

**MANITOBA PUBLIC UTILITIES BOARD (PUB)
CENTRA GAS MANITOBA INC. (Centra)**

2019/20 GENERAL RATE APPLICATION

**BOOK OF DOCUMENTS OF
Consumers' Association of Canada (Manitoba) Inc (CAC)
AUGUST 28, 2019**

Centra 2019/20 GRA
CAC Counsel's Book of Documents
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Recommended Reductions to Non-Gas Revenue Requirement for 2019/20

| | | Increase (Decrease) |
|---------------------------------|--|----------------------------|
| | | \$ (million) |
| O&A | | |
| | Remove Positive Contingency | (1.1) |
| | Appropriate Allocation of VDP Savings | (2.7) |
| | Limit Escalation to 1% | <u>(1.2)</u> |
| | Total O&A | (5.0) |
| Meter Exchange | | |
| | Increase in Depreciation Expense | 2.1 |
| | Decrease in Amortization - Reg Liability | <u>(5.1)</u> |
| | Total Meter Exchange | (3.0) |
| Power Stations | Re-Establish Minimum Margin Guarantee | (1.0) |
| Other (Written Argument) | Interest Rate Forecast Update | (0.7) |
| | Property Tax Adjustment | <u>(0.3)</u> |
| | Total Other | (1.0) |
| | Grand Total | (10.0) |
| | Overall Revenue incl. Gas Costs | 323 |
| | % Reduction Overall | -3.1% |

Overview

Revenue Requirement

- 1. O&A**
 - Remove Positive Contingency
 - Appropriate Allocation of VDP and Supply Chain Savings
 - Limit Escalation to 1% (Order 69/19)
 - Overall O&A Adjustment Recommendation: \$5 million
- 2. Recognize Meter Exchange regulated liability - \$15.3 million**
- 3. Use of FRP excess of \$17 million**
- 4. Improving Capital Planning and Asset Management**

Cost of Service

- 1. Bill Mitigation for Large Volume Customers**
- 2. In-scope COS matters for this GRA/Out of scope COS matters for this GRA to be deferred to generic cost allocation review (Order 98/19)**
- 3. Allocation of Heating Value Deferral**
- 4. Power Stations**
 - Re-establish Power Stations Minimum Margin Guarantee (Order 118/03)
 - Review Power Stations cost allocation & rate design – generic COS review

Terms & Conditions of Service

- 1. Balancing Fees**
- 2. Equipment Problem Program**

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The details of Corporate Allocations & Adjustments from 2015/16 to 2019/20 under IFRS are provided in the table below.

CENTRA GAS MANITOBA INC.
CORPORATE ALLOCATIONS & ADJUSTMENTS
(\$000's)

| | IFRS | | | | |
|--|-------------------|-------------------|-------------------|---------------------|----------------------|
| | 2015/16 Actual | 2016/17 Actual | 2017/18 Actual | 2018/19 Forecast | 2019/20 Test Year |
| 360 Portage Avenue Credit | \$ (240) | \$ (240) | \$ (175) | \$ (175) | \$ (186) |
| Costs Removed from Common Overhead Rate ¹ | 8,996 | 9,059 | 8,038 | 7,134 | 7,277 |
| Benefits Not Allocated to Programs ² | (270) | 95 | 46 | (202) | (206) |
| Cost Recoveries | (246) | | | | |
| Contingency Forecast | - | | | 1,887 | 1,059 |
| Depreciation & Taxes | (1,778) | (1,851) | (2,139) | (2,140) | (2,183) |
| Total Corporate Allocations & Adjustments | \$ 6,462 | \$ 7,063 | \$ 5,770 | \$ 6,504 | \$ 5,760 |

¹This cost category increased in 2015/16 versus 2014/15 as common overhead cost components such as corporate services and departmental support costs were removed from the common overhead rate as part of the IFRS conversion.

²Includes benefit cost fluctuations that occur due to changes in the discount rate as well as the variability between the anticipated and actual benefit expenditures.

Appendix B

Centra Gas

2019/20 General Rate Application

Timetable

| Item | Date |
|--|------------------------------------|
| Centra to file updated Application Materials (Tabs 3 to 7) | Friday March 22, 2019 |
| PUB First Round Information Requests to Centra Gas | Friday, April 5, 2019 |
| Intervenor First Round Information Requests to Centra Gas | Friday, April 12, 2019 |
| Centra Gas Responses to First Round Information Requests | Friday, May 10, 2019 |
| Second Round Information Requests to Centra Gas | Tuesday, May 21, 2019 |
| Centra Gas Responses to Second Round Information Requests | Tuesday, June 11, 2019 |
| Intervenors to File Pre-Filed Evidence | Friday, June 21, 2019 |
| Information Requests on Intervenor Evidence | Friday, July 5, 2019 |
| Intervenor Information Responses on Tab 9 Issues only | Friday July 12, 2019 |
| Pre-Hearing Conference #2 to Identify Issues for Oral Evidence | Wednesday July 17, 2019 |
| Possible Oral <i>in-camera</i> Hearing on Tab 9 Issues | July 17 & 18, 2019 as required |
| Centra's Pre-Hearing Update (Tabs 8-11 and interest rate update) | Wednesday July 24, 2019 |
| Intervenor Information Request Responses | Friday, July 19, 2019 |
| Centra Gas Rebuttal Evidence | Friday, August 2, 2019 |
| Public Oral Hearing* | Week of August 12, 19, 26 & Sept 3 |

*dates and days of the week to be finalized at PHC #2

On May 30, 2019, Manitoba Hydro filed with the Board rate schedules and other documentation ("Compliance Filing") consistent with the direction of the Board in Order 69/19, seeking the approval of the rate schedules effective June 1, 2019. On May 31, 2019, Manitoba Hydro provided an amended Compliance Filing, which corrected the Residential Flat Rate Water Hearing and the General Service Flat Rate Water Hearing rates. The other rate schedules in the Compliance Filing were unchanged.

All references in this Order to the Compliance Filing are to the amended Compliance Filing provided on May 31, 2019.

In its Compliance Filing, Manitoba Hydro also filed new evidence that was not available to be provided to the Board in the course of the hearing of the 2019/20 GRA. Specifically, Manitoba Hydro filed detailed Operating & Administrative expense ("O&A") budgets provided with the Compliance Filing, that Manitoba Hydro states were completed following the conclusion of the GRA hearing.

In Order 69/19, the Board found that Manitoba Hydro's 2019/20 O&A target was not accepted for rate-setting purposes. That target was provided by Manitoba Hydro without any supporting detailed schedules. The Board found that the target was premised on a high-level calculation based on targets from prior years, and that it included two prior non-recurring costs that should be normalized in establishing a target for rate-setting purposes. Specifically, the Board found that the 2019/20 O&A target should be reduced by \$8.1 million, the amount of a one-time prior increase in collection costs, and further reduced by \$7.3 million, an unallocated contingency amount for transitional business requirements arising from the Voluntary Departure Program.

Manitoba Hydro's evidence on whether these two non-recurring costs were incorporated into the 2019/20 O&A budget was not definitive. The evidence was essentially limited to a response in cross examination that the budget was not arrived at by simply multiplying the 2018/19 budget by a 2% escalation level, but rather the budget had been "re-validated by looking at ... current staffing levels ... and current business requirements." In contrast,

the expert witness for the Consumers Coalition provided detailed and definitive evidence that the two non-recurring costs were improperly included in the calculation of the 2019/20 O&A budget. This evidence from Intervener's expert witness was essentially unchallenged in the proceeding by Manitoba Hydro.

