

M A N I T O B A
THE PUBLIC UTILITIES BOARD ACT

Order No. 89/13

August 2, 2013

Régis Gosselin, B.A., M.B.A., C.G.A.,
Chair
Before: Marilyn Kapitany, B.Sc. Hon., M.Sc.,
Member
Larry Soldier, Member

CENTRA GAS MANITOBA INC.
2013/14 GENERAL RATE APPLICATION
APPROVAL OF RATE SCHEDULES EFFECTIVE AUGUST 1, 2013

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1.0.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board of Manitoba ("Board") approves revised rates for the sale of natural gas by Centra Gas Manitoba Inc. ("Centra") on and after August 1, 2013.

By previous Order 85/13, the Board reduced the general revenue increase sought by Centra in its General Rate Application, from approximately 2% to approximately 1%, reflecting reductions in the forecast of Finance Expense and the approved level of Net Income. On July 31, 2013, Centra filed revised schedules of Rate Base, Revenue Requirement, rates, and bill impacts reflecting the amendments directed by the Board. The Board reviewed these schedules and finds that they properly reflect the direction set forth in Order 85/13.

In addition to the General Rate Application, Centra also filed an Application to reduce the Primary Gas rate, effective August 1, 2013, by 5.6%, from \$0.1157/m³ to \$0.1092/m³. The impacts of the Primary Gas rate reduction and the General Rate Application decisions have been incorporated into the revised rates. The majority of customers are expected to experience a decrease in their annual bills, as the increase in general revenue approved by the Board is offset by a decrease in the Primary Gas rate.

The impact to the typical residential customer as a result of Order 85/13, including the Primary Gas rate change, is a decrease of approximately 0.2% annually, or \$2. The combined impacts for larger volume customers range from a decrease of 10.8% to an increase of 0.2%, depending on the customer class and consumption levels.

The approved rate schedules effective August 1, 2013 are set out in Appendix A to this Order. These rates are approved on an interim basis until such time as they are reviewed and confirmed by the Board.

2.0.0 IT IS ORDERED:

1. That the Schedules of Rates for Primary Gas and Non-Primary Gas attached to this Order as Appendix "A", effective for all gas consumed on and after August 1, 2013, reflecting the forecast 2012/13 Gas Year costs and revisions to Centra's revenue requirement resulting from the Board's direction in Order 85/13, **BE AND ARE HEREBY APPROVED** on an interim basis; and shall be in effect until confirmed or otherwise dealt with by a further Order of the Board;
2. That the Fixed Rate Primary Gas Service Program Cost Rate of \$0.0314/m³ **BE AND IS HEREBY APPROVED**;
3. That the changes to the Terms and Conditions of Service filed in response to Order 85/13 **BE AND ARE HEREBY APPROVED**; and
4. That Net Plant additions to Rate Base for the period 2009/10 through 2012/13 and forecasted for the 2013/14 Test Year, the Test Year Rate Base of \$489.3 million, and the Test Year Return on Rate Base **BE AND ARE HEREBY APPROVED**.

3.0.0 CENTRA'S RATE STRUCTURE AND CUSTOMER CLASSES

Centra's rates have five components:

- Primary Gas
- Supplemental Gas
- Transportation (to Centra)
- Distribution (to Customers)
- Basic Monthly Charge (BMC)

The Primary Gas component of Centra's rates recovers the cost of the natural gas supply received by Centra from Western Canadian sources.

Supplemental Gas rates primarily recover Centra's cost of gas purchases from United States sources, if and when such supplementary sources are required to meet Manitoba's cold winter weather conditions.

Transportation (to Centra) rates recover costs associated with transporting gas supplies from Western Canada to Manitoba, injecting storage gas during summer months for subsequent withdrawal and delivery to consumers in the high-use winter period, and for transportation of American-supplied gas to and from Centra's storage facility located in Michigan.

The Distribution (to Customer) component of rates recovers the costs associated with operating Centra, which include Centra's transmission and distribution pipeline network within Manitoba and the costs related to Unaccounted for Gas, a small amount of gas that is lost during the transmission and delivery process.

