounts reflected in this chart are for all of the
16 deferral account balances that we have brought forward
17 as part of this application, so it would be the prior
18 period in 2014/15 and then the 15/16, 16/17, 17/18,
19 and 18/19 gas years.

20 MS. DAYNA STEINFELD: Thank you for
21 that.

22 And does the calculation of the
23 percentage of class volumetric non-gas revenue include
24 the non-gas revenue from the primary gas and
25 supplemental gas overhead rates?

1 MS. SHANNON GREGORASHUK: Yes, they
2 would.

3 MS. DAYNA STEINFELD: Thank you.

4 So sticking with the current
5 methodology of disposing of the balance and the
6 deferral account, based on the total volumes that a
7 customer class consumes, why is Centra doing the
8 disposition that way? Why -- what's the reason for
9 that methodology?

10 MS. SHANNON GREGORASHUK: This -- this
11 methodology has been in place for -- for many years.
12 I -- as far as I could tell, going back to as early as
13 somewhere in the 1990s.

14 I don't have a definitive reason. My
15 understanding is that if the variations in the -- or
16 the balances and the heating value deferral account
17 accrue based on variations in volume, that could have
18 been a consideration with respect to how the balances
19 are allocated.

20 MS. DAYNA STEINFELD: So that this
21 point it's -- it's basically just a historic holdover
22 that's been in place for a long time and it hasn't
23 been changed?

24 MS. SHANNON GREGORASHUK: I think
25 that's fair.

1 MS. DAYNA STEINFELD: In 2012, and you
2 referenced this in your presentation, there was a
3 recommendation from a consultant to the utility -- and
4 I always say it wrong -- Christiansen Associates, and
5 they identified this mismatching problem, at least as
6 it relates to the special contract class, is that
7 correct?

8 MS. SHANNON GREGORASHUK: Yes, that's
9 correct.

10 MS. DAYNA STEINFELD: And we can go
11 there in the book of documents, but I don't think we
12 need to.

13 You'll recall that the consultant
14 recommended that the special contract class be
15 excluded from the disposition of the balances and the
16 deferral account. Is that correct?

17 MS. SHANNON GREGORASHUK: That's
18 correct.

19 MS. DAYNA STEINFELD: And in fact,
20 Centra agreed with that recommendation but has not
21 implemented it. Do I have that right?

22 MS. SHANNON GREGORASHUK: Yes.

23 MS. DAYNA STEINFELD: So going on some
24 seven years now, Centra has been in agreement with the
25 problem of there being a mismatch. Why hasn't Centra

1 changed the methodology to date?

2 MR. PAUL CHARD: I think Centra's
3 feeling on this was -- so that report had been
4 reviewed because it was a joint electric gas report
5 that had been reviewed at a Manitoba Hydro proceeding,
6 but it hadn't been brought forward in a gas proceeding
7 yet.

8 And there -- I think in combination
9 with the fact that although for many years this
10 account had resulted in refunds to customers, in this
11 case it was resulting in a cost to customers.

12 And so there was an equity -- a concern
13 about an equity issue in terms of whether the customer
14 who had benefited from those refunds should now be
15 excluded from -- from incurring costs.

16 MS. DAYNA STEINFELD: And we'll get
17 there. I have some questions for you about that issue
18 about the difference in which customers should
19 benefit.

20 But if we stay on the recommendation,
21 Ms. Derksen's evidence has raised again the -- the
22 recommendation that the special contract customer
23 class be excluded from the disposition. You're
24 familiar with that?

25 MR. PAUL CHARD: Yes.

1 MS. DAYNA STEINFELD: And you said on
2 I think slide 12 of your evidence earlier, that that
3 could be done, but the result would be that the other
4 customer classes would pick up more responsibility for
5 the refund to Centra. Is that correct?

6 MR. PAUL CHARD: That is correct, yes.

7 MS. DAYNA STEINFELD: And I believe
8 you framed it as for the SGS class it would be
9 approximately double. Is that right?

10 MR. PAUL CHARD: No, I think we're
11 mixing methodologies there.

12 MS. DAYNA STEINFELD: Oh, mixing?

13 Okay.

14 MR. PAUL CHARD: Yes.

15 MS. DAYNA STEINFELD: Then I'm going
16 to come back to that same question when we get to the
17 other methodology.

18 On this methodology the increase to the
19 other customer classes, would that increase, in your
20 view, be material to those classes?

21 MR. PAUL CHARD: From a customer's
22 perspective?

23 MS. DAYNA STEINFELD: From the
24 customer class perspective. If they -- if the special
25 contract customer class is excluded from the

1 disposition, would it be material to the other classes
2 to bear the additional responsibility?

3 I believe Ms. Derksen says it would not
4 be, and we can maybe go to her evidence on that if you
5 need a reference.

6 MR. PAUL CHARD: Well, I can -- I
7 think I can in a -- a -- I can put some numbers on the
8 record and hopefully it won't be too hard to follow.

9 If we can go back to the slide that was
10 up with the chart, that will help, I think.

11 MS. DAYNA STEINFELD: Sorry, your
12 rebuttal chart?

13 MR. PAUL CHARD: Sorry, no, it was the
14 -- the 269, yes.

15 So the percentages on line 6, 32
16 percent for SGS as an example, by excluding the
17 special contract class, it would result in SGS class
18 getting 42 percent of the total.

19 LGS would get 33 percent instead of 26.
20 High volume firm would get 13 percent instead of 10.
21 Mainline firm would get 9 instead of 7. And
22 Interruptible would get 3 instead of 2.

23 MS. DAYNA STEINFELD: Thank you, Mr.
24 Chard. I was going to ask you for an undertaking to
25 do exactly that, but you came prepared, so thank you

1 for that.

2 And if the special contract customer
3 class is excluded, then they would be responsible for
4 zero percent or zero dollars of the disposition, is
5 that correct?

6 MR. PAUL CHARD: That is correct.

7 MS. DAYNA STEINFELD: And so that's
8 where Centra and I believe Ms. Derksen have identified
9 that they would have less of a build rate impact as a
10 result?

11 MR. PAUL CHARD: That's correct.

12 MS. DAYNA STEINFELD: You've also
13 identified the methodology that's raised by Mr.
14 McLaren in his evidence. The option of assigning the
15 deferral to each customer class based on non-gas
16 volumetric revenue, correct?

17 MR. PAUL CHARD: Yes.

18 MS. DAYNA STEINFELD: And I believe in
19 your rebuttal evidence you say that that option has
20 merit.

21 Do I have that right?

22 MR. PAUL CHARD: Yes.

23 MS. DAYNA STEINFELD: And so, when we
24 talk about that methodology, is that another way of
25 saying that the class responsibility for the disposal

1 or refunding of the deferral account should be on the
2 same basis as the responsibility for each customer
3 class for the accumulation into the account?

4 MR. PAUL CHARD: I think I'm following
5 you there, yes.

6 MS. DAYNA STEINFELD: So, if we stay
7 on this table on page 269, on the methodology
8 discussed by Mr. Clare -- McLaren, the SGS customer
9 class would be responsible for the \$2.7 million
10 accumulation into the account and would be required as
11 a class to refund that same amount to Centra.

12 Do I have that right?

13 MR. PAUL CHARD: Correct.

14 MS. DAYNA STEINFELD: And if we scroll
15 down a little bit on this same page, I believe you've
16 actually calculated what the impact would be to the
17 typical residential customer of that methodology.

18 And here you're saying it would be a
19 billed rate impact for one (1) year of five dollars
20 (\$5), or 0.7 percent, if this change was implemented
21 in the test year, correct?

22 MR. PAUL CHARD: That's correct.

23 MS. DAYNA STEINFELD: And in Centra's
24 view, is disposing of the deferral account balances in
25 the same proportions as their accumulated preferable

560

1 to the current methodology?

2 MR. PAUL CHARD: I -- yes, I think so.

3

4 (BRIEF PAUSE)

5

6 MS. DAYNA STEINFELD: Am I right in
7 understanding that, if we take Mr. McLaren's
8 methodology, disposing of the account on the basis of
9 non-gas volumetric revenue, that methodology does not
10 account for variations in heating value in demand-
11 related rates?

12 Does -- does Centra agree with that?

13 MR. PAUL CHARD: That is correct, yes.

14 MS. DAYNA STEINFELD: And so,
15 basically, as I understand it, what that means is
16 there are variations in demand billing that are caused
17 by heating value?

18 MR. PAUL CHARD: I believe we provided
19 a response to an IR on that that said, yes, there
20 would be a small impact.

21 MS. DAYNA STEINFELD: And when you
22 say, "Small," are you able to put a number or a
23 percentage on what the amount of that variation might
24 be?

25 MR. PAUL CHARD: No. I think we said,

1 "Small," because we couldn't put a percentage or an
2 impact on it.

3 MS. DAYNA STEINFELD: Okay. So, it --
4 it's so small it's immaterial?

5 MR. PAUL CHARD: I -- yes. If -- if
6 the -- if the impacts of removing the special contract
7 were considered immaterial, then, yes, I would think
8 that would definitely be considered immaterial.

9 MS. DAYNA STEINFELD: Is the issue
10 more so that it's a very complicated calculation to
11 do?

12 MR. PAUL CHARD: I think -- I -- I
13 think I would agree with that. And -- and I'm not
14 even sure if it would be possible.

15

16 (BRIEF PAUSE)

17

18 MS. DAYNA STEINFELD: So, are you
19 able, if we just scroll up again to the top of this
20 page, to update the table you've provided to
21 incorporate -- incorporate variations in non-gas
22 demand revenue in the allocation of the deferral
23 account balances?

24 MR. PAUL CHARD: So, the question is,
25 would we be able to?

1 MS. DAYNA STEINFELD: Yes.

2

3 (BRIEF PAUSE)

4

5 MR. PAUL CHARD: We don't think so.

6 MS. DAYNA STEINFELD: Okay. Thank
7 you. In terms of the two (2) alternative
8 methodologies, alternative from the current
9 methodology, does Centra view disposing of the
10 deferral account balances on the non-gas volumetric
11 revenue preferable to simply excluding the special
12 contract customer class from the disposition?

13 MR. PAUL CHARD: I think that depends
14 upon the lens upon which you place on it, so. And it
15 was a little unclear exactly how far we should delve
16 into changes in methodology.

17 So, we view -- we view that as
18 definitely a bigger change in methodology. It's --
19 we're delving into the accepted methodology deeper,
20 but I think we would view it as a superior
21 methodology.