Beyond the reduction to the O&A target of the combined \$8.1 million and \$7.3 million non-recurring expenses, the Board found that the target should be based on an escalation of 1% above the 2018/19 Financial Outlook, rather than the 2% level used by Manitoba Hydro. Order 69/19 summarizes the expert evidence from the witness for the Consumers Coalition that supported the use of a 1% escalation level. This evidence was challenged by Manitoba Hydro in rebuttal evidence and cross-examination. The Utility argued that a 1% escalation level could not be achieved without significant staffing reductions, well beyond expected staff attrition.

In Order 69/19, the Board accepted the evidence of the witness for the Consumers Coalition on both areas of reduction to the 2019/20 O&A target; specifically, the Board found that the target could be reduced both by the combined \$8.1 million and \$7.3 million non-recurring expenses, as well as through the use of a 1% escalation level.

The detailed budgets filed with the Compliance Filing purport to show that the two one-time expenses of \$8.1 million and \$7.3 million were not incorporated by Manitoba Hydro into the O&A budget for the 2019/20 fiscal year. The detailed budgets, filed for the first time in the May 30, 2019 Compliance Filing, have not been examined or tested.

The Board's determination that Manitoba Hydro does not require a rate increase for its operations in the 2019/20 fiscal year is not affected by whether the projected O&A expenses in that test year include the two non-recurring expenses. The Board's decision denying any rate increase to Manitoba Hydro's revenues for its operations in 2019/20 was premised on the supplemental financial information filed by Manitoba Hydro in February 2019. That supplemental information showed that Manitoba Hydro's financial forecast improved by \$92 million such that the Utility is projected to attain \$64 million in positive

net income in 2019/20 even without any rate increase. Moreover, the Board found that there are diminished risks of Manitoba Hydro's financial position deteriorating in the 2019/20 test year. However, the issue of the detail of Manitoba Hydro's O&A expense will have to be reviewed at the next GRA, when all supporting information is filed such that the Board can determine the appropriate level of expenses for rate setting purposes. The Board reiterates its expectation from Order 59/18 that Manitoba Hydro will continue its efforts to reduce O&A costs through ongoing cost control, as well as the expectation from Order 69/19 that Manitoba Hydro can reduce its O&A expense in 2019/20 through the use of an escalation rate of 1%.

2.0 Board Findings

The Board finds the Compliance Filing to be in accordance with Order 69/19.

The Board approves the rate schedules in the Compliance Filing.

CENTRA GAS MANITOBA INC.
ESTIMATED VOLUNTARY DEPARTURE PROGRAM SAVINGS
(in millions of dollars)

| | Total Employee Departures - Consolidated | Centra O&A Savings 2017/18 | Centra O&A Savings 2018/19 | Centra O&A Savings 2019/20 |
|--------------|---|-------------------------------------|-------------------------------------|-------------------------------------|
| 2017/18 | 795 | \$ 0.8 | \$ 2.2 | \$ 2.2 |
| 2018/19 | 26 | - | 0.0 | 0.1 |
| 2019/20 | - | - | - | - |
| TOTAL | 821 | \$ 0.8 | \$ 2.2 | \$ 2.3 |

- e) The following table provides an estimate of cumulative sourcing savings from the Supply Chain initiative allocated to Centra from 2017/18 through 2019/20. The allocation is assumed to be 4%, equivalent to the Total Assets driver, which is representative of the relative size of the electric and gas utility.

CENTRA GAS MANITOBA INC.
ESTIMATED SOURCING SAVINGS - SUPPLY CHAIN
(in millions of dollars)

| | Total Sourcing Savings | O&A Component Of Sourcing Savings (30%) | Centra O&A Savings 2017/18 | Centra O&A Savings 2018/19 | Centra O&A Savings 2019/20 |
|--------------|------------------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|
| 2017/18 | \$ 6.9 | \$ 2.1 | \$ 0.1 | \$ 0.1 | \$ 0.1 |
| 2018/19 | 9.5 | 2.8 | - | 0.1 | 0.1 |
| 2019/20 | 14.9 | 4.5 | - | - | 0.2 |
| TOTAL | \$ 31.3 | \$ 9.4 | \$ 0.1 | \$ 0.2 | \$ 0.4 |

- f) For the nine months ended December 31, 2018 there were no restructuring costs recorded in O&A and there are no restructuring costs forecast in 2019/20.
- g) The table in PUB/Centra I-29 b) contains the Contracted Wage Settlements between January 1, 2014 and January 1, 2020 for Manitoba Hydro.

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REFERENCE:

Appendix 5.9 Section 3.0; 2013-14 GRA PUB/Centra I-20(a-c)

PREAMBLE TO IR (IF ANY):

QUESTION:

- a) Provide a schedule that details Manitoba Hydro's overall OM&A expense, the amounts allocated or directly assigned to Centra and the percentage of the total allocated for each of the years since 2012/13 and through to 2019/20.
- b) Please indicate which expenses are directly assigned versus indirectly assigned, and the cost drivers used for the appropriate assignment and describe how the cost driver is determined.
- c) Please indicate whether any of the cost drivers have changed since the 2013/14 GRA and the rationale for the changes.

RESPONSE:

- a) The following table details Manitoba Hydro's O&A expenditures by electric and gas operations and includes the percentage of the total allocated to Centra from 2012/13 through to 2019/20.

**CENTRA GAS MANITOBA INC
TOTAL O&A COSTS ALLOCATED TO CENTRA
(\$000's)**

| | CGAAP | | | IFRS | | | | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|----------------------|
| | 2012/13 Actual | 2013/14 Actual | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 Actual | 2018/19 Forecast | 2019/20 Test Year |
| Electric O&A | \$ 462,952 | \$ 480,717 | \$ 480,472 | \$ 542,714 | \$ 535,825 | \$ 516,859 | \$ 501,183 | \$ 511,100 |
| Gas O&A | 63,735 | 66,810 | 67,458 | 66,607 | 65,384 | 63,113 | 63,315 | 61,250 |
| Total O&A | \$ 526,687 | \$ 547,527 | \$ 547,930 | \$ 609,321 | \$ 601,209 | \$ 579,971 | \$ 564,499 | \$ 572,350 |
| % Allocated to Centra | 12% | 12% | 12% | 11% | 11% | 11% | 11% | 11% |

b) The following table provides the details for the Corporate Assets driver from 2015/16 through 2019/20. The asset values declined in 2017/18 reflecting the move to a 5 year average calculation of corporate assets as compared to an annual value. Corporate Assets for 2019/20 remains consistent with 2018/19.

| | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | |
|------------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| Corporate Assets | \$(millions) | % | \$(millions) | % | \$(millions) | % | \$(millions) | % | \$(millions) | % |
| Electric | 15,781 | 96% | 19,150 | 96% | 17,151 | 96% | 19,025 | 96% | 19,025 | 96% |
| Gas | 678 | 4% | 703 | 4% | 681 | 4% | 709 | 4% | 709 | 4% |
| Total | 16,459 | 100% | 19,854 | 100% | 17,832 | 100% | 19,734 | 100% | 19,734 | 100% |