The Basic Monthly Charge recovers a portion of operating costs for items such as service lines, meters, meter reading, and customer billing.

Centra does not mark up its gas costs and earns no profit on the sale of gas. To ensure that the exact cost is passed on to customers, Centra maintains deferral accounts. The accounts record differences between the gas costs embedded in rates and Centra's actual costs.

Balances in deferral accounts (i.e. the differences between forecasted and actual cost) are periodically either refunded to, or collected from, customers by way of temporary rate riders. The rate riders either decrease (refund) or add to (collect) the Base sales rates, and form a separate part of the Billed rates to customers.

A fulsome description of Centra's rates and customer classes is included in Order 85/13.

4.0.0 COMPLIANCE FILING

4.1.0 Background

On January 25, 2013, Centra applied to the Board for a general revenue increase of approximately 2%, or \$6 million. Centra sought approvals of revised Supplemental Gas, Transportation, and Distribution rates as well as Basic Monthly Charges. Centra also sought approval of the Primary Gas Overhead Rate and the Fixed Rate Primary Gas Service Program Cost Rate.

On July 10, 2013, Centra applied to the Board to amend the Primary Gas rate according to the Board-approved quarterly Rate Setting Methodology.

On July 26, 2013, by Order 85/13, the Board approved a general revenue increase of approximately 1%, or \$3 million, to Centra. The Board directed changes to Centra's application that resulted in an amended Revenue Requirement. The Board also approved the Primary Gas rate, pending confirmation of the Primary Gas Overhead Rate. Accordingly, the Board directed Centra to calculate and file schedules of Rate Base, Revenue Requirement, rates, and customer bill impacts reflecting the directives in Order 85/13.

On July 31, 2013, Centra filed revised schedules as part of its Compliance Filing to Order 85/13, seeking approval of these schedules. Centra recalculated the Primary Gas Overhead Rate to be \$0.00087/m³. The resulting Primary Gas rate is unchanged from Centra's July 10, 2013 application and is \$0.1092/m³. Centra also recalculated the Fixed Rate Primary Gas Service Program Cost Rate to be \$0.0314/m³. The Program Cost Rate is a component of Centra's Fixed Rate Primary Gas Service rates, and applies to those customers that contract with Centra for fixed Primary Gas rates for terms of 1, 3, or 5 years.

4.2.0 Board Findings

4.2.1 Compliance Filing Schedules

The Board reviewed the revised schedules of the Rate Base, Revenue Requirement, Cost Allocation Study, Base and Billed rates, and the resulting bill impacts from Centra's July 31, 2013 Compliance Filing.

The schedules from Centra's Compliance Filing properly reflect:

- a) Interim primary gas rates that incorporate current market and projected future commodity prices, deferral balances, and the cost of gas in storage calculated consistent with the Board-approved Rate Setting Methodology on a quarterly basis;
- b) A revision to Centra's revenue requirement reflecting changes to Finance Expense as directed by the Board; and
- c) A revision to Centra's revenue requirement reflecting a decrease in the level of annualized Net Income from the \$5.6 million applied for by Centra to \$3 million as approved by the Board.

The Board approves the Fixed Rate Primary Gas Service Program Cost Rate of \$0.0314/m³ as calculated in Centra's Compliance Filing.

The Board is satisfied with Centra's filing of non-Primary natural gas rates effective August 1, 2013 and approves the schedules of Base and Billed rates attached as Appendix A to this Order

4.2.2 Primary Gas

Primary Gas rates are set on a quarterly basis in accordance with the Board-established Rate Setting Methodology. Quarterly approvals are provided on an interim basis and are finalized

through either a General Rate Application or Cost of Gas Application proceeding.

In Order 85/13, the Board approved Centra's July 10, 2013 Primary Gas Rate Application as it properly reflected the Board-approved Rate Setting Methodology. The Board withheld approval of the Primary Gas rate until Centra recalculated the Primary Gas Overhead Rate which was expected to change based on the pronouncements in Order 85/13.