22 MS. DAYNA STEINFELD: And when you
23 say, "We would view that as delving into the
24 methodology deeper," you mean Mr. McLaren's
25 methodology?

1 MR. PAUL CHARD: McLaren's, yes.

2 MS. DAYNA STEINFELD: And so, would
3 you view the exclusion of the special contract
4 customer class as potentially an interim, better than
5 it is not but we'll look at it more closely at a cost
6 of service study review?

7 MR. PAUL CHARD: Certainly, that's the
8 way we thought it might be viewed, yes.

9 MS. DAYNA STEINFELD: Okay. And I
10 believe -- and we can turn to book of documents page
11 260. But I believe that Centra's position is that any
12 changes that are going to be made to the disposition
13 of this deferral account should not occur in 2019/'20
14 but in some year after that.

15 Is that a fair summary of your
16 evidence?

17 MR. PAUL CHARD: Well, I think that
18 was our evidence before we were asked to provide bill
19 mitigation options.

20 MS. DAYNA STEINFELD: Okay. So, if
21 it's being looked at as a bill mitigation option,
22 you're saying do it now, but as a methodology change,
23 wait?

24 MR. PAUL CHARD: Yeah, that -- I think
25 that would be a fair summary.

1 MS. DAYNA STEINFELD: So, the -- just
2 help me out with this then, Mr. Chard. In your
3 evidence, what I understood is that it would not be
4 fair to change the methodology now because the special
5 contract customer class received the benefit of
6 refunds to customers over a period of time and should,
7 therefore, bear some responsibility for a refund to
8 Centra now, before we change the methodology.

9 Is that -- is that a fair summary of
10 your evidence prior to your rebuttal?

11 MR. PAUL CHARD: I -- I think our view
12 -- or our -- we were reluctant to propose changes
13 without having an understanding of what other parties
14 might take on the -- on the -- issue might be.

15 So, the -- you know, we've -- we have
16 some alternatives on the record. I think we're
17 perhaps more comfortable with the exclusion of the
18 special contract costs.

19 It fits with, you know, our initial
20 agreement with the concept that it should be excluded.

21 MS. DAYNA STEINFELD: And maybe, Ms.
22 Villegas, if we could just scroll down to the bottom
23 of this page. This is an IR response IGU Centra Round
24 2, question 4. And we can just stop right there.

25 So, in this IR response from June,

1 Centra says:

2 "With the special contract clause,
3 having received a net benefit from
4 this deferral over the course of
5 fifteen (15) years, Centra believes
6 there is a fairness argument that
7 dictates that the current balances
8 to be collected from customers
9 should apportioned in the same
10 manner that previous balances have
11 been refunded.

12 At the same time, the current
13 proceeding allows for all parties to
14 advise of their positions about
15 appropriate treatment going
16 forward."

17 Is this still Centra's position?

18 MR. PAUL CHARD: Well, I think that,
19 in part, was an invitation to hear from other parties.
20 And I think we've now heard from other parties.

21 MS. DAYNA STEINFELD: And is Centra
22 today still taking the position that the change in the
23 methodology should wait until after the disposition of
24 the current balance of the heating value deferral
25 account, whether it's excluding the special contract

1 customer class or otherwise?

2

3 (BRIEF PAUSE)

4

5 MR. PAUL CHARD: Sorry, we just had a
6 brief discussion, and now I've lost the question.

7 MS. DAYNA STEINFELD: Okay, let me try
8 again because it gives me a chance to ask it a little
9 bit better. If we go to the bottom of page 259 to
10 start...

11

12 (BRIEF PAUSE)

13

14 MS. DAYNA STEINFELD: And so, here
15 Centra -- and this is the same IR response. Centra is
16 saying:

17 "When considering the appropriate
18 time to implement the
19 recommendation, it is necessary to
20 take into account the regulatory
21 principles of fairness and equity as
22 between and amongst customer classes
23 with respect to their refunds and
24 collections to date with respect to
25 the heating value deferral account."

1 Do you see that there?

2 MR. PAUL CHARD: Yes.

3 MS. DAYNA STEINFELD: And so, my
4 understanding of your evidence, at least as of the
5 time that you were responding to Round 2 IRs, was that
6 the special contract class over a period of fifteen
7 (15) years received the benefit of refunds to
8 customers as a result of the mismatch in the
9 methodology, correct?

10 MR. PAUL CHARD: Correct.

11 MS. DAYNA STEINFELD: And while Centra
12 agrees that there is a mismatch in the methodology and
13 that there's merit to changing the methodology, that
14 should not be done at this time because, just as they
15 received a benefit from the mismatch, so too they
16 should have to pay the costs.

17 Is that...?

18 MR. PAUL CHARD: That's fair, yes.

19 MS. DAYNA STEINFELD: And are you
20 saying now that that is still your position, but if
21 the Board wants to look at any bill mitigation
22 options, Centra would rather the Board look at this
23 issue than any of the other proposals that are on the
24 table?

25 MR. PAUL CHARD: Yes, that's fair, as

1 well.

2 MS. DAYNA STEINFELD: Okay. I think I
3 have it now, Mr. Chard. Thank you.

4

5 (BRIEF PAUSE)

6

7 MS. DAYNA STEINFELD: Okay. So, since
8 we're talking about mill -- bill mitigation, let's go
9 there. And, again, just starting with some
10 background. My understanding of the -- of the issue
11 that has come up in this proceeding relates to the way
12 that customer classes are allocated costs through
13 Centra's cost of service study.

14 Is that a fair summary of the
15 underlying issue?

16 MS. SHANNON GREGORASHUK: I think
17 that's fair.

18 MS. DAYNA STEINFELD: And what we're
19 seeing is that classes with a greater proportion of
20 transmission costs are seeing a greater in -- increase
21 in allocated costs due to there being an increase in
22 transmission plant, correct?

23 MS. SHANNON GREGORASHUK: Correct.

24 MS. DAYNA STEINFELD: And so, the
25 Board has decided that the cost of service study

1 methodology has been deferred to another proceeding.
2 And Centra's position is that we shouldn't be looking
3 at any bill mitigation options either, correct?

4 MR. PAUL CHARD: Correct.

5 MS. DAYNA STEINFELD: And this morning
6 -- and maybe we'll put up Centra 40 at slide 9.

7

8 (BRIEF PAUSE)

9

10 MS. DAYNA STEINFELD: And -- yes, the
11 presentation, slide 9. And what I heard you saying in
12 your presentation really is that, in addition to
13 waiting on a cost of service study methodology, we
14 also have to look at billed rate impacts in context.

15 Is that a fair summary?

16 MR. PAUL CHARD: Yes, that is.

17 MS. DAYNA STEINFELD: And, Ms.
18 Villegas, I believe you have Board Order 156 of 91,
19 which is quoted here. If you want to just put that up
20 on the screen.

21

22 (BRIEF PAUSE)

23

24 MS. DAYNA STEINFELD: And on, I think
25 it's page 6 -- no, sorry, the -- it would be page 6 of

1 the PDF.

2

3 (BRIEF PAUSE)

4

5 MS. DAYNA STEINFELD: It's not
6 important. I was just going to note that this order
7 from '91 includes appearances from Mr. R.F. Peters,
8 for the Board, Mr. Meronek, for the -- counsel for the
9 Consumers Association of Canada, and of equal
10 competence and ability, M. Rothstein, Q.C., who later
11 joined the Supreme Court, so a real esteemed cast of
12 characters were involved in this order.

13 And if we go to -- back in the day,
14 they didn't put page numbers on their orders. I think
15 it's the fourth last page, just to put that quote on
16 your slide in context. Try maybe 80 -- so if we go to
17 84, I think, Ms. Villegas. Sorry.

18

19 (BRIEF PAUSE)

20

21 MS. DAYNA STEINFELD: That's the same
22 order. Sorry, it's section 17.0. No, it should -- it
23 should be page 85 or thereabouts of the PDF, sorry.
24 Go one more. Okay, sorry, go up a page. Sorry, up on
25 this page. Oh, okay. It's in a different format from

1 the one that I have. I'll make sure that the panel
2 has copies of the order so they can see the quote in
3 context.

4 But the point being that back in 1991
5 the issue of considering the build rate impacts was
6 before this Board and there was evidence and party
7 positions put before the Board in the course of that
8 hearing, correct?

9 MR. PAUL CHARD: Correct.

10 MS. DAYNA STEINFELD: And what the
11 Board said at that point in time is that in order to
12 properly consider what build rate impacts are, you
13 can't just look at non-gas rates, you have to consider
14 all of the amounts that a customer is paying on their
15 gas bill. Is that fair?

16 MR. PAUL CHARD: Yes.

17 MS. DAYNA STEINFELD: So what we see
18 here, this except from PUB order 156/91 on your Centra
19 Exhibit 40, slide 9, is the Board saying with respect
20 to the T-Service rates, the Board agrees that in order
21 to properly compare annual energy increases, the cost
22 of gas must be considered -- can -- can we just put
23 the slide back up?

24 The cost of gas must be considered an
25 integral part of the total annual impact. That's what

1 the Board said at that point in time.

2 MR. PAUL CHARD: Yes, it is.

3 MS. DAYNA STEINFELD: And that is

4 Centra's position today in this proceeding before the
5 Board as well?

6 MR. PAUL CHARD: We would agree with
7 that position, yes.

8 MS. DAYNA STEINFELD: But as an
9 alternative position to that, to saying let's put it
10 in context, no bill mitigation is required, what
11 Centra is suggesting that instead of requiring that
12 the special contract customer class and other high
13 volume classes pay for the various rate riders that
14 they're responsible for in one go, the payment terms
15 could be extended over a period of time.

16 MR. PAUL CHARD: Yes, that's one of
17 the options.

18 MS. DAYNA STEINFELD: And what we're
19 really talking about is the heating value margin
20 deferral account and the unaccounted for gas.

21 MR. PAUL CHARD: In the case of the
22 special contract customers, yes.

23 MS. DAYNA STEINFELD: And Centra has
24 suggested that the payment terms for collection could
25 be extended for up to twenty-four (24) months?

1 MR. PAUL CHARD: That's our
2 suggestion, yes.

3 MS. DAYNA STEINFELD: Why twenty-four
4 (24) months?

5 MR. PAUL CHARD: I think there's some
6 precedent for twenty-four (24) months, some large PGVA
7 balances in the past have been disposed of over
8 twenty-four (24) months, or at least Centra's proposed
9 to do so.

10 And it's a little bit -- it's a little
11 more complicated than to say it was twenty-four (24)
12 months, but after all was said and done, it was
13 approximately twenty-four (24) months.