The table below provides a breakdown of costs allocated by the Corporate Assets driver for O&A. There are no costs in FD&T allocated using the Corporate Assets driver from 2015/16 through 2019/20.

| (\$millions) | O&A - Corporate Assets | | | | |
|--|------------------------|--------------------|--------------------|---------------------|----------------------|
| | Actuals 2015/16 | Actuals 2016/17 | Actuals 2017/18 | Forecast 2018/19 | Test Year 2019/20 |
| O&A Costs Allocated by Driver | 45.1 | 41.1 | 35.8 | 33.2 | 33.9 |
| Less: Allocated to Centra | 1.8 | 1.6 | 1.4 | 1.3 | 1.3 |
| Customer & public relations | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Customer Service & Corporate Relations | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Corporate Governance | 1.4 | 1.3 | 1.0 | 0.9 | 0.9 |
| Corporate Services | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 |
| Organizational Support | 1.7 | 1.5 | 1.3 | 1.2 | 1.3 |
| Balance remaining in Electric | 43.3 | 39.5 | 34.3 | 31.9 | 32.5 |
| Gas % Allocation | 4% | 4% | 4% | 4% | 4% |

- c) The table below provides the details for the Corporate Activity Charges driver from 2015/16 through 2019/20. Corporate Activity Charges for 2019/20 remains consistent with 2018/19.

| | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | |
|----------------------------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|------|
| Corporate Activity Charges | \$(millions) | % | \$(millions) | % | \$(millions) | % | \$(millions) | % | \$(millions) | % |
| Electric | 557 | 91% | 578 | 92% | 600 | 92% | 585 | 92% | 585 | 92% |
| Gas | 53 | 9% | 50 | 8% | 50 | 8% | 51 | 8% | 51 | 8% |
| Total | 610 | 100% | 628 | 100% | 650 | 100% | 636 | 100% | 636 | 100% |

The following tables provide a breakdown of costs allocated by the Corporate Activity Charges driver for O&A and FD&T from 2015/16 through 2019/20.

| (\$millions) | O&A - Corporate Activity Charges | | | | |
|--|----------------------------------|--------------------|--------------------|---------------------|----------------------|
| | Actuals 2015/16 | Actuals 2016/17 | Actuals 2017/18 | Forecast 2018/19 | Test Year 2019/20 |
| O&A Costs Allocated by Driver | 95.2 | 99.0 | 95.4 | 90.8 | 92.6 |
| Less: Allocated to Centra | 8.3 | 7.6 | 7.5 | 6.8 | 7.0 |
| Environment | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dispatch | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| Customer Safety Services | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Customer Service & Corporate Relations | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Corporate Infrastructure | 5.4 | 4.7 | 4.8 | 4.5 | 4.6 |
| Corporate Services | 2.2 | 2.0 | 1.9 | 1.7 | 1.7 |
| Departmental Support | 0.9 | 0.8 | 0.7 | 0.8 | 0.8 |
| Organizational Support | 8.5 | 7.5 | 7.4 | 7.0 | 7.1 |
| Other | (0.4) | (0.1) | (0.1) | (0.2) | (0.2) |
| Balance remaining in Electric | 86.9 | 91.4 | 87.9 | 83.9 | 85.6 |
| Gas % Allocation | 9% | 8% | 8% | 8% | 8% |

| (\$millions) | FD&T - Corporate Activity Charges | | | | |
|---|-----------------------------------|--------------------|--------------------|---------------------|----------------------|
| | Actuals 2015/16 | Actuals 2016/17 | Actuals 2017/18 | Forecast 2018/19 | Test Year 2019/20 |
| FD&T Costs Allocated by Driver | 81.9 | 84.4 | 83.8 | 86.0 | 83.7 |
| Less: Allocated to Centra | 7.1 | 6.5 | 6.4 | 6.6 | 6.4 |
| Finance | 3.3 | 2.9 | 2.8 | 2.7 | 2.5 |
| Depreciation | 3.1 | 2.8 | 2.9 | 3.2 | 3.2 |
| Taxes Property & Payroll | 0.7 | 0.8 | 0.7 | 0.8 | 0.8 |
| Balance remaining in Electric | 74.8 | 77.9 | 77.4 | 79.4 | 77.3 |
| Gas % Allocation | 9% | 8% | 8% | 8% | 8% |

1 would reduce escalation from \$1.2 million in each fiscal year to \$0.6 million, with a
 2 cumulative downward adjustment to 2019/20 O&A of \$1.2 million; and
 3 3. Adjust the 2019/20 O&A target for the unallocated general contingency of \$1.1 million as
 4 this contingency has no planned expenditures and has not been justified for rate-setting
 5 purposes.

6

7 The recommended adjustment for 2019/20 for rate-setting purposes is a total of \$5.0 million
 8 (\$2.7+\$1.2+\$1.1) which would reduce the 2019/20 O&A target to \$56.3 million (\$61.3 - \$5.0)
 9 from the \$61.3 million requested by Centra in its application. The \$5 million reduction is
 10 equivalent to an overall rate reduction of approximately 1.6% based on current revenues of \$308
 11 million, including gas costs.

12

13 Figure 9 provides a high-level illustrative calculation of the cumulative impacts of the
 14 recommended rate-setting adjustments on Centra's O&A forecast for the period to the end of
 15 CGM18 (2027/28):

Figure 9 - Impacts to O&A Forecast of Recommended Rate-Setting Adjustments

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| A @ 2% Escalation | 61.3 | 62.5 | 63.8 | 65.1 | 66.4 | 67.7 | 69.1 | 70.5 | 71.9 |
| O&A @ 1% Escalation (including rate-setting adjustments) | 56.3 | 56.9 | 57.5 | 58.1 | 58.7 | 59.3 | 59.9 | 60.5 | 61.1 |
| Decrease in O&A Forecast | (5.0) | (5.6) | (6.3) | (7.0) | (7.7) | (8.4) | (9.2) | (10.0) | (10.8) |

17

18 The key observations from Figure 9 are as follows:

- 19 1. Figure 9 uses Centra's 2019/20 O&A forecast of \$61.3 million as the starting point and
 20 escalates this amount at 2% in the top row to illustrate the O&A trajectory to 2027/28. In
 21 the second row, the 2019/20 O&A net of the recommended \$5.0 million of rate-setting
 22 adjustments of \$56.3 million is escalated at the 1% recommended out to 2027/28. The
 23 third row is the decrease to O&A targets as a result of the rate-setting adjustments and a
 24 1% escalation factor;
 25 2. Based on the total O&A rate-setting adjustments for 2019/20 and a 1% escalation factor,
 26 total O&A would grow to \$58 million by 2022/23, a reduction of \$7 million from trajectory

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legislation (Public Services Sustainability Act) and cost saving measures in the Manitoba public sector in general;

- O&A escalation of 2% would offset about 89% of the VDP and supply chain savings allocated to Centra in just two fiscal years and is driving about \$9 million or 25% of the projected increase in non-gas revenue requirements in Centra's most recent financial forecast (CGM18); and
 - Centra's O&A costs are allocated from MH's consolidated operations and as a result, it is appropriate that the PUB findings in Orders 58/19 and 69/19, apply to natural gas operations as well.
- b) In our experience, O&A budgets are set through a combination of top-down and bottom-up budgeting exercises with the top-down component including a stretch-target or productivity factor specified by senior management or the board of directors. It is also our understanding that incentive or performance based regulatory (PBR) approaches often employ a productivity factor in rate-setting.