The Board approves the recalculated Primary Gas Overhead Rate of \$0.00087/m³ and the Primary Gas rate of \$0.1092/m³ on an interim basis. The previous Primary Gas rate that became effective May 1, 2013 was \$0.1157/m³.

Primary Gas rate changes affect only those customers receiving quarterly-priced Primary Gas from Centra. Customers on fixed-price contracts with either gas marketers or Centra are not affected. The next review of the Primary Gas rate will take place as of November 1, 2013.

4.2.3 Bill Impacts

The bill impacts resulting from the Board's approval of Centra's General Rate Application, including the quarterly Primary Gas rate change effective August 1, 2013, are as follows:

Customer Class	Annual Bill Increase (Decrease)
Small General Service	(0.3%) - (0.2%)
Large General Service	(1.1%) - (0.8%)
High Volume Firm	(7.9%) - 0.2%
Mainline	(10.8%) - (6.8%)
Interruptible	(6.3%) - (1.0%)

Power Station	(38%)
Special Contract	(97%)

A typical residential customer, forecasted to consume 2,374 m³ of gas annually assuming normal weather, is expected to experience an annual bill decrease of \$2 or 0.2%. For Small General Service customers, the general revenue increase of approximately 1% from Centra's General Rate Application is more than offset by the decrease in the Primary Gas rate, resulting in decreases in the annual bill.

Centra's larger volume customer classes are expected to experience greater decreases in their annual bills because the Primary Gas rate is decreasing and these customers consume more Primary Gas than Small General Service customers.

The Power Station customer is forecasted to reduce its peak demand for gas, which is a major driver of its annual bill, and this contributes to its large annual bill decrease. The Power Station and Special Contract customers are also expected to experience large decreases in their annual bills in part because of prior overpayments related to Unaccounted For Gas which Centra is refunding as of August 1, 2013. Centra estimates the amount and the cost of Unaccounted For Gas and includes these costs in rates charged to customers. In the case of the Special Contract and Power Station customers, both the amount and cost of Unaccounted For Gas was lower than forecasted. Thus, these customers will receive a refund. In the case of customers in other classes, the prior overpayment is included in the approved rates.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca

THE PUBLIC UTILITIES BOARD

"RÉGIS GOSSELIN, B.A., M.B.A., C.G.A."
Chairman

"HOLLIS SINGH"
Secretary

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES ONLY - NO RIDERS)

1	Territory:	Entire natural gas service area of Company, including all zones				
2						
3	Availability:					
4	SGC:	For gas supplied through one domestic-sized meter.				
5	LGC:	For gas delivered through one meter at annual volumes less than 680,000 m ³				
6	HVF:	For gas delivered through one meter at annual volumes greater than 680,000 m ³				
7	CO-OP:	For gas delivered to natural gas distribution cooperatives				
8	MLC:	For gas delivered through one meter to customers served from the Transmission system				
9	Special Contract:	For gas delivered under the terms of a Special Contract with the Company				
10	Power Station:	For gas delivered under the terms of a Special Contract with the Company				
11						
12	Rates:	Distribution to Customers				
		Transportation to				Supplemental Gas
		Centra	Sales Service	T-Service	Primary Gas Supply	Supply¹
13						
14	Basic Monthly Charge: (\$/month)					
15	Small General Class (SGC)	N/A	\$14.00	N/A	N/A	N/A
16	Large General Class (LGC)	N/A	\$77.00	\$77.00	N/A	N/A
17	High Volume Firm (HVF)	N/A	\$1,221.42	\$1,221.42	N/A	N/A
18	Cooperative (CO-OP)	N/A	\$318.21	\$318.21	N/A	N/A
19	Main Line Class (MLC)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
20	Special Contract	N/A	N/A	\$117,970.11	N/A	N/A
21	Power Station	N/A	N/A	\$8,026.07	N/A	N/A
22						
23	Monthly Demand Charge (\$/m³/month)					
24	High Volume Firm Class (HVF)	\$0.2386	\$0.1666	\$0.1666	N/A	N/A
25	Cooperative (CO-OP)	\$0.3702	\$0.1310	\$0.1310	N/A	N/A
26	Main Line Class (MLC)	\$0.3782	\$0.1818	\$0.1818	N/A	N/A
27	Special Contract	N/A	N/A	N/A	N/A	N/A
28	Power Station	N/A	N/A	\$0.0045	N/A	N/A
29						
30	Commodity Volumetric Charge: (\$/m³)					
31	Small General Class (SGC)	\$0.0398	\$0.0943	N/A	\$0.1218	\$0.1605
32	Large General Class (LGC)	\$0.0390	\$0.0416	N/A	\$0.1218	\$0.1605
33	High Volume Firm (HVF)	\$0.0156	\$0.0094	\$0.0094	\$0.1218	\$0.1605
34	Cooperative (CO-OP)	\$0.0045	\$0.0001	\$0.0001	\$0.1218	\$0.1605
35	Main Line Class (MLC)	\$0.0049	\$0.0045	\$0.0045	\$0.1218	\$0.1605
36	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
37	Power Station	N/A	N/A	\$0.0080	N/A	N/A
38						
39		¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.				
40						
41	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
42						
43	Effective:	Rates to be charged for all billings based on gas consumed on and after August 1, 2013				
44						