14 MS. DAYNA STEINFELD: Could it be a
15 longer period of time?

16 MR. PAUL CHARD: It could be a longer
17 period of time.

18 MS. DAYNA STEINFELD: Is there a point
19 at which you'd say that's too long?

20 MR. PAUL CHARD: Well, one of our
21 caveats on that is that the carrying costs of that
22 deferral would be borne by the class. So I don't
23 think from Centra's perspective we would put any limit
24 on how long that -- that deferral could occur over.

25 There's -- there's another element, so

1 certainly the Board could say we'll go to 48 months.

2 One of the recommendations that I would
3 make in that regard is that the Board may be not go
4 too far in prescribing exactly how that customer or
5 that customer class pay for that amount. As we had
6 identified it was normally billed on the first bill
7 following the rate change.

8 You know, given that the carrying costs
9 are involved, it may not be advantageous to the
10 customer in that class to -- to actually pay those
11 carrying charges.

12 So if the Board wanted to set out a
13 maximum, no more than, than it really could be a
14 matter between Centra and the customer to work out
15 exactly what the payment terms would be and whether
16 that would be an annual payment or monthly payments.

17 MS. DAYNA STEINFELD: And would
18 another complication in terms of the period of time be
19 that there would be another PGVA balance to deal with
20 in a few years time?

21 MR. PAUL CHARD: It would, although --
22 I mean, it potentially would, although by that time we
23 may have also dealt with the -- the more basic issue.

24 MS. DAYNA STEINFELD: And is it
25 another option for bill mitigation to not allocate any

1 of the costs of the larger transmission project, the
2 Winnipeg Northwest Transmission Project, to the
3 special contract class and other high volume classes,
4 is that an option?

5 MR. PAUL CHARD: We would see that as
6 -- as crossing the line that we thought the Board had
7 set out in -- in its direction for this proceeding.

8 MS. DAYNA STEINFELD: Ms. Derksen
9 makes a different suggestion in her evidence, which I
10 understand to be that the recovery from the special
11 contract class and other high volume classes of the
12 revenue requirement related to the transmission
13 investment be deferred over a period of time.

14 Is that your understanding of her
15 evidence?

16 MR. PAUL CHARD: I don't -- so I -- I
17 recall the evidence, I don't recall whether it was for
18 just the special contract class or for other classes
19 as well.

20 MS. DAYNA STEINFELD: We can put up, I
21 believe it's book of documents page 274. And if we
22 scroll down to line 32, I believe Ms. Derksen frames
23 it as the participatory classes.

24 MR. PAUL CHARD: So I would read the
25 participatory classes as being all classes.

1 MS. DAYNA STEINFELD: Okay, can you
2 explain that to the panel, what you mean by that?

3 MR. PAUL CHARD: Well, the costs of
4 the increased transmission investments have been
5 allocated to all costs -- or sorry, to all customer
6 classes.

7 MS. DAYNA STEINFELD: Okay, so your
8 understanding is that the deferral of the collection
9 of the revenue requirement would be deferred over a
10 period of time for all customer classes?

11 MR. PAUL CHARD: I'm not sure if
12 that's what she's saying, but...

13 MS. DAYNA STEINFELD: That's how
14 you've read it. Okay. And we can certainly clarify
15 that with Ms. Derksen, or I'm sure she'll tell us on
16 Tuesday.

17 Do you agree that, at least
18 conceptually, that's an option that the Board could
19 consider, a deferral of the revenue requirement over
20 time?

21 MR. PAUL CHARD: I think -- I think
22 it's certainly something the -- the Board could
23 consider. I think we would have some concerns about -
24 - about going there.

25 I -- as I said, it -- it delves into

1 methodology quite deeply, but it also creates issues
2 around, you know, you've now got a deferral that is
3 going to have to be collected from customers over
4 time.

5 One (1) of the things that Centra was
6 hoping to do in this application, since it's been so
7 long since we've been here and with the impacts of the
8 rate rollback and some other decisions that had been
9 made prior to that, we've got pieces of costs that are
10 in rates going all the way back to 2008/'09.

11 So, one (1) of the objectives of Centra
12 coming out of this proceeding was actually to reset
13 things and have a clean slate going forward. So,
14 certainly, deferring transmission costs or the
15 collection of revenues associated with that
16 perpetuates a problem that we were hoping to clean up.

17 MS. DAYNA STEINFELD: And if the Board
18 didn't see that as a problem the way that Centra does,
19 does Centra have a view as to how the -- the magnitude
20 of the reduction should be calculated, or -- or maybe
21 put another way, the period of time over which the
22 deferral would occur?

23 MS. SHANNON GREGORASHUK: Ms.
24 Steinfeld, we -- we recognize the evidence put forward
25 by CAC. We did not consider it to any great extent in

1 terms of how that would -- would look.

2 MS. DAYNA STEINFELD: Okay. Thank
3 you, Ms. Gregorashuk. Would you expect that, if that
4 kind of deferral account was implemented, that Centra
5 would charge carrying costs on those amounts?

6 MS. SHANNON GREGORASHUK: I think
7 that's -- that's an expes -- expectation, yes.

8 MS. DAYNA STEINFELD: And do you have
9 a sense of what the interest rate would be in that
10 circumstance?

11 MS. SHANNON GREGORASHUK: I -- I
12 believe it's equivalent to Centra's short-term
13 borrowing rate.

14 MS. DAYNA STEINFELD: Thank you.
15 Another option that's come up in the evidence is --
16 and I believe it's the evidence of Mr. McLaren, as a
17 bill mitigation option, is to use some discretion in
18 the range of revenue to cost coverage ratios rather
19 than targeting unity.

20 Are you familiar with that evidence?

21 MR. PAUL CHARD: Yes.

22 MS. DAYNA STEINFELD: And so, right
23 now, when rates are being set, the -- the Board sets
24 rates to bring all classes to unity so that under the
25 current cost of service study methodology customers

1 are exactly covering in their class revenues the cost
2 to serve that class.

3 Is that correct?

4 MR. PAUL CHARD: Correct.

5 MS. DAYNA STEINFELD: And what I
6 understand the evidence to be, and you'll tell me if
7 you understand it this way, as well, is that, rather
8 than going to unity, which may cause some classes to
9 pay greater increases to bring them to unity, we
10 should be a little bit more flexible in this
11 proceeding.

12 Is -- is that a fair summary?

13 MR. PAUL CHARD: From my recollection,
14 I think that's fair.

15 MS. DAYNA STEINFELD: You can take
16 that subject to check. I -- I don't think it's
17 necessary to -- to go there.

18 And Centra does at Board council book
19 of documents, page 90, at the bottom, 290 -- at the
20 bottom of that page, accept that that may be an
21 appropriate way of addressing bill impacts caused by
22 large plant additions.

23 Do you see that there?

24 MR. PAUL CHARD: Yes, I do.

25 MS. DAYNA STEINFELD: And if we go to

1 Board council book of documents, page 284, and if we
2 can scroll over to kind of the middle of the chart --
3 sorry, the -- the top section of the chart but the
4 middle of the page, is what we see here that the
5 special contract customer class currently has a
6 revenue to cost coverage ratio of 62 percent?

7

8 (BRIEF PAUSE)

9

10 MS. SHANNON GREGORASHUK: Yes.

11 MS. DAYNA STEINFELD: And does that
12 mean that under the current cost of service study
13 methodology, that special contract customer class is
14 only covering 62 percent of the costs it causes the
15 system to incur?

16 MR. PAUL CHARD: At today's rates,
17 yes.

18 MS. DAYNA STEINFELD: And so, in other
19 words, if I'm -- if I'm going to put it perhaps more
20 simply than Ms. Derksen would like to hear, in other
21 words, the special contract class is underpaying by 38
22 percent?

23 MS. SHANNON GREGORASHUK: I think
24 that's fair.

25 MS. DAYNA STEINFELD: I did that math

1 myself, also, yeah. So, with this revenue to cost
2 coverage ratio in mind, how, in Centra's view, would
3 using a zone of reasonableness assist in mitigating
4 this customer class's billed rate impacts?

5 MS. SHANNON GREGORASHUK: I think, Ms.
6 Steinfeld, before we even get into that discussion, I
7 would have some serious hesitation with respect to
8 exploring the use of a zone of reasonableness now
9 simply because we don't have one (1) in place.

10 And my understanding, the last time
11 Centra had one (1) in place was when our rates were
12 looked -- looked different; they were bundled. The
13 complications with respect to how zone of
14 reasonableness could be applied to our unbundled rate
15 structure is not something that I think we have
16 explored.

17 I -- I don't know that I could answer
18 your question.

19 MS. DAYNA STEINFELD: Maybe I'll put
20 the question a different way. In order to avoid the
21 special contract customer class getting a large rate
22 increase to bring them to unity, would the zone of
23 reasonableness have to be something like 70 to 130
24 percent?

25 MR. PAUL CHARD: I don't think I

1 followed your math on that one (1).

2

3 (BRIEF PAUSE)

4

5 MS. DAYNA STEINFELD: I'll try it
6 another way. If... In order to use a zone of
7 reasonableness to mitigate the billed rate impacts of
8 the special contract to customer class would you not
9 need a very large zone of reasonableness in order to
10 consider that being within the zone you're considered
11 to be approximately covering your costs?

12 MR. PAUL CHARD: So, I -- I think the
13 answer to that is, yes. And it depends upon how large
14 a rate increase you're willing to accept. So, to do
15 some simple math, if you would accept a 10 percent --
16 and this is really simple.

17 If you would accept a 10 percent
18 increase, it would -- the zone of reasonableness would
19 have to be 70 percent to 130 percent.

20 MS. DAYNA STEINFELD: So, that is the
21 -- the math that I did earlier, just to confirm on the
22 record. Thank you. If -- if we look at the zone of
23 reasonableness option, Ms. Derksen's evidence raises a
24 concern that it would exacerbate a problem with the
25 SGS class over contributing for a period of time.

1 Are you familiar with that evidence?

2 MR. PAUL CHARD: Yes, I am.

3 MS. DAYNA STEINFELD: Is it Centra's
4 view that the SGS class has been over contributing its
5 share of the costs for a period of time?

6 MR. PAUL CHARD: So, certainly not to
7 the extent in the calculation that Ms. Derksen did.

8 MS. DAYNA STEINFELD: And can you
9 explain that to me?

10 MR. PAUL CHARD: So, I think I can
11 using -- so, we only know what the revenue to cost
12 ratio is every time we do a cost allocation study,
13 which means we know what it was in 2013/'14 and we
14 know what it is today.