In addition, it is our view that there is a general expectation of stakeholders that a regulated monopoly would routinely develop productivity initiatives as a matter of course, in order to actively manage its O&A costs, before it considers seeking rate increases from customers.

- c) While Section 6.3 of the Evidence did not specifically address O&A benchmarking or reporting, we do recommend that Centra continue to provide information on its cost saving initiatives, overall % increase in O&A costs, cost per customer and comparisons to Manitoba CPI as part of the minimum filing requirements of its GRA's.

In addition, it would be beneficial if Centra were to provide key performance indicators with respect to productivity as part of the minimum filing requirements for future GRA's. When requested to provide the measures of performance used by Centra that show how productivity has changed over the past five years in information request PUB/Centra I-26 (b), Centra's response was a three-line qualitative response that did not provide the quantitative information requested.

“The Board findings that Manitoba Hydro’s 2019/20 O&A target is not acceptable for rate setting purposes. First, the target is premised on a high-level target calculation from early 2017 for the 2017/18 year, and includes two prior non-recurring costs that should be normalized in establishing a target for rate-setting purposes...The Board finds that the 2019/20 O&A target should be reduced by \$8.1 million. This is the amount of a one-time increase for collection costs in 2017/18...The Board does not accept that the 2019/20 test year O&A target should include this \$8.1 million for rate-setting purposes, as it is a one-time occurrence...Similarly, the Board finds that the 2019/20 O&A target should be reduced by a further \$7.3 million – the amount included in the 2019/20 O&A budget to support transitional business requirements arising from the Voluntary Departure Program...These expenses were not incurred in 2018/19 and Manitoba Hydro is not planning for these costs in 2019/20...For these reasons, the test year O&A target should also not include this \$7.3 million expense for rate setting purposes...Second, the panel finds that, in developing the 2019/20 target for rate-setting purposes, an escalation factor of 1% above the 2018/19 Financial Outlook is to be used...Manitoba Hydro’s evidence did not establish that a 2% escalation factor should be used. Moreover, the Board is concerned that the use of a rate of escalation of 2% will erode all of the O&A savings achieved by Manitoba Hydro through the Voluntary Departure Program and supply chain management within the early years of Keeyask entering service. This offsetting of savings would be inconsistent with the intent of the Voluntary Departure Program and contrary to the need for Manitoba Hydro to find savings in controllable costs during a period of major capital expansion and related rate pressures...In the absence of evidence demonstrating the appropriateness of a 2% escalation number, the Board finds that a 1% rate of escalation is to be used for rate setting purposes. This is consistent with Manitoba Hydro’s prior commitment dating back to 2013 to limit operating cost increases to 1% per year. As the Board stated in Order 59/18, the Board expects Manitoba Hydro continue its efforts to reduce O&A costs, both in terms of staff reductions and supply chain management. The Board reiterates that cost control should be on-going, and that it should continue in the post-voluntary Departure Program years...Reducing the escalation rate to 1% further reduces the O&A target to \$489 million, or \$22 million less than Manitoba Hydro’s \$511 million target. This is equivalent to a 1.3% rate decrease for ratepayers in 2019/20 and will have enduring benefits for ratepayers over time.” (Emphasis added)

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Division Managers, with external market comparators (large Manitoba companies and utilities across the country).

- b) The following table provides the details of contracted wage settlements currently in place for the integrated utility.

Contracted Wage Settlements

| Effective Date | AMHSSE | CE** | CUPE | IBEW | MHPEA** | UNIFOR* |
|-----------------|--------|-------|-------|-------|---------|---------|
| January 1, 2014 | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| January 1, 2015 | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| January 1, 2016 | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| January 1, 2017 | 0.00% | 0.00% | 0.00% | 2.00% | 0.00% | 0.00% |
| January 1, 2018 | 1.00% | 0.00% | 1.00% | 2.00% | 0.00% | 1.00% |
| January 1, 2019 | 1.25% | 0.75% | 1.25% | TBD | 0.75% | 1.25% |
| January 1, 2020 | 1.50% | TBD | 1.50% | TBD | TBD | 1.50% |

* UNIFOR contracted wage settlements are effective the beginning of each pay period preceeding January 1st.

** Corporate Exempt & Manitoba Hydro Professional Engineers Association employees' pay increase in 2019 is effective March 21, 2019.

Implied Productivity Factor

| | | <u>2015/16</u> (%) | <u>2019/20</u> (%) |
|-------------------------------------|--------------|-----------------------|-----------------------|
| General Wage Increase | A | 2.75 | 1.13* |
| Merit Increase | B | <u>1.00</u> | <u>1.00</u> |
| Total Cost Increase | C=A+B | 3.75 | 2.13 |
| | | | |
| Budgeted Escalation | D | <u>1.00</u> | <u>2.00</u> |
| Implicit Productivity Factor | C-D | 2.75 | 0.13 |

*Average of 0.75% - 1.50%

CENTRA GAS MANITOBA INC.
ADJUSTED CAPITALIZED ACTIVITY CHARGES & OVERHEAD
(\$000s)

| | CGAAP | | | IFRS | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|----------------------|
| | 2012/13 Actual | 2013/14 Actual | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 Actual | 2018/19 Forecast | 2019/20 Test Year |
| Total Gas Business Operations Capital (BOC) Expenditures | \$ 29 793 | \$ 32 615 | \$ 27 320 | \$ 40 441 | \$ 54 445 | \$ 32 880 | \$ 35 404 | \$ 40 075 |
| <i>BOC Requested Adjustments</i> | | | | <i>5 107</i> | <i>4 085</i> | <i>3 984</i> | <i>3 097</i> | |
| Total Gas BOC Expenditures - Adjusted | 29 793 | 32 615 | 27 320 | 45 548 | 58 530 | 36 864 | 38 501 | 40 075 |
| Capitalized Activity Charges and Overhead | | | | | | | | |
| Total Capitalized Overhead | 2 526 | 2 576 | 2 701 | 592 | 933 | 720 | 824 | 839 |
| General Counsel & Corporate Secretary | 5 | - | - | - | - | - | - | - |
| Human Resources & Corporate Services | 156 | 277 | 372 | 328 | 391 | 308 | 70 | 46 |
| Generation & Wholesale | 45 | 70 | 130 | 163 | 84 | 54 | - | - |
| Transmission | 224 | 111 | 133 | 204 | 292 | 165 | - | - |
| Marketing & Customer Service | 8 736 | 9 063 | 9 671 | 9 022 | 10 302 | 9 849 | 9 607 | 12 610 |
| Total Capitalized Activity Charges | 9 166 | 9 520 | 10 306 | 9 718 | 11 069 | 10 376 | 9 677 | 12 656 |
| <i>Capitalized Activity Charges/Overhead Requested Adjustments*</i> | | | | <i>4 756</i> | <i>3 685</i> | <i>3 441</i> | <i>2 713</i> | |
| Total Capitalized Activity Charges & Overhead Adjusted | 11 692 | 12 096 | 13 007 | 15 066 | 15 686 | 14 537 | 13 214 | 13 495 |
| Program Costs | | | | | | | | |
| Customer Service & Corporate Relations | 31 161 | 32 458 | 31 789 | 30 514 | 29 701 | 29 183 | 28 918 | 30 008 |
| Operations and Maintenance | 16 845 | 18 439 | 20 490 | 20 001 | 19 621 | 19 266 | 18 841 | 16 165 |
| Organizational Support | 16 858 | 17 250 | 17 405 | 18 386 | 17 818 | 16 757 | 16 012 | 16 408 |
| Total Program Costs | 64 863 | 68 147 | 69 684 | 68 901 | 67 140 | 65 206 | 63 770 | 62 581 |
| Adjustments: | | | | | | | | |
| Total Adjustments | (1 128) | (1 337) | (2 226) | (2 294) | (1 756) | (2 093) | (455) | (1 331) |
| Total Operating & Administrative (O&A) Expenses | \$ 63 735 | \$ 66 810 | \$ 67 458 | \$ 66 607 | \$ 65 384 | \$ 63 113 | \$ 63 315 | \$ 61 250 |
| <i>O&A Requested Adjustments</i> | | | | <i>(5 107)</i> | <i>(4 085)</i> | <i>(3 984)</i> | <i>(3 097)</i> | |
| Total O&A Expenses - Adjusted | \$ 63 735 | \$ 66 810 | \$ 67 458 | \$ 61 500 | \$ 61 299 | \$ 59 129 | \$ 60 218 | \$ 61 250 |
| Capitalized Activity Charges & Overhead as a percentage of Adjusted O&A Expenses | 18% | 18% | 19% | 24% | 26% | 25% | 22% | 22% |