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES ONLY - NO RIDERS)

1	Territory:	Entire natural gas service area of Company, including all zones					
2							
3	Availability:	For any consumer at one location whose annual natural gas requirements equal or exceed 680,000 m ³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.					
4							
5							
6							
7							
8							
9	Rates:	<u>Distribution to Customers</u>					
		<u>Transportation to Centra</u>	<u>Sales Service</u>		<u>T-Service</u>	<u>Primary Gas Supply</u>	<u>Supplemental Gas Supply¹</u>
10							
11	Basic Monthly Charge: (\$/month)						
12	Interruptible Service	N/A	\$1,254.45	\$1,254.45	N/A	N/A	N/A
13	Mainline Interruptible (with firm delivery)	N/A	\$1,247.13	\$1,247.13	N/A	N/A	N/A
14							
15	Monthly Demand Charge (\$/m³/month)						
16	Interruptible Service	\$0.1122	\$0.0851	\$0.0851	N/A	N/A	N/A
17	Mainline Interruptible (with firm delivery)	\$0.1726	\$0.1818	\$0.1818	N/A	N/A	N/A
18							
19	Commodity Volumetric Charge: (\$/m³)						
20	Interruptible Service	\$0.0095	\$0.0071	\$0.0071	\$0.1218	\$0.1710	\$0.1710
21	Mainline Interruptible (with firm delivery)	\$0.0050	\$0.0045	\$0.0045	\$0.1218	\$0.1710	\$0.1710
22							
23	Alternate Supply Service:			Negotiated			
24	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas			
25	Delivery - Interruptible Class			\$0.0099			
26	Delivery - Mainline Interruptible Class			\$0.0105			
27							
28	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.						
29							
30	Minimum Monthly Bill:	Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.					
31							
32	Effective:	Rates to be charged for all billings based on gas consumed on and after August 1, 2013					
33							

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES PLUS RIDERS)