15 I think the conclusion is that -- that
16 the SGS class has been over contributing for that
17 entire period, and we can't say that. We would have
18 had to do a cost allocation study at various points
19 along the way to know that.

20 But, you know, reasonably speaking,
21 it's probably been a progression so that starting at
22 some point in time, they've been over contributing to
23 a certain degree, and then -- and then to we get --
24 until we get to where we are today, to where they're
25 over contributing to the extent that you would

1 calculate.

2 However, the calculation that says that
3 the -- they're at 107 percent I have some trouble with
4 because the furnace replacement program funding which
5 we're applying to remove in this application is being
6 collected from customers and is going into an account.

7 So, you have to remove that amount from
8 the calculation. So, when I do the calculation, it
9 comes out to more, like, 103 percent as opposed to 107
10 percent. I think I've lost the panel.

11 MS. DAYNA STEINFELD: And maybe --
12 maybe if I can try to summarize. What I think I'm
13 hearing you say is that the revenue to cost coverage
14 ratio is a -- is a point in time calculation.

15 So, while the small general service
16 class revenue to cost coverage ratio shown here it 107
17 percent, we don't know, if we'd run the cost
18 allocation model a year ago today, it would have shown
19 the same thing.

20 MR. PAUL CHARD: That's correct. And
21 -- and further to the point that I'm trying to make is
22 that, provided that the Board approves rates for
23 November 1st, on October 31st we'll be collecting the
24 furn -- the funding for the furnace replacement
25 program, and on November 1st we will not be.

1 So, to say right -- that right now the
2 SGS class is over contributing by the 107 and
3 including that amount in the calculation I would
4 suggest is incorrect.

5 MS. DAYNA STEINFELD: So, if the Board
6 approves Centra's request to discontinue funding of
7 the furnace replacement program and less revenues are
8 being collected from the SGS class, which should bring
9 them somewhere closer to unity than they are currently
10 in this -- shown in the chart, they won't be paying as
11 much?

12 MR. PAUL CHARD: Yes.

13 MS. DAYNA STEINFELD: So, speaking in
14 general terms because, obviously, there's a lot of
15 moving parts, but the -- the concept that you're
16 identifying is that it's -- you can't take this number
17 and conclude that they're over contributing because
18 with a rate change on November 1st, they will be
19 paying fewer revenues if the Board approves the
20 discontinuance of the funding of the furnace
21 replacement program?

22 MR. PAUL CHARD: Right. They'll be
23 paying few revenues. But they'll also -- that revenue
24 for the furnace replacement program will no longer be
25 incorporated in what they're paying or what they're

1 paying for.

2 So, the -- if I can try again. So, in
3 my analogy where, you know, over the course of time,
4 we're moving in a continuum from a hundred percent to
5 -- in the evidence that was prepared by Ms. Derksen I
6 think the argument is she would say today they're
7 funding 107 percent, I would disagree.

8 Because today, the furnace replacement
9 fund is being -- those moneys are being set aside as
10 they're being collected. So, it's only on November
11 1st when we stop remitting those -- those funds to the
12 furnace replacement fund that the 107 percent
13 calculation is correct.

14 So, I would agree that from '13/'14 to
15 today we've moved somewhere from a hundred percent to
16 103 percent. I would not agree that we've moved from
17 a hundred percent to 107 percent.

18

19 (BRIEF PAUSE)

20

21 MS. DAYNA STEINFELD: So, is what you
22 were just saying, Mr. Chard, that, if we've only gone
23 to a hundred to 107 in this chart, if we take the
24 furnace replacement funding out of this chart, we'd be
25 back to 103 percent for the SGS class?

1 MR. PAUL CHARD: Yeah. It's slightly
2 over 103, but, yes.

3 MS. DAYNA STEINFELD: And the -- when
4 Centra used the zone of reasonableness in taking Ms.
5 Gregorashuk's point about the rates being different,
6 the zone of reasonableness was 97 to 103; is that
7 correct?

8 MR. PAUL CHARD: That is correct.

9 MS. DAYNA STEINFELD: Okay, thank you
10 to the Panel. Those are my questions of you today,
11 thank you for your time.

12 THE CHAIRPERSON: Thank you. And I
13 think we're going to take a short break now, fifteen
14 (15) minutes. Thank you.

15

16 --- Upon recessing at 2:31 p.m.

17 --- Upon resuming at 2:50 p.m.

18

19 THE CHAIRPERSON: Mr. Meronek, I think
20 have the name right.

21 MR. BRIAN MERONEK: At this point in
22 the proceedings, I'm not sure whether I have it right.
23 But I must tell you I was really excited to hear my
24 name on Board Order 156/91.

25 I was afraid to ask for a copy because

1 I didn't know how well I had done, but, apparently, I
2 did okay, so I did get a copy. And that was going to
3 be my first question.

4

5 CROSS-EXAMINATION BY MR. BRIAN MERONEK:

6 MR. BRIAN MERONEK: Good afternoon,
7 panel.

8

9 (BRIEF PAUSE)

10

11 MR. BRIAN MERONEK: Just if you could
12 pull up Board book of documents page 269.

13

14 (BRIEF PAUSE)

15

16 MR. BRIAN MERONEK: And there -- there
17 was a discussion with Ms. Steinfeld on this schedule.
18 And I think your evidence was, Mr. Chard, that -- that
19 the 71 percent of the SGS -- it keeps on moving on me
20 -- the heating value represents the -- the input by
21 the SGS class?

22 MR. PAUL CHARD: Yes, that's correct.

23 MR. BRIAN MERONEK: Did you do an
24 analysis to come up with that percentage?

25 MS. SHANNON GREGORASHUK: Yes, we

1 would have.

2 MR. BRIAN MERONEK: Is it on the
3 record?

4 MS. SHANNON GREGORASHUK: No, I don't
5 believe so.

6 MR. BRIAN MERONEK: Is -- is it
7 available?

8

9 (BRIEF PAUSE)

10

11 MS. SHANNON GREGORASHUK: Yes, we can
12 -- we can provide it.

13 MR. BRIAN MERONEK: Would you mind
14 giving an undertaking to produce that?

15 MS. SHANNON GREGORASHUK: Yes, we
16 will.

17 MR. BRIAN MERONEK: Thank you.

18

19 --- UNDERTAKING NO. 7: Centra to provide the
20 analysis that's found in
21 the schedule on page 269.

22

23 MR. BRIAN MERONEK: You're testing me,
24 aren't you? The undertaking was to provide the
25 analysis that's found in the schedule on page 269.

1 And the undertaking was given.

2 I -- I must admit that -- that there is
3 a CSI issue, so it's got to be redacted. Thank you.

4

5 (BRIEF PAUSE)

6

7 CONTINUED BY MR. BRIAN MERONEK:

8 MR. BRIAN MERONEK: And you talked
9 about -- or it was -- the zone of reasonableness was
10 talked about today in some detail. And I believe you
11 confirmed that when you're dealing with the existing
12 paradigm, it's we're really dealing with unity and
13 have been for a long time, correct?

14 MS. SHANNON GREGORASHUK: Correct.

15 MR. BRIAN MERONEK: And so that, if we
16 start messing around with the zone of reasonableness,
17 that's really a -- that's a methodology change that
18 really should be punted to the cost of service generic
19 hearing?

20 MS. SHANNON GREGORASHUK: I would
21 agree with that.

22

23 (BRIEF PAUSE)

24

25 MR. BRIAN MERONEK: There was a

1 discussion again pertaining to the cross-
2 subsidization, or the over contribution by the SG --
3 GS class. I believe your evidence was that you can't
4 agree that -- with Ms. Derksen, that it's 107, it's
5 more like a hundred and -- a little over 103 percent
6 as we -- as we sit here today?

7 MR. PAUL CHARD: Yes, that's correct.

8 MR. BRIAN MERONEK: The fact of the
9 matter is it's still an over contribution?

10 MR. PAUL CHARD: Yes, that's fair.

11 MR. BRIAN MERONEK: And if there -- if
12 there's any tinkering with increasing the cost to the
13 SGS class, there's a possibility that it goes bel --
14 the SGS class goes below unity?

15 MR. PAUL CHARD: That would be a
16 possible outcome, yes.

17

18 (BRIEF PAUSE)

19

20 MR. BRIAN MERONEK: And I also
21 understand that there hasn't been a really -- there
22 hasn't been a periodic cost allocation study that's
23 been done over the course of the years?

24 MR. PAUL CHARD: That is correct.

25 MR. BRIAN MERONEK: So, your -- your

592

1 surmision about 103 percent is not predicated on any
2 analysis?

3 MR. PAUL CHARD: Well, it's a
4 variation of Ms. Derksen's analysis, so it's -- it's
5 pretty much based on the analysis that was performed
6 but --

7 MR. BRIAN MERONEK: Taking out the --

8 MR. PAUL CHARD: -- taking out the --

9 MR. BRIAN MERONEK: -- the refund?

10 MR. PAUL CHARD: Yeah.

11 MR. BRIAN MERONEK: Okay.

12

13 (BRIEF PAUSE)

14

15 MR. BRIAN MERONEK: Now, I'm going to
16 be asking you some technical questions on heating
17 value deferral. And if you ask me to explain them, I
18 won't be able to, so I hope you understand.

19 Can you pull up IGU Centra 2-12J?

20

21 (BRIEF PAUSE)

22

23 MR. BRIAN MERONEK: IGU Centra 2-12J.

24

25 (BRIEF PAUSE)

1 MR. BRIAN MERONEK: IGA (sic) Centra 2
2 Second Round -12J. All right. Can you -- can you
3 scroll down? All right. In your response to this
4 Information Request you identified TCPL's
5 transportation, that the heating value is be --
6 between 36 GJ per 103 M3 and 41.34 GJ 103 M3.

7 Is that correct?

8 MR. PAUL CHARD: Yes. It says from
9 their tariff, so I believe that is their -- their
10 acceptable range.

11 MR. BRIAN MERONEK: And can you
12 explain what that means?

13 MR. PAUL CHARD: It means that, in
14 order to ship gas on the TCPL mainline, suppliers have
15 to supply gas that falls within that range.

16 MR. BRIAN MERONEK: And if they don't?

17 MR. PAUL CHARD: I -- I'm not familiar
18 enough to know if there is -- how they police that, if
19 there's penalties or if they're physically
20 disconnected. I'm not sure.

21 MR. BRIAN MERONEK: Does this mean
22 that -- that gas delivered from the TCPL mainline to
23 Centra city gate stations can be within that range?