*Approximately \$0.4 million of the expenditures to be capitalized are materials and are therefore excluded from this line item

Reasonableness of \$56.3 million CAC O&A Recommendation for 2019/20

| | 2018/19 (\$ millions) |
|---|----------------------------------|
| Projected 2018/19 O&A | 63.3 |
| Less: Gas Meter Exchange Adjustment | <u>(3.1)</u> |
| Sub-total (PUB/Centra II - 9) | 60.2 |
| | |
| Less: Unallocated Contingency (Source: PUB/Centra I - 38) | (1.9) |
| Less: Escalation from 2% to 1% | (0.6) |
| 2018/19 Adjusted O&A | 57.7 |

Meter Exchange Program

Year 1

| | Electric Segment | Gas Segment | Other Segment | Eliminations | Consolidated Results |
|------------|------------------|-------------|---------------|--------------|----------------------|
| O&A | - | 10 | - | (10) | - |
| Net income | - | (10) | - | 10 | - |
| PP&E | - | - | - | 10 | 10 |

Year 2 - 11 annual entry

| | Electric Segment | Gas Segment | Other Segment | Eliminations | Consolidated Results |
|----------|------------------|-------------|---------------|--------------|----------------------|
| Depr exp | - | - | - | 1 | 1 |
| Net loss | - | - | - | (1) | (1) |

As demonstrated in the above example, the net income or “profit impact” must remain in the Eliminations column to offset the depreciation expense that will be recorded in future years. Neither the future depreciation related to the program nor the net income generated from the harmonization of accounting policies are charged to gas operations.

- b) The following schedule provides the income statement and the balance sheet balances related to the meter exchange program that are included in the Eliminations column of the consolidated entity.

| (\$000's) | O&A | Depreciation | Net Income | PP&E | Accumulated Depreciation | Net Plant |
|------------------|-----------------|--------------|---------------|--------|--------------------------|-----------|
| 2014/15 actual | (5 057) | 220 | 4 836 | 5 057 | 220 | 4 836 |
| 2015/16 actual | (5 107) | 753 | 4 355 | 10 164 | 973 | 9 191 |
| 2016/17 actual | (4 085) | 1 207 | 2 878 | 14 249 | 2 180 | 12 069 |
| 2017/18 actual | (3 984) | 1 602 | 2 382 | 18 233 | 3 782 | 14 451 |
| 2018/19 forecast | (2 992) | 2 101 | 891 | 21 225 | 5 883 | 15 342 |
| | <u>(21 225)</u> | <u>5 883</u> | <u>15 342</u> | | | |

c) Confirmed.

d) Please see the response to a) above.

Centra Gas Manitoba Inc.

2019/20 General Rate Application

CAC Undertaking #1 – Transcript Page 527 – CAC Exhibit # 13

CAC Undertaking #1

Please provide the Journal Entry to recognize the Regulated Liability associated with the gas meter exchange labour accounting change that occurred upon transition to IFRS.

Response:

Mr. Rainkie's recommendation to recognize the cumulative impact of the gas meter exchange labour accounting change (upon transition to IFRS) as a regulated liability would require that (1) an accounting entry be made to Manitoba Hydro's Elimination Column to derecognize/reverse the property, plant & equipment, accumulated depreciation and retained earnings recorded in Manitoba Hydro's consolidated financial statements between 2014/15 and 2018/19 and (2) an accounting entry be made to record the net property, plant & equipment and an associated regulated liability directly in Centra's own financial statements.

The accounting journal entries to implement this recommendation are outlined below based on the cumulative amounts provided in the response to CAC/Centra I-6 (b) (also found at page 62 of the PUB Counsel Book of Documents) and assume that the PUB will approve Centra's proposal that these costs be capitalized and depreciated for rate-setting purposes.

Journal Entry to derecognize amounts previously recorded in the Elimination Column of Manitoba Hydro's Consolidated Financial Statements effective April 1, 2019 (\$ 000's):

Debit: Retained Earnings \$15,342

Debit: Accumulated Depreciation \$5,883

Credit: Property, Plant & Equipment \$21,225

To derecognize the cumulative property, plant & equipment, accumulated depreciation and retained earnings that were recorded in the Eliminations Column of the MH consolidated financial statements upon transition to IFRS (between 2014/15 and 2018/19) as a result of the gas meter exchange labour accounting change – which was pending review & determination by the PUB of the appropriate rate-setting treatment at the subsequent GRA.

Journal Entry to recognize the appropriate amounts in Centra's Financial Statements effective April 1, 2019 (\$ 000's):

Debit: Property, Plant & Equipment \$21,225

Credit: Accumulated Depreciation \$5,883

Credit: Regulated Liability \$15,342

To recognize in Centra's financial statements (1) the cumulative property, plant & equipment and accumulated depreciation that results from the capitalization of gas meter exchange labour to harmonize the accounting treatment with Manitoba Hydro commencing in 2014/15 and (2) the regulatory liability that results from the cumulative over-recovery of costs from customers in rates (between 2014/15 and 2018/19) – which represents the difference between the recovery of costs from customers based on the prior accounting policy of expensing costs in O&A (\$21,225) and the required recovery of costs from customers in rates based on the revised accounting policy of capitalizing and depreciating (\$5,883) these costs (\$21,225 O&A expense - \$5,883 depreciation = \$15,342 regulated liability) – to reflect the PUB decision that these costs be capitalized and depreciated for rate-setting purposes.

As outlined on pages 523 to 526 of the transcript, Mr. Rainkie's recommendations are that (1) the property, plant & equipment recorded on Centra's financial statements be depreciated into rates over a useful life of 10 years as proposed by Centra and (2) the regulated liability be amortized into rates (as a reduction of revenue requirements) over a period of three (3) years to ameliorate the intergenerational inequity associated with the over-recovery of these costs in rates during the five (5) year period between 2014/15 to 2018/19.