1	Territory:	Entire natural gas service area of Company, including all zones				
2						
3	Availability:					
4	SGC:	For gas supplied through one domestic-sized meter.				
5	LGC:	For gas delivered through one meter at annual volumes less than 680,000 m ³				
6	HVF:	For gas delivered to natural gas distribution cooperatives				
7	CO-OP:	For gas delivered through one meter at annual volumes greater than 680,000 m ³				
8	MLC:	For gas delivered through one meter to customers served from the Transmission system				
9	Special Contract:	For gas delivered under the terms of a Special Contract with the Company				
10	Power Station:	For gas delivered under the terms of a Special Contract with the Company				
11						
12	Rates:	Distribution to Customers				
		Transportation to				Supplemental Gas
		Centra	Sales Service	T-Service	Primary Gas Supply	Supply¹
13						
14	Basic Monthly Charge: (\$/month)					
15	Small General Class (SGC)	N/A	\$14.00	N/A	N/A	N/A
16	Large General Class (LGC)	N/A	\$77.00	\$77.00	N/A	N/A
17	High Volume Firm (HVF)	N/A	\$1,221.42	\$1,221.42	N/A	N/A
18	Cooperative (CO-OP)	N/A	\$318.21	\$318.21	N/A	N/A
19	Main Line Class (MLC)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
20	Special Contract	N/A	N/A	\$117,970.11	N/A	N/A
21	Power Station	N/A	N/A	\$8,026.07	N/A	N/A
22						
23	Monthly Demand Charge (\$/m³/month)					
24	High Volume Firm Class (HVF)	\$0.3619	\$0.1671	\$0.1671	N/A	N/A
25	Cooperative (CO-OP)	\$0.3702	\$0.1310	\$0.1310	N/A	N/A
26	Main Line Class (MLC)	\$0.2594	\$0.1815	\$0.1815	N/A	N/A
27	Special Contract	N/A	N/A	N/A	N/A	N/A
28	Power Station	N/A	N/A	\$0.0046	N/A	N/A
29						
30	Commodity Volumetric Charge: (\$/m³)					
31	Small General Class (SGC)	\$0.0508	\$0.0848	N/A	\$0.1092	\$0.1605
32	Large General Class (LGC)	\$0.0504	\$0.0320	N/A	\$0.1092	\$0.1605
33	High Volume Firm (HVF)	\$0.0125	\$0.0094	\$0.0074	\$0.1092	\$0.1605
34	High Volume Firm (HVF) Refund		-\$0.0096			
35	Cooperative (CO-OP)	\$0.0045	\$0.0001	\$0.0001	\$0.1092	\$0.1605
36	Main Line Class (MLC)	\$0.0147	\$0.0045	\$0.0029	\$0.1092	\$0.1605
37	Main Line Class (MLC) Refund		-\$0.0091			
38	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
39	Power Station	N/A	N/A	\$0.0080	N/A	N/A
40						
41	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
42						
43						
44						
45	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
46						
47	Effective:	Rates to be charged for all billings based on gas consumed on and after August 1, 2013				

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES PLUS RIDERS)

1	Territory:	Entire natural gas service area of Company, including all zones				
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3	Availability:	For any consumer at one location whose annual natural gas requirements equal or exceed 680,000 m ³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.				
4						
5						
6						
7						
8						
9	Rates:	<u>Distribution to Customers</u>				
		<u>Transportation to Centra</u>			<u>Primary Gss Supply</u>	<u>Supplemental Gas Supply¹</u>
10			<u>Sales Service</u>	<u>T-Service</u>		
11	Basic Monthly Charge: (\$/month)					
12	Interruptible Service	N/A	\$1,254.45	\$1,254.45	N/A	N/A
13	Mainline Interruptible (with firm delivery)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
14						
15	Monthly Demand Charge (\$/m³/month)					
16	Interruptible Service	\$0.1571	\$0.0855	\$0.0855	N/A	N/A
17	Mainline Interruptible (with firm delivery)	\$0.2417	\$0.1815	\$0.1815	N/A	N/A
18						
19	Commodity Volumetric Charge: (\$/m³)					
20	Interruptible Service	\$0.0138	\$0.0071	\$0.0051	\$0.1092	\$0.1710
21	Interruptible Service Refund		-\$0.0128			
22	Mainline Interruptible (with firm delivery)	\$0.0082	\$0.0045	\$0.0029	\$0.1092	\$0.1710
23						
24	Alternate Supply Service:			Negotiated		
25	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
26	Delivery - Interruptible Class			\$0.0099		
27	Delivery - Mainline Interruptible Class			\$0.0105		
28						
29	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
30						
31						
32	Minimum Monthly Bill:	Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.				
33						
34	Effective:	Rates to be charged for all billings based on gas consumed on and after August 1, 2013				
35						