24 MR. PAUL CHARD: It should always be
25 within that range. That's correct.

1 MR. BRIAN MERONEK: Can you confirm
2 whether Centra's prepared any analysis that considers
3 the impact of the heating value and heating value
4 deferral if the gas delivered to Centra city gate
5 stations were delivered by T-Service customers at the
6 low end, 36, or the high end for that matter, 41?

7 MR. PAUL CHARD: Yeah. Well, so I
8 think the reality is that any gas that is delivered at
9 our gate station is co-mingled. So, whether that's
10 the gas that Centra purchased in Alberta and put on
11 the system or, you know, the -- the gas that's put on
12 the system for us in Alberta is not the gas that we
13 take off.

14 MR. BRIAN MERONEK: And that's
15 precisely my point, that the molecules aren't
16 labelled?

17 MR. PAUL CHARD: That's correct.

18 MR. BRIAN MERONEK: And, as a result,
19 that there's -- I take it there's no way of knowing
20 the extent to which the transportation of T-Service
21 customers or the special contract contribute to the --
22 the heat value issue?

23 MR. PAUL CHARD: So, the distinction I
24 was making earlier about when Ms. Steinfeld started
25 talking to me about the commodity cost of the gas, and

1 -- and so the point I made was that its heating value
2 margin is derived from our -- primarily from our
3 delivery rates and small components of other things.

4 The -- I'm sorry, I think I've lost
5 your question.

6 MR. BRIAN MERONEK: And I lost your
7 answer. My question was: Can you -- can you de --
8 can you tell the extent to which transportation -- T-
9 Service customers and special contract customers
10 contribute to the issue of heating value?

11 MS. SHANNON GREGORASHUK: I think any
12 customer who pays a volumetric rate will contribute to
13 the balance in the heating value.

14 MR. BRIAN MERONEK: But we're not
15 talking balance. We're talking about the molecules
16 coming down the pipes. We can't tell what molecules
17 goes to whom.

18 So, my -- my su -- suspicion is you
19 can't tell the extent to which gas purchased by -- by
20 transportation customers or special contract customers
21 contribute to the issue of richer -- less rich gas?

22 MR. PAUL CHARD: I think that's fair.

23

24 (BRIEF PAUSE)

25

1 MR. BRIAN MERONEK: And if this is a
2 confidential question, please advise me and I'll -- I
3 won't pursue it. I just want to know the percentage
4 of volumes that T-Service customers account for. If
5 that's -- if that's off -- off base, let me know.

6 MR. PAUL CHARD: So, I -- I certainly
7 don't know that. So, we could undertake to get it for
8 you. And I'm not a hundred percent sure about whether
9 it would be. Well, you're entitled to CSI, so we
10 would be able to get it for you.

11 MR. BRIAN MERONEK: If you would
12 provide me with that undertaking and -- and make the
13 determination as to whether it's CSI.

14 MR. PAUL CHARD: So, that's the --
15 essentially, you're looking for the percentage of
16 volume that's delivered to Centra's -- delivered by
17 Centra's system and whether it's sales or T-Service?

18 MR. BRIAN MERONEK: Delivered to the
19 Centra's gate stations, that portion that's
20 attributable to T-Service customers.

21 MR. PAUL CHARD: Okay.

22

23 --- UNDERTAKING NO. 8: Centra to advise the
24 percentage of volumes that
25 T-Service customers

1 account for (DETERMINE IF
2 CSI FIRST)

3

4 MR. BRIAN MERONEK: If you could show
5 PUB Centra 1-105, PUB Centra 1-105.

6

7 (BRIEF PAUSE)

8

9 MR. BRIAN MERONEK: And there's an
10 attachment, I believe. If you could scroll down.

11

12 (BRIEF PAUSE)

13

14 MR. BRIAN MERONEK: Is that it?

15 There. And this represents the heat value differences
16 between Emerson and Ile des Chenes?

17

18 (BRIEF PAUSE)

19

20 MR. PAUL CHARD: I'm sorry, isn't this
21 commercially sensitive information?

22 MR. BRIAN MERONEK: It wasn't in the -
23 - it wasn't in -- on blue paper, so.

24 MR. PAUL CHARD: Okay.

25 MR. BRIAN MERONEK: Am I correct?

1 MR. PAUL CHARD: It -- it's okay.

2 Sorry, I've been advised we're okay.

3 MR. BRIAN MERONEK: I -- I can assure
4 you I've got a big box of commercially sensitive
5 information that I haven't opened, and I don't intend
6 to, so.

7 Have you done any analysis to quantify
8 and understand how T-Service deliveries -- sorry, that
9 -- have you undertaken an analysis about heat value
10 differences at any other of Centra's gate stations?

11

12 (BRIEF PAUSE)

13

14 MR. PAUL CHARD: We're not aware.

15 MR. BRIAN MERONEK: You don't think
16 so?

17 MR. PAUL CHARD: Yeah, we ju -- we
18 just don't know.

19

20 (BRIEF PAUSE)

21

22 MR. BRIAN MERONEK: Now, I don't know
23 the extent to which I can pursue questions with
24 respect to the power station issue. I'm not -- I'm
25 not sure where it sits in the -- in the program, but I

1 just wanted to ask a couple of questions for
2 clarification purposes.

3 I don't know if that's a problem.

4 Thank you, Mr. Czarnecki. As I understand the power
5 stations, the power station's owned by Manitoba Hydro,
6 correct?

7 MR. PAUL CHARD: That's correct.

8 MR. BRIAN MERONEK: Right. And there
9 was a minimum margin guarantee put into place by Board
10 Order 118 of 03 when there was a switch from coal to
11 gas and a feasibility study was undertaken.

12 Can you confirm that?

13 MR. PAUL CHARD: So, I think it was
14 confirmed by that order. It was put in the contract
15 that Centra established with the customer.

16 MR. BRIAN MERONEK: Okay.

17 MR. PAUL CHARD: And it -- it related
18 to more than one (1) generating station.

19 MR. BRIAN MERONEK: Right. There were
20 two (2). And what it do -- what it did was put into
21 place a protection for Centra and its customers
22 because there was no sense -- real sense of how much
23 gas was going to be used by the power stations?

24 MR. PAUL CHARD: For feasibility
25 purposes. So, for determining how much of a customer

600

1 contribution would be required by the customer in
2 order for Centra to build that plant --

3 MR. BRIAN MERONEK: Right.

4 MR. PAUL CHARD: -- originally. And
5 that was done pursuant to the -- the Board-approved
6 feasibility model.

7 MR. BRIAN MERONEK: Right. And that
8 was at a time when there were droughts. And -- and,
9 as a -- as a result, as I understand it, the power
10 stations fired up and consumed a lot of gas?

11 MR. PAUL CHARD: I don't know enough
12 that I could agree with that.

13 MR. BRIAN MERONEK: The -- there was
14 supposed to be a final true-up after ten (10) years,
15 which would have been at the end of 2013.

16 Were you aware of that?

17 MR. PAUL CHARD: Yes, I was. And it
18 wasn't quite the end of 2013. That feasibility test
19 was a little particular; it went to July of 2013.

20 MR. BRIAN MERONEK: Did it ever get
21 submitted to the Board?

22 MR. PAUL CHARD: I don't believe it
23 has been submitted to the Board.

24 MR. BRIAN MERONEK: Now, this minimum
25 margin guarantee that was supposed to be in place was

1 stopped by Centra in 2014, correct?

2 MR. PAUL CHARD: Yes, in accordance
3 with the terms of the contract.

4 MR. BRIAN MERONEK: But did you seek
5 approval of this Board to terminate the minimum margin
6 guarantee?

7 MR. PAUL CHARD: No, we didn't. But
8 the Board approved the contract which ca -- called for
9 it to ex -- end after ten (10) years.

10 MR. BRIAN MERONEK: It -- it approved
11 the contract in 2003?

12 MR. PAUL CHARD: I believe so.

13 MR. BRIAN MERONEK: Right. And did
14 you read the Board order dealing with this issue?

15 MR. PAUL CHARD: Order 118 of 03?

16 MR. BRIAN MERONEK: Yes.

17 MR. PAUL CHARD: Yes, I have.

18 MR. BRIAN MERONEK: Okay. Let me read
19 it to you. And I -- I don't have a copy, so I'll just
20 identify it at page 81. It's under Board finding
21 17.2. And it says:

22 "In part, the Board acknowledges
23 that the contract provide for a
24 minimum revenue guarantees but only
25 for the respective contract terms."

1 And that's what you're relying upon?

2 MR. PAUL CHARD: yes.

3 MR. BRIAN MERONEK: Right. And it
4 goes on further to say:

5 "The Board will require that any
6 changes in terms of conditions or
7 extensions to the term of contract
8 will be filed with the Board for
9 review and, if necessary, approval."

10 And I understand that contract is --
11 hasn't been renewed, it just carried on?

12 MR. PAUL CHARD: That's correct.

13 MR. BRIAN MERONEK: Right. And then
14 the last sentence says:

15 "The Board also expects that the
16 minimum guarantee will continue for
17 any extended contract terms."

18 MR. PAUL CHARD: I see that.

19 MR. BRIAN MERONEK: Right. And you're
20 interpreting that as the endorsement to be able to
21 stop the -- having the minimum margin guarantee in
22 place?

23 MR. PAUL CHARD: Well, in part.

24 MR. BRIAN MERONEK: What -- what's the
25 other part, sir?

1 MR. PAUL CHARD: I -- I look to the
2 other parts of the Order for additional direction. So
3 back on page 80 at 17.1, Intervenor position, so
4 CAC's/MSOS' position is outlined. And -- so CAC
5 stated:

6 "That the term of the contracts is
7 less than the life of the expected
8 projects, that CAC/MSOS request that
9 the Board ensure that the minimum
10 guarantees in the contracts were
11 extended on an evergreening of the
12 contracts or in any new contract
13 subsequently negotiated.

14 Additionally, although Centra does
15 not expect that the future
16 feasibility tests will show
17 additional contributions will be
18 required, CAC/MSOS recommended that
19 a clause be inserted in the
20 contracts to provide for collection
21 of additional required customer
22 contributions."

23 MR. BRIAN MERONEK: And that -- what
24 you're reading there was the position of CAC at the
25 time?

604

1 MR. PAUL CHARD: That's correct.

2 MR. BRIAN MERONEK: What I read to you
3 was the Board findings that followed that --

4 MR. PAUL CHARD: Yes, I'd also agree
5 with that.

6 So the Board findings, we've already
7 gone over the section that you read and then the
8 paragraph at the bottom of -- of the page also notes
9 about the other issue, about the contract being
10 modified so that additional contributions could be
11 refunded, or sorry, collected.