2019/20 Revenue Requirement Impact CAC - Gas Meter Exchange Recommendation

\$ (million)

Increase in Depreciation of Plant

2.1

Decrease in Amoritzation - Rate Regulated Liability

(5.1)

Net Reduction in Rev Requirement per year

(3.0)

As of 2019-08-27, this is the most current version available. It is current for the period set out in the footer below. It is the first version and has not been amended.

Le texte figurant ci-dessous constitue la codification la plus récente en date du 2019-08-27. Son contenu était à jour pendant la période indiquée en bas de page. Il s'agit de la première version; elle n'a fait l'objet d'aucune modification.

**THE EFFICIENCY MANITOBA ACT
(C.C.S.M. c. E15)**

Efficiency Manitoba Regulation

Regulation 119/2019
Registered August 9, 2019

**LOI SUR LA SOCIÉTÉ POUR L'EFFICACITÉ
ÉNERGÉTIQUE AU MANITOBA
(c. E15 de la C.P.L.M.)**

**Règlement sur la Société pour l'efficacité
énergétique au Manitoba**

Règlement 119/2019
Date d'enregistrement : le 9 août 2019

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Definitions

1 The following definitions apply in this regulation.

"Act" means *The Efficiency Manitoba Act.* (« Lot »)

"Centra" means Centra Gas Manitoba Inc. (« Centra »)

"fossil fuel" means a hydrocarbon derived from living matter of a previous geologic time. (« combustible fossile »)

Définitions

1 Les définitions qui suivent s'appliquent au présent règlement.

« Centra » La filiale Centra Gas Manitoba Inc. ("Centra")

« combustible fossile » Hydrocarbure dérivé de la matière organique d'une période géologique antérieure. ("fossil fuel")

« Lot » La *Loi sur la Société pour l'efficacité énergétique au Manitoba.* ("Act")

ADMINISTRATIVE MATTERS

Commencement date

2 The commencement date is prescribed to be April 1, 2020.

QUESTIONS ADMINISTRATIVES

Date de mise en œuvre

2 La date de mise en œuvre est fixée au 1^{er} avril 2020.

Deadline to submit efficiency plan to PUB

3 Efficiency Manitoba must submit each efficiency plan to the PUB under section 10 of the Act no later than six months before the plan is to come into effect.

Measures not considered demand-side management initiatives

4 A switch from one type of fossil fuel to a different type of fossil fuel used for the same purpose is excluded from the definition "demand-side management initiative" in section 2 of the Act.

**ADDITIONAL POWERS OF
EFFICIENCY MANITOBA**

Demand for electrical power

5 Efficiency Manitoba may, at the request of Manitoba Hydro and at Manitoba Hydro's expense, undertake initiatives to reduce the demand for electrical power in areas of Manitoba that experience or may experience capacity constraints. But if those initiatives are not intended primarily to reduce the consumption of electrical energy, they are not to form part of an efficiency plan and Part 3 of the Act does not apply to them.

Fossil fuels other than natural gas

6 Efficiency Manitoba may undertake initiatives to reduce the consumption of fossil fuels other than natural gas in Manitoba, but unless those initiatives qualify for the use of the Affordable Energy Fund under section 14, they are not to be funded under an efficiency plan and Part 3 of the Act does not apply to them.

Other powers

7 Efficiency Manitoba may

(a) participate in the development and updating of building or energy codes, standards and regulations, including model codes, standards or regulations, in respect of matters relating to energy efficiency;

Soumission des plans d'efficacité énergétique à la Régie

3 La Société soumet à la Régie chaque plan d'efficacité énergétique visé à l'article 10 de la Loi au plus tard six mois avant son entrée en vigueur.

Interprétation — initiatives d'effacement de consommation

4 La définition d'« initiative d'effacement de consommation » figurant à l'article 2 de la Loi ne vise pas le remplacement d'un type de combustible fossile par un autre utilisé aux mêmes fins.

**POUVOIRS SUPPLÉMENTAIRES
DE LA SOCIÉTÉ**

Demande en puissance électrique

5 La Société peut, à la demande d'Hydro-Manitoba et aux frais de celle-ci, lancer des initiatives visant à réduire la demande en puissance électrique dans les régions du Manitoba qui font ou pourraient faire face à des contraintes de capacité. Toutefois, si ces initiatives n'ont pas pour objectif principal la réduction de la consommation d'énergie électrique, elles ne peuvent faire partie d'un plan d'efficacité énergétique et la partie 3 de la Loi ne s'y applique pas.

Combustibles fossiles autres que le gaz naturel

6 La Société peut lancer des initiatives visant à réduire la consommation au Manitoba de combustibles fossiles autres que le gaz naturel. Toutefois, ces initiatives ne peuvent être financées dans le cadre d'un plan d'efficacité énergétique et la partie 3 de la Loi ne s'y applique pas, sauf si elles donnent droit à un soutien financier du Fonds de limitation du prix de l'énergie au titre de l'article 14.

Autres pouvoirs

7 La Société peut :

a) participer à l'élaboration et à la mise à jour de codes, normes ou règlements relatifs au bâtiment ou à l'énergie, y compris de codes, normes ou règlements modèles, en ce qui a trait aux questions portant sur l'efficacité énergétique;

(b) assist various levels of government in consulting with Manitoba stakeholders for the purpose of developing or updating building or energy codes, standards and regulations in respect of matters relating to energy efficiency;

(c) develop and implement programs to improve building designs, building techniques and building technologies to increase energy efficiency;

(d) undertake education and training initiatives with respect to building and energy code requirements relating to energy efficiency; and

(e) assist the government, a municipality or local government district, or a community as defined in *The Northern Affairs Act*, in the review of building and construction plans with respect to codes, standards and regulations relating to energy efficiency.

b) aider les différents ordres de gouvernement dans le cadre des consultations avec les intéressés au Manitoba en vue de l'élaboration et de la mise à jour de codes, normes ou règlements relatifs au bâtiment ou à l'énergie en ce qui a trait aux questions portant sur l'efficacité énergétique;

c) élaborer et mettre en œuvre des programmes visant l'amélioration de la conception des bâtiments, des techniques et des technologies de construction afin d'accroître l'efficacité énergétique;

d) lancer des initiatives de formation relativement aux exigences en matière d'efficacité énergétique contenues dans les codes du bâtiment et de l'énergie;

e) aider le gouvernement, les municipalités et les districts d'administration locale, ainsi que les collectivités au sens de la *Loi sur les affaires du Nord*, dans l'examen des dessins de bâtiment et d'exécution relativement aux codes, aux normes et aux règlements en matière d'efficacité énergétique.