12 And then if we go to the ordering
13 section -- so actually sorry, I need to go back to
14 page 81. So in the position's part the Board
15 specifically captures CAC's recommendation that it be
16 on an evergreening basis or in any new contracts
17 subsequently negotiated. They don't repeat that
18 language in the Board findings.

19 And then in the -- in the ordering
20 section on Page 102, number 21, the Board orders
21 Centra to revise the wording of the contracts in
22 respect to generating stations, and -- and are dealing
23 with this issue of additional contributions.

24 So on a holistic basis, it seems to me
25 that had the Board wanted the contract to be modified

1 so that the margin guarantee apply on an evergreening
2 basis, they would have ordered us to do so in the
3 ordering section.

4 MR. BRIAN MERONEK: All right. We
5 can't debate between ourselves as to what's in the
6 mind of the Board. But my question simply to end this
7 conversation is, when the Board said:

8 "The Board also expects that the
9 minimum guarantee will continue for
10 any extended contract terms"

11 -- can you confirm or advise me as to
12 whether there was any clarification or advice sought
13 from the Board as to what that meaning was?

14 MR. PAUL CHARD: I'm not aware if
15 there was.

16 MR. BRIAN MERONEK: Thank you. Those
17 are my questions.

18 THE CHAIRPERSON: Thank you, Mr.
19 Meronek. Mr. Hacault...?

20 MR. ANTOINE HACAULT: During the break
21 I had a short discussion with Board counsel, and we
22 will leave it to the discretion of the Board because
23 it's more up to -- I am going to be going into some
24 pretty, we'll say heavy slogging, some numbers and
25 looking at tables, and that can be pretty gruesome in

1 the afternoon, I think later in the afternoon. I'm
2 not trying to prejudge whether or not, you know, the
3 Board wants to go through that or not, but I just --
4 saying tomorrow we've -- basically we've got the
5 morning and nothing in the afternoon.

6 I'm putting it as an option to the
7 Board that I'm ready to go now or, alternatively, we
8 can do that heavy slogging first thing in the morning
9 when we haven't spent the day so far dealing with
10 other things.

11 So with those ineloquent comments, I'm
12 seeking some direction from the Board.

13 THE CHAIRPERSON: Centra has its panel
14 here now, so let's start and see where we go.

15 MR. ANTOINE HACAULT: Thank you, Mr.
16 Chairman. That's definitely our preference.

17

18 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

19 MR. ANTOINE HACAULT: First I'm going
20 to direct the Panel to a cost of service issue, and
21 the relevant IR, if Ms. Villegas can bring it up, is
22 PUB of IGU/McLaren in particular, number 22.

23

24 (BRIEF PAUSE)

25

1 MR. ANTOINE HACAULT: There is an
2 attachment to this particular question that was asked
3 by the Public Utilities Board, and the question is on
4 the first page.

5 "Considering the majority of the
6 bill increase to mainline and HVF,
7 T-service customers arises because
8 they are given a large, albeit
9 temporary, billing decrease due to
10 the rate reversion in 2017, please
11 explain why the customers should now
12 be granted additional rate relief
13 through the zone of reasonableness
14 for revenue-to-cost coverage
15 ratios."

16 And then there's an explanation there.
17 But where I want to bring these
18 witnesses to is the table which was generated from
19 information that's on the record.

20 Have you had an opportunity to look at
21 this response and the table?

22 MR. PAUL CHARD: I reviewed this
23 response at the time it was provided but I did not
24 spend much time with it.

25 MR. ANTOINE HACAULT: Okay. Perhaps

1 then my question can be dealt more by way of
2 undertaking.

3 Does Centra have any issues or concerns
4 with the accuracy of the calculations that are set out
5 in this table? That's my question. If you can answer
6 it now, great; if you need to undertake to look at it
7 and get back to me tomorrow, you can do that.

8 MR. PAUL CHARD: We would have to
9 undertake on that.

10 MR. ANTOINE HACAUT: Okay. So the
11 undertaking is for Centra to review Attachment 1 to
12 PUB IR IGU/McLaren, Number 22, and confirm that it has
13 no issues with the accuracies of the calculations set
14 out in that table.

15 Is that an acceptable undertaking?

16

17 (BRIEF PAUSE)

18

19 MR. PAUL CHARD: I'm sorry. Yes, it
20 is.

21

22 --- UNDERTAKING NO. 9: Centra to review Attachment 1
23 to PUB IR IGU/McLaren, Number 22,
24 and confirm that it has no issues
25 with the accuracies of the

1 calculations set out in that table.

2

3 CONTINUED BY MR. ANTOINE HACAULT:

4 MR. ANTOINE HACAULT: Okay. I do have
5 a couple of questions on -- on the basis -- will be
6 subject to checking that answer of course.

7 But if you look at line four (4) on
8 this table, we see a reference to RCC, that's revenue
9 to cost coverage ratio. That's what it means?

10 MR. PAUL CHARD: Yes.

11 MR. ANTOINE HACAULT: Okay. And when
12 we've been having a discussion about that ratio going
13 to unity, in a perfect world what you'd like to see is
14 100 percent all the way across that line number 4, or
15 at least the same as the total at the beginning,
16 correct?

17 MR. PAUL CHARD: (NO AUDIBLE
18 RESPONSE).

19 MR. ANTOINE HACAULT: So we have 103
20 at the beginning and then we have small general
21 service, which is the residential, correct?

22 MR. PAUL CHARD: Yes, we do. I think
23 you would need a different line on this table to say
24 that. These ratios are calculated based on non-gas
25 revenues at existing rates. We would be looking to

610

1 move to unity at non-gas revenues at the rates to be
2 implemented.

3 MR. ANTOINE HACAULT: Yes, I
4 understand that. Thank you for that clarification.

5 But if we go across the lines on this
6 table, we see the problem that was identified by Ms.
7 Steinfeld in her questions of this Panel under SC,
8 which would be special contract, based on the existing
9 method, the revenue to cost coverage ratio is 62
10 percent, correct?

11 MR. PAUL CHARD: Yes, that's correct.

12 MR. ANTOINE HACAULT: Now, we -- and I
13 don't intend to get into this now, but the Board, as I
14 understand its last order, said we don't have enough
15 information to do -- have a meaningful discussion in
16 this hearing on cost of service studies, and that's
17 punted off to another day. That's my understanding.

18 MR. PAUL CHARD: To do a thorough cost
19 of service --

20 MR. ANTOINE HACAULT: Yes.

21 MR. PAUL CHARD: -- review, yes.

22 MR. ANTOINE HACAULT: Okay. And one
23 (1) of those methods that was discussed and is being
24 deferred to the next meeting, or hearing, is the last
25 line, which is called a coincident demand method,

1 correct?

2 MR. PAUL CHARD: Yes, I would agree.

3 MR. ANTOINE HACAULT: Okay.

4 MR. PAUL CHARD: Yes.

5 MR. ANTOINE HACAULT: And if the Board
6 in the subsequent hearing were to decide that that
7 method was okay, there would be quite a bit of
8 shifting in the revenue to cost coverage ratio. Do
9 you agree with that statement, sir, especially as it
10 relates to the special contract?

11 MR. PAUL CHARD: If the Board were not
12 to approve rates, a rate change on November 1st, I
13 guess I would agree with that.

14 MR. ANTOINE HACAULT: Okay. So if --
15 then -- because if they were to approve it and we kind
16 of reverse the table here, there might be the opposite
17 situation where now special contract was increased by
18 38 percent, but under this other method was only 8
19 percent off, correct? That -- have a lot of numbers.

20 MR. PAUL CHARD: I have no --

21 MR. ANTOINE HACAULT: Okay.

22 MR. PAUL CHARD: I would not say
23 correct.

24 MR. ANTOINE HACAULT: So the
25 coincident demand method for the special contract

612

1 under today's rates, not what will be implemented on
2 November 1, would lead to a 92 percent cost coverage
3 ratio, correct?

4 MR. PAUL CHARD: We're accepting that
5 subject to check, yes.

6 MR. ANTOINE HACAUT: Yes. So if on
7 November 1, we had actually moved this class up by 38
8 percent instead of only 8 percent, what would be -- be
9 at?

10 MR. PAUL CHARD: We would be over --
11 somewhere over a hundred percent.

12 MR. ANTOINE HACAUT: Okay, thank you.
13 I don't know if I was -- I messed everybody up there,
14 but I'll move on to the heating value subject. I
15 think that further stuff can be dealt with in
16 argument. I was just trying to get some confirmation
17 of numbers from this witness on what happens if we
18 change our method.

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAUT: Now, to start my
23 discussion with respect to heating value, and I thank
24 have Steinfeld very much for having started that
25 discussion and that Mr. Meronek for having furthered

1 it a bit, I'd ask Ms. Villegas to bring up, please,
2 Schedule 11.20 -- or .0, update page 1 of 4.

3

4 (BRIEF PAUSE)

5

6 MR. ANTOINE HACAULT: If we can
7 increase it a bit. I have one (1) that was the -- I
8 think the update. It was July 24, 2019, version. I
9 don't know where that's --

10

11 (BRIEF PAUSE)

12

13 MR. ANTOINE HACAULT: I think I can
14 still deal with this table. I was dealing with
15 approved rates in May -- May 1, 2019.

16 I'll just take a quick second to show
17 Ms. Villegas just what I'm got here. I tried to give
18 her the reference before.

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAULT: I apologize,
23 sir, but there's a lot of versions apparently of this
24 document.

25 So what I'd like to do is understand

614

1 the following subject areas a bit better, understand a
2 bit better what base rates are how they're kind of
3 segmented, understand the difference between base
4 rates and riders. Okay. And then I'll go into -- try
5 to better understand what a T-service customer pays
6 versus a sales service customer for about the same
7 size. Okay. And then we'll get into the -- the
8 purpose of this particular rate structure.

9 But just to give you an idea of what
10 I'm trying to -- to get a better understanding,
11 because although you very well explained that there's
12 over-collections and under-collections, there's kind
13 of a mathematical basis to that based on how the rate
14 structure is set up.

15 Am I right in saying that?

16 MR. PAUL CHARD: I think that's
17 probably true.

18 MR. ANTOINE HACAULT: Okay. And get a
19 sense of how we get into that mismatching. I'm hoping
20 it'll be helpful to understand a bit how these rates
21 and the way they're set up lead to that consequence.
22 So that's what I'm going to be asking you some
23 questions --

24 So firstly, could you -- let's get
25 into, on the left-hand at line 14 there is a heading,

615

1 "Basic Monthly Charge."

2 What's the purpose of those charges?

3 MS. SHANNON GREGORASHUK: Through
4 Centra's current approved cost allocation methodology,
5 they will -- it functionalizes costs into six (6)
6 different functions, three (3) upstream, three (3)
7 downstream, and then it classifies costs into based on
8 the variability of the cost. So there's demand,
9 commodity, and then customer-related costs. It's
10 those customer-related costs that would be -- that
11 would flow into the basic monthly charge for most of
12 the customer classes.

13 MR. ANTOINE HACAULT: Okay. Now, so
14 we see that, if we go across the first line, small
15 general class, which is homeowners like me, there's a
16 basic monthly charge of \$14. So if we go on our bill,
17 we'll see a \$14 charge, correct?

18 MS. SHANNON GREGORASHUK: Correct.

19 MR. ANTOINE HACAULT: Now, the thing
20 gets a little bit complicated, because in my
21 understanding, is that charge was capped last time at
22 \$14 per month, although the cost of service study
23 would have indicated a different amount should have
24 been charged. Is that correct?

25 MS. SHANNON GREGORASHUK: I think

1 that's correct for the most part. I'm just not sure
2 about last time. I don't know if it was at the last
3 GRA or a prior one.

4 MR. ANTOINE HACAULT: Okay. But in
5 any event, it has been capped and the cost of service
6 would have indicated it should be higher. Do you
7 agree on that point?

8 MS. SHANNON GREGORASHUK: I would
9 agree, yes.

10 MR. ANTOINE HACAULT: Okay. And the
11 large general class pays a basic monthly charge of
12 seventy-seven dollars (\$77), correct?

13 MS. SHANNON GREGORASHUK: Yes.

14 MR. ANTOINE HACAULT: And again, the
15 cost of service study would have indicated that charge
16 should have been higher, but it's been capped at
17 seventy-seven dollars (\$77), correct?

18 MS. SHANNON GREGORASHUK: Correct.

19 MR. ANTOINE HACAULT: Okay. And then,
20 if we go further down, just before power station,
21 we'll see that special contract is paying a monthly
22 service charge of a hundred and seventeen thousand
23 nine hundred and fourteen dollars and seventeen
24 (\$117,914.17) cents, correct?

25 MS. SHANNON GREGORASHUK: Correct.

1 MR. ANTOINE HACAULT: Okay. Now,
2 let's move to the next charge. There's something
3 called monthly demand charge. What's the purpose of
4 that charge?

5 MS. SHANNON GREGORASHUK: So, those --
6 those charges are intended to reflect the fixed costs,
7 I guess, of -- of the demand-related charges with
8 respect that are allocated to each of those classes.

15 MR. ANTOINE HACAULT: Okay. So, we
16 can see there that the first two (2) items that I had
17 covered in the previous heading are not there.
18 There's no small general class and no large general
19 class payments for monthly demand charge, correct?

20 MS. SHANNON GREGORASHUK: Correct.

21 MR. ANTOINE HACAUT: And why is that
22 so?

23
24 (BRIEF PAUSE)

1 MS. SHANNON GREGORASHUK: So, any --
2 any demand-related charges with respect to those two
3 (2) customer classes are collected through the
4 volumetric charge.

5 MR. ANTOINE HACAULT: Okay. Now, we
6 see also special contract has no monthly demand
7 charge.

8 Am I reading that table correctly?

9 MS. SHANNON GREGORASHUK: Yes, you
10 are.

11 MR. ANTOINE HACAULT: Okay. Now, we
12 get to the next heading at line 30. And we've been
13 speaking about a volumetric charge on one (1) hand and
14 volumes on the other. This line talks about a
15 volumetric charge.

16 And what's the purpose of that charge?

17 MS. SHANNON GREGORASHUK: Once again,
18 it's the -- it's the costs that are allocated to these
19 customer ca -- class that vary based on -- on the
20 volumes they consume. And that's what be re -- would
21 be recovered through those rates.

22 MR. ANTOINE HACAULT: Okay. And we
23 see, if we go to the first line, there's actually a
24 number that's point zero five three eight (.0538)
25 cents. And we'd have to go up to the top of the

1 document to see that that was transportation to
2 Centra.

3 Am I reading the table correctly?

4 MS. SHANNON GREGORASHUK: Ye -- yes,
5 you are.

6 MR. ANTOINE HACAULT: Okay. And this
7 forms part of the volumetric charge?

8 MS. SHANNON GREGORASHUK: Yes, it
9 does.

10 MR. ANTOINE HACAULT: Okay. And if we
11 go back down again to the volumetric charge, we see
12 that there's a -- am I reading the table right, that
13 there's a further charge of eight (8) cents -- eight
14 point six six (8.66) cents to the residential class?

15 MS. SHANNON GREGORASHUK: Yes. That's
16 a distribution to customers charge.

17 MR. ANTOINE HACAULT: Okay. And if we
18 look down to special contract on that same heading,
19 "Commodity volumetric charge," and go across the line
20 under where it says, "T-Service," the volumetric
21 charge to the special contract is point triple 01
22 (.001) per meter.

23 Is that correct?

24 MS. SHANNON GREGORASHUK: That is
25 correct.

620

1 MR. ANTOINE HACAULT: Now...

2

3 (BRIEF PAUSE)

4

5 MR. ANTOINE HACAULT: If we go down
6 under that same heading, "The volumetric charge," it's
7 my understanding that Centra agrees with the McLaren
8 recommendation, that tracking the heating values
9 according to what is paid under these -- under this
10 heading, "Volumetric charge," tracks better who is
11 contributing to either the over collection or under
12 collection by Centra Gas caused by the heating value.

13 Is that correct?

14 MS. SHANNON GREGORASHUK: I -- we
15 acknowledge that that's an option that should be co --
16 or could be considered.

17 MR. ANTOINE HACAULT: Yes. And here
18 it's a mathematical thing, which is pretty tough to
19 follow maybe. I'm not too sure. If special contract
20 is being charged point zero zero zero one (.0001) cent
21 for each volume, for illustration sake, if Centra's
22 off by 5 percent in a particular year, maybe a number
23 that's not realistic, but if it was out by 5 percent,
24 5 percent of point zero zero zero one dollars (\$.0001)
25 is not very much.

621

1 You would multiply and you'd get
2 another zero, and then a five (5), right?

3 MS. SHANNON GREGORASHUK: I think that
4 would be the math, yes.

5 MR. ANTOINE HACAULT: So, it would be
6 a very minuscule number. So --

7 MR. PAUL CHARD: Yes. And I -- and I
8 think just to provide a little more clarity, where
9 we've replicated the McLaren approach, we actually end
10 up with some costs going to the special contract even
11 though we've said it -- they end up getting zero.

12 But by the time you then back that out
13 and -- and divide it by their volume, we're at so many
14 decimal places that it's effectively zero.

15 MR. ANTOINE HACAULT: Okay.

16 MS. SHANNON GREGORASHUK: I think
17 maybe just to clarify that -- that distribution to
18 customers charge going to the special contract class
19 would represent their share of the unaccounted for gas
20 as well as some Minell charges.

21 MR. ANTOINE HACAULT: Okay. Thank you
22 for that clarification. That's appreciated.

23 MR. PAUL CHARD: And sorry, just the
24 special contract rates are designed in a different
25 way. So, to the extent that we were sometimes mixing

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1 other classes and the special contract class in the
2 responses, I think we should just clarify that those
3 responses reply -- or apply to all classes other than
4 special contract. And I don't think you're going
5 there anywhere but -- okay.

6 MR. ANTOINE HACAULT: And Ms.
7 Steinfeld went through with you two (2) options, do
8 you recall that, on just taking the special contract
9 out and not touching any of the other ratios and
10 finally applying as a different alternative using the
11 commodity volumetric charge for each customer class to
12 decide who puts into the heating value account and who
13 takes out of the heating value account.

14 Do you recall that discussion?

15 MS. SHANNON GREGORASHUK: Yes. Yes, I
16 do.

17 MR. ANTOINE HACAULT: And she took you
18 through how that really changes the -- the numbers we
19 had seen. The 32 percent of the residential would
20 jump up to 40 some percent instead of the 71 percent.

21 Do you recall that?

22 MS. SHANNON GREGORASHUK: Yes, I do.

23 MR. ANTOINE HACAULT: Now, am I right
24 in suggesting to you the reason why only taking out a
25 special contract then leads to some mismatching for

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1 all other customer classes is because, again, if we
2 would pick, for example, large -- sorry, the high
3 volume firm, high volume firm, if we look at what's on
4 our screen right now, has different charges for
5 transportation and sales service and T-Service than
6 residential customers.

7 So, again, if you do the mathematical
8 formula and apply -- you're off by 5 percent, it leads
9 to a different mathematical result than it does if you
10 apply that same formula to the residential customers.

11 That's a long question. I don't know
12 if it makes sense.

13 MS. SHANNON GREGORASHUK: I -- I think
14 -- I think I follow what you're saying.

15 MR. ANTOINE HACAUT: Yeah. So, if we
16 look at the table that was at page 159, I think, of
17 the book of documents. No, you were at the right
18 table.

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAUT: One -- yeah,
23 269. I made a mistake.

24

25 (BRIEF PAUSE)

1 MR. ANTOINE HACAULT: Going to this
2 table again, we can see that, if I -- the last
3 question I had asked was HVF, the high volume
4 customer.

5 Line 9, just to confirm again, better
6 tracks who is causing either the over contribution or
7 under contribution on percentage basis, correct?

8 MR. PAUL CHARD: Yes, correct.

9 MR. ANTOINE HACAULT: So, line 9 is
10 telling us for this snapshot that high volume
11 customers are only contributing to 2 percent of the
12 monetary issue either by over contributing or under
13 contributing, correct?

14 MR. PAUL CHARD: Yes, certainly in
15 that range.

16 MR. ANTOINE HACAULT: Okay. But when
17 it comes to either giving a refund or collecting from
18 that group, they would be getting a 10 percent refund
19 instead of a 2 percent refund or, alternatively,
20 having to cut a cheque for 10 percent of the costs
21 based on the current methods, correct?

22 MR. PAUL CHARD: That's correct.

23 MR. ANTOINE HACAULT: And that's
24 because there's a mis -- mismatching caused by this
25 mathematical formula in the rates, correct?