DETERMINATION OF SAVINGS

When savings may be counted

8(1) Net savings in the consumption of electrical energy or natural gas count towards the respective savings target established in section 7 of the Act if the net savings are reasonably attributable

(a) to a demand-side management initiative undertaken by Efficiency Manitoba or on its behalf;

(b) to incremental savings resulting from a demand-side management initiative undertaken by Manitoba Hydro if

(i) the initiative is included in an approved efficiency plan; and

(ii) Efficiency Manitoba provides operational support or an operating incentive in respect of the initiative that is necessary to achieve the incremental savings;

CALCUL DES ÉCONOMIES

Calcul des économies

8(1) Les économies nettes en matière de consommation d'énergie électrique ou de gaz naturel sont prises en considération dans le calcul des objectifs d'économies respectifs fixés à l'article 7 de la *Loi* si elles sont raisonnablement attribuables à un des éléments suivants :

a) une initiative d'effacement de consommation lancée par la Société ou en son nom;

b) des économies supplémentaires résultant d'une initiative d'effacement de consommation lancée par Hydro-Manitoba, si :

(i) l'initiative est comprise dans un plan d'efficacité énergétique approuvé,

(ii) la Société offre un soutien opérationnel ou un incitatif opérationnel à l'égard de l'initiative, lequel est nécessaire pour l'obtention des économies supplémentaires;

(c) to a code, standard or regulation to which Efficiency Manitoba or Manitoba Hydro has made a material contribution; or

(d) to a rate to which Efficiency Manitoba has made a material contribution.

8(2) Savings in the consumption of electrical energy that result from an initiative undertaken by Efficiency Manitoba under section 5 count towards the electrical energy savings targets.

8(3) Savings in the consumption of a fossil fuel other than natural gas that result from an initiative undertaken by Efficiency Manitoba under section 6 count towards the natural gas savings targets based on an equivalent heating value, but only if the savings

(a) relate to space, water or process heating; and

(b) do not result from switching from one type of fossil fuel to another type of fossil fuel.

Savings targets based on fiscal year

9 The savings targets during each one-year period of an efficiency plan are to be calculated by reference to the consumption of electrical energy or natural gas during the previous fiscal year and not the previous calendar year.

Net savings to be weather-adjusted

10 All net savings must be calculated on a weather-adjusted basis.

c) un code, une norme ou un règlement auxquels la Société ou Hydro-Manitoba a contribué de façon importante;

d) un tarif auquel la Société a contribué de façon importante.

8(2) Les économies en matière de consommation d'énergie électrique résultant d'une initiative que la Société a lancée en vertu de l'article 5 sont prises en considération dans le calcul des objectifs d'économies dans la consommation d'énergie électrique.

8(3) Les économies en matière de consommation de combustibles fossiles autres que le gaz naturel résultant d'une initiative que la Société a lancée en vertu de l'article 6 sont prises en considération dans le calcul des objectifs d'économies dans la consommation de gaz naturel, en fonction d'un pouvoir calorifique équivalent, mais uniquement si les conditions suivantes sont réunies :

a) les économies sont relatives au chauffage local, au chauffage de l'eau ou à la production de chaleur industrielle;

b) elles ne résultent pas du remplacement d'un type de combustible fossile par un autre.

Calcul des objectifs d'économies fondé sur l'exercice financier

9 Les objectifs d'économies au cours de chaque période d'un an que vise un plan d'efficacité énergétique doivent être calculés en fonction de la consommation d'énergie électrique ou de gaz naturel au cours de l'exercice précédent et non de l'année civile précédente.

Rajustement des économies nettes pour les aléas climatiques

10 Les économies nettes sont calculées compte tenu du rajustement pour les aléas climatiques.

REVIEW OF EFFICIENCY PLANS

EXAMEN DES PLANS D'EFFICACITÉ
ÉNERGÉTIQUE**Additional factors to be considered by PUB**

11 In addition to the factors set out in subsection 11(4) of the Act, the PUB must consider the following when reviewing an efficiency plan:

- (a) the appropriateness of the methodologies used by Efficiency Manitoba to select or reject demand-side management initiatives;
- (b) whether the plan adequately considers the interests of residential, commercial and industrial customers;
- (c) whether, if it is practical to do so, at least 5% of Efficiency Manitoba's budget for demand-side management initiatives is allocated to initiatives targeting low-income or hard-to-reach customers;
- (d) whether the portfolio of demand-side management initiatives required to achieve the savings targets is cost-effective;
- (e) if the plan includes demand-side management initiatives in excess of those required to achieve the savings targets, whether those initiatives are cost-effective;
- (f) whether Efficiency Manitoba's administration budget is reasonable when compared to similar organizations;
- (g) the impact of the efficiency plan on rates and average customer bill amounts;
- (h) the reasonableness of the projected savings and Efficiency Manitoba's ability to meet the annual savings targets and the 15-year cumulative savings targets;
- (i) Efficiency Manitoba's use of private-sector enterprises and non-governmental organizations to deliver demand-side management initiatives;

Facteurs supplémentaires dont la Régie doit tenir compte

11 En plus des facteurs énumérés au paragraphe 11(4) de la Loi, la Régie tient compte des éléments suivants lorsqu'elle examine un plan d'efficacité énergétique :

- a) la pertinence des méthodes qu'utilise la Société pour choisir ou rejeter les initiatives d'effacement de consommation;
- b) la question de savoir si le plan tient suffisamment compte des intérêts des clients résidentiels, commerciaux et industriels;
- c) la question de savoir si au moins 5 % du budget que la Société consacre aux initiatives d'effacement de consommation est alloué, s'il est possible de le faire, à des initiatives visant les clients à faible revenu ou dont la participation est difficile à obtenir;
- d) le rendement coût-efficacité de la gamme d'initiatives d'effacement de consommation requises pour que soient atteints les objectifs d'économies;
- e) le rendement coût-efficacité des initiatives d'effacement de consommation en sus de celles qui sont requises pour que soient atteints les objectifs d'économies, si de telles initiatives sont prévues par le plan;
- f) le caractère raisonnable du budget d'administration de la Société en comparaison avec les budgets d'organismes similaires;
- g) l'effet que le plan d'efficacité énergétique aura sur les tarifs et sur le montant de la facture du client moyen;
- h) le caractère raisonnable des économies projetées et la capacité de la Société à atteindre les objectifs d'économies annuelles et les objectifs d'économies cumulatives pour la période de 15 ans;
- i) le recours par la Société à des entreprises du secteur privé et à des organismes non gouvernementaux pour la mise en œuvre d'initiatives d'effacement de consommation;

(j) whether the efficiency plan adequately considers new and emerging technologies that may be included in a future efficiency plan;

(k) for any efficiency plan after the first one, the reasonableness of Efficiency Manitoba's internal retrospective performance assessment;

(l) whether Efficiency Manitoba has reasonably attempted to comply with the directions of the minister.

Determining cost-effectiveness

12(1) For the purpose of clause 11(d), the cost-effectiveness of the portfolio of electrical energy demand-side management initiatives included or under consideration to be included in an efficiency plan must be determined by comparing

(a) the levelized cost to Efficiency Manitoba of the electrical energy net savings resulting from those initiatives;

with

(b) the levelized marginal value to Manitoba Hydro of the net savings resulting from those initiatives, as determined by Manitoba Hydro based on a methodology consistent with its resource planning process, taking into account the timing and duration of the savings.

12(2) For the purpose of clause 11(d), the cost-effectiveness of the portfolio of natural gas demand-side management initiatives included or under consideration to be included in an efficiency plan must be determined by comparing

(a) the levelized cost to Efficiency Manitoba of the natural gas net savings resulting from those initiatives;

with

(b) the sum of

(i) the levelized marginal value to Centra of the resulting reduction or savings in the consumption of natural gas, and

j) la question de savoir si le plan tient suffisamment compte des technologies nouvelles et émergentes qui pourraient être comprises à l'avenir dans un plan d'efficacité énergétique;

k) dans le cadre de l'évaluation de tout plan postérieur au premier, le caractère raisonnable de l'évaluation interne et rétrospective des performances qu'effectue la Société;

l) le caractère raisonnable des efforts déployés par la Société pour se conformer aux directives émanant du ministre.