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1 MR. PAUL CHARD: Yes, that's fair.
2 MR. ANTOINE HACAULT: And we see the
3 same issue arising in the next category on this
4 particular page, 269 of the book of documents for ML,
5 which is the mainline class, correct?

6 MR. PAUL CHARD: Yes, we do.

7 MR. ANTOINE HACAULT: And all the --
8 they contribute .2 of a percent to either the extra
9 bill or the refund, they would get a refund in the
10 order of 7 percent or have to pay a bill in the -- in
11 order of 7 percent of the total charges, correct?

12 MR. PAUL CHARD: Correct.

13 MR. ANTOINE HACAULT: And it's not
14 quite as dramatic for the interruptible class, which
15 is INT, they only vary from .3 percent which they
16 cause, and they would have to give a 2 percent refund
17 or pay a 2 percent cheque back to the Utility,
18 correct?

19 MR. PAUL CHARD: That's correct.

20 MR. ANTOINE HACAULT: And we won't get
21 into the other columns because those are CSI. But the
22 same principle would apply to the power stations and
23 the special contract, correct?

24 MR. PAUL CHARD: Yes.

25

1 (BRIEF PAUSE)

2

3 MR. ANTOINE HACAULT: Now, if we can
4 flip back to the schedule 11.2.0. I have some other
5 questions to better understand the table. Under the
6 basic monthly charge, then under the column,
7 "Transportation to Centra," am I correct in
8 understanding that the T-Service customers do not pay
9 anything for the transportation to Centra?

10 MS. SHANNON GREGORASHUK: That is
11 correct.

12 MR. ANTOINE HACAULT: And am I also
13 right in understanding that all of these rates shown
14 on this table would be the types of things we would be
15 looking at in the cost of service study hearing we'll
16 have later on, whether these rates ought to be
17 changed, whether they ought to be modified, and
18 whether they're appropriate and bring us to the unity?

19 MR. PAUL CHARD: I would say I think
20 I've been assuming that to be the case. To date, the
21 -- the focus has been on cost of service, and not rate
22 design, and these are rate design issues, but the two
23 (2) tend to go hand in hand.

24 MR. ANTOINE HACAULT: Okay. Now, am I
25 correct in understanding that, as the table indicates

1 at the very top that's in the heading, if you can
2 bring it down, this table excludes what we've been
3 talking about as riders, correct?

4 MS. SHANNON GREGORASHUK: Correct.

5 These are the base rates.

6 MR. ANTOINE HACAULT: Okay. So, it
7 wouldn't take into account all of those other riders
8 that we were identifying in the hearing, including any
9 rider with respect to the heating devel -- deferral
10 account, correct?

11 MS. SHANNON GREGORASHUK: Correct.

12 MR. ANTOINE HACAULT: That's a
13 distinct issue, and from all this table and the rates
14 that are applied, that lead to this over collection or
15 under collection problem, correct?

16 MS. SHANNON GREGORASHUK: Sure. Yes.

17

18 (BRIEF PAUSE)

19

20 MR. ANTOINE HACAULT: Now, I tried
21 prior to you getting onto the panel to see if you
22 could give me a chronology of what was happening with
23 these heating value deferral issues.

24 And I'll put some things to you without
25 -- I don't want any numbers on because some of the

1 numbers are in the CSI. But just to get a chronology
2 of what happened over the years and the heating value
3 accounts, is that okay if we do that now?

4 MR. PAUL CHARD: Yes.

5 MR. ANTOINE HACAULT: So, it's my
6 understanding, and you can take these subject to
7 check, that up to and including 2011/'12 -- I think
8 that's a fiscal year. Am I okay so far?

9

10 (BRIEF PAUSE)

11

12 MS. SHANNON GREGORASHUK: Are you
13 referring to the application column?

14 MR. ANTOINE HACAULT: No. I'm
15 referring to the heating value column. There's years
16 and across from the 2013/2014 GRA there's two (2) --

17

18 (BRIEF PAUSE)

19

20 MR. ANTOINE HACAULT: Here, I'm just
21 asking myself out loud whether or not there's any way
22 we can get some of this in front of the Panel.
23 There's just a very little part. It might be easier
24 for them to follow. But I don't think it's going to
25 be too hard to follow. So I'll give it a try and if

1 the Panel is not following, then we'll try and get
2 that IR in front of them.

3 MS. SHANNON GREGORASHUK: The blue
4 paper, I'm sorry, Mr. Hacault?

5 MR. ANTOINE HACAULT: Yes. I can do
6 it off the redacted one. This doesn't need the blue
7 paper version. The redacted one can do.

8 So if we can bring up the redacted
9 version of IGU Centra Round 2, 12, K to L, page 2.
10 Yeah, good, it's redacted. It'll be easier for the
11 Board to follow.

12 So let's look at the table firstly on
13 the left-hand side. Where I was taking you was about
14 four (4) lines down where it says:

15 "2013/2014 GRA."

16 Do you -- do you see that?

17 MS. SHANNON GREGORASHUK: Yes, we do.

18 MR. ANTOINE HACAULT: Okay. And what
19 I was going to ask you to confirm is that in the next
20 column, where it says 2011/12, that is, I'll call it
21 the gas year.

22 MS. SHANNON GREGORASHUK: That's
23 correct.

24 MR. ANTOINE HACAULT: And that goes to
25 November?

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1 MS. SHANNON GREGORASHUK: The gas year
2 begins November and runs to the end of October.

3 MR. ANTOINE HACAUT: Okay. Thank you
4 for that clarification.

5 So it's my understanding that at the
6 2013/14 GRA there was an order that issued, being
7 Order 85/13 -- that confirmed the refunds shown in the
8 columns opposite those years. Is that correct? And
9 you can take it subject to check.

10 MS. SHANNON GREGORASHUK: We agree,
11 subject to check.

12 MR. ANTOINE HACAUT: Okay. And then
13 in the two (2) columns after that, there is the
14 description 2014 riders' application and 2015 riders'
15 application.

16 It's my understanding that there was an
17 interim order that dealt with the heating value rider
18 for the years 2012/13 and also the year 2013/14.

19 Can you agree to that subject to that?

20 MR. PAUL CHARD: Yes. If you have an
21 order number, that might help us.

22 MR. ANTOINE HACAUT: I believe it was
23 Order 123 of '14.

24 MR. PAUL CHARD: Okay.

25 MR. ANTOINE HACAUT: And with respect

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1 to those two (2) years, if we go back to the first
2 page of this IR, the question "L" was to advise when
3 these variances have been either collected or refunded
4 to customers in the last ten (10) years, and that this
5 table therefore confirmed, if we go back to the table,
6 that for the years 2012/13 and 2013/14, there was
7 either a refund or a cheque.

8 That's blacked out but those have
9 actually been dealt with by clients in all classes,
10 correct?

11 MR. PAUL CHARD: Yes. They've been
12 applied to customer bills.

13 MR. ANTOINE HACAUT: So either the
14 money is in Centra's pocket or it's in the consumer's
15 pocket, but it's no longer -- it's been dealt with in
16 a practical basis, that there's monies been exchanged
17 with respect to this account and it's been disposed of
18 in a real way with respect to those years.

19 MR. PAUL CHARD: Correct.

20 MR. ANTOINE HACAUT: Okay. That
21 leaves us with one (1) more at the very top, being the
22 gas year of 2014/15.

23 Again based on what I had looked at at
24 the very beginning, it's my understanding that that
25 particular year has been dealt with in a real way in a

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1 sense that there's been money exchanged one (1) way or
2 the other, either a refund or a cheque, correct?

3 MR. PAUL CHARD: Correct.

4 MR. ANTOINE HACAUT: Now, what has
5 not yet been dealt with by refund or cheque, and I
6 think you explained that, I'm not so sure we had a
7 concurrence with the years, is all the years after
8 what is shown on this table, correct?

9 MS. SHANNON GREGORASHUK: Yes, I -- I
10 think that's correct.

11 MR. ANTOINE HACAUT: Okay. So we've
12 got a situation, if I can try and summarize it, that
13 up to October of 2012 there has been final orders,
14 correct, subject to check?

15 MR. PAUL CHARD: Yes, subject to
16 check.

17 MR. ANTOINE HACAUT: And a second
18 kind of situation where either there's interim orders
19 or not, but money has actually been exchanged, so we'd
20 have to kind of undo transactions that have been done,
21 correct?

22 MR. PAUL CHARD: That would be
23 correct.

24 MR. ANTOINE HACAUT: And then we have
25 a third layer to that where we're asking the Board,

1 well, what are we going to do with respect to all of
2 the remaining years where there hasn't been a refund
3 or there hasn't been a cheque, correct?

4 MR. PAUL CHARD: Correct. The only
5 clarification would be that with all of the -- the
6 variance accounts, at the end of the period there are
7 residuals that then flow over to the next period, so
8 there would be some residuals from '15/16 that would
9 be included in the amounts to be disposed now.

10 MR. ANTOINE HACAUT: Thank you.

11 Thank you for that clarification.

12

13 (BRIEF PAUSE)

14

15 MR. ANTOINE HACAUT: Thank you. That
16 went not too badly. I don't know if people were able
17 to follow my questions, but thank you very much for
18 your answers and we'll look forward to the either
19 confirmations or not on the things that were subject
20 to check.

21 MR. PAUL CHARD: If I might, I think
22 we had -- we took an undertaking from CAC that I think
23 we can actually identify the information that is
24 already on the record, related to the percentage of
25 volumes delivered to the Manitoba system divided out

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1 between T-service and sales service. So it was a
2 confidential IR. It was IGU Centra Round 2, Number
3 25, A to B.

4 MR. BRIAN MERONEK: Sorry, I'm a bit
5 slow on the uptake here. Could you repeat that?

6 MR. PAUL CHARD: Certainly. IGU
7 Centra, Round 2, Number 25, A, B.

8 MR. BRIAN MERONEK: Thank you.

9 THE CHAIRPERSON: Mr. Hacault, you've
10 been assisted by a person beside you without a
11 necktie, and if you could just give his name for the
12 record.

13 MR. ANTOINE HACAULT: I introduced him
14 on the very first day --

15 THE CHAIRPERSON: Oh.

16 MR. ANTOINE HACAULT: -- Master Ring.
17 His name is Andrew McLaren of InterGroup Consultants.

18 THE CHAIRPERSON: Thank you. We are
19 then adjourned until tomorrow morning at nine o'clock.
20 Thanks everyone.

21

22 --- Upon adjourning at 4:00 p.m.

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3 Certified Correct,

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7 _____
8 Donna Whitehouse, Ms.

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