Établissement du rendement coût-efficacité

12(1) Pour l'application de l'alinéa 11d), le rendement coût-efficacité de la gamme d'initiatives d'effacement de consommation d'énergie électrique qui sont comprises dans un plan d'efficacité énergétique, ou dont l'inclusion est en cours d'étude, est établi au moyen de la comparaison des deux éléments suivants :

a) le coût actualisé pour la Société des économies nettes en matière de consommation d'énergie électrique résultant de ces initiatives;

b) la valeur marginale actualisée pour Hydro-Manitoba des économies nettes résultant de ces initiatives, selon ce que détermine cette dernière en fonction d'une méthode qui est conforme à son processus de planification des ressources et compte tenu de la durée de ces économies et du moment où elles doivent être réalisées.

12(2) Pour l'application de l'alinéa 11d), le rendement coût-efficacité de la gamme d'initiatives d'effacement de consommation de gaz naturel qui sont comprises dans un plan d'efficacité énergétique, ou dont l'inclusion est en cours d'étude, est établi au moyen de la comparaison des deux éléments suivants :

a) le coût actualisé pour la Société des économies nettes en matière de consommation de gaz naturel résultant de ces initiatives;

b) la somme des éléments suivants :

(i) la valeur marginale actualisée pour Centra en ce qui a trait aux réductions ou aux économies en matière de consommation de gaz naturel qui en résultent,

(ii) the natural gas transportation costs to the Manitoba border saved by Centra as a result of the gas not being consumed.

(ii) le coût du transport du gaz naturel vers la frontière du Manitoba qu'économise Centra du fait qu'il n'a pas été consommé.

12(3) Subsections (1) and (2) apply, with necessary changes, to the assessment of the cost-effectiveness of individual demand-side management initiatives for the purpose of clause 11(e).

12(3) Les paragraphes (1) et (2) s'appliquent, avec les adaptations nécessaires, à l'évaluation du rendement coût-efficacité de chacune des initiatives d'effacement de consommation pour l'application de l'alinéa 11e).

INDEPENDENT ASSESSMENT

ÉVALUATION INDÉPENDANTE

Additional matters to be assessed

Évaluation de questions supplémentaires

13 For the purpose of clause 16(1)(c) of the Act, the following additional matters are prescribed as having to be assessed and reported on by Efficiency Manitoba's independent assessor:

13 Pour l'application de l'alinéa 16(1)c) de la Loi, l'évaluateur indépendant de la Société examine les questions supplémentaires qui suivent et établit un rapport :

(a) the quantity of savings in the consumption of electrical energy that count towards the electrical energy savings targets under subsection 8(2);

a) les économies en matière de consommation d'énergie électrique qui sont prises en considération dans le calcul des objectifs d'économies dans la consommation d'énergie électrique en application du paragraphe 8(2);

(b) the quantity of savings in the consumption of a fossil fuel other than natural gas that count towards the natural gas savings targets under subsection 8(3).

b) les économies de consommation de combustibles fossiles autres que le gaz naturel qui sont prises en considération dans le calcul des objectifs d'économies dans la consommation de gaz naturel en application du paragraphe 8(3).

AFFORDABLE ENERGY FUND

FONDS DE LIMITATION DU PRIX DE L'ÉNERGIE

Use of the Affordable Energy Fund

Utilisation du Fonds de limitation du prix de l'énergie

14 Efficiency Manitoba must use the Affordable Energy Fund only to undertake initiatives to encourage and realize efficiency improvements and conservation in the use of home heating fuels other than electrical energy or natural gas, and not for any other purpose.

14 La Société n'utilise le Fonds de limitation du prix de l'énergie que pour lancer des initiatives qui visent à encourager ainsi qu'à accroître l'efficacité et la conservation en ce qui a trait à l'utilisation de combustibles servant au chauffage domestique autres que l'énergie électrique et le gaz naturel.

**TRANSITIONAL AND
COMING INTO FORCE**

**DISPOSITIONS TRANSITOIRES ET
ENTRÉE EN VIGUEUR**

Furnace Replacement Program

15(1) The following definitions apply in this section.

"FRP account" means the segregated account for the Furnace Replacement Program established by Centra in accordance with Directive 20 of Board Order 99/07 of the PUB. (« compte du PRC »)

"Furnace Replacement Program" means the Furnace Replacement Program established by Centra in accordance with Board Order 99/07 of the PUB. (« Programme de remplacement des chaudières »)

15(2) Effective April 1, 2020,

(a) no further money is to be allocated to the FRP account; and

(b) the residual amount in the FRP account as of April 1, 2020 is to be used to offset the cost of the natural gas demand-side management initiatives set out in an approved efficiency plan.

15(3) For certainty, subsection (2) does not limit the PUB's jurisdiction to determine how the residual amount is to be allocated between Centra's customer classes.

15(4) If the Furnace Replacement Program is continued under an approved efficiency plan, it is to be continued under the administration of Efficiency Manitoba and funded in accordance with section 18 of the Act.

Coming into force

16(1) This, regulation, except section 14, comes into force on the day it is registered under *The Statutes and Regulations Act*.

16(2) Section 14 comes into force on April 1, 2020.

Programme de remplacement des chaudières

15(1) Les définitions qui suivent s'appliquent au présent article.

« compte du PRC » Le compte distinct du Programme de remplacement des chaudières créé par Centra en conformité avec la directive n° 20 figurant à l'ordonnance n° 99/07 de la Régie. ("FRP account")

« Programme de remplacement des chaudières » Le Programme de remplacement des chaudières mis en place par Centra en conformité avec l'ordonnance n° 99/07 de la Régie. ("Furnace Replacement Program")

15(2) Les règles qui suivent s'appliquent à compter du 1^{er} avril 2020 :

a) aucuns fonds supplémentaires ne sont affectés au compte du PRC;

b) le solde résiduel du compte du PRC le 1^{er} avril 2020 doit être utilisé pour couvrir le coût associé aux initiatives d'effacement de consommation de gaz naturel prévues dans un plan d'efficacité énergétique approuvé.

15(3) Il est entendu que le paragraphe (2) ne restreint pas le pouvoir de la Régie quant à l'attribution du solde résiduel aux différentes catégories de clients de Centra.

15(4) S'il est maintenu en vertu d'un plan d'efficacité énergétique, le Programme de remplacement des chaudières est administré par la Société et est financé conformément à l'article 18 de la *Loi*.

Entrée en vigueur

16(1) Le présent règlement, à l'exception de l'article 14, entre en vigueur à la date de son enregistrement sous le régime de la *Loi sur les textes législatifs et réglementaires*.

16(2) L'article 14 entre en vigueur le 1^{er} avril 2020.

1 Table 1: METSCO Recommendations for Further Consideration by the PUB and Centra

| # | Initiative or Issue Area | Suggestions for Further Actions (PUB & CG) |
|----|---|---|
| 1. | Steinbach Upgrade Project | Explore the rationale for a ~\$2.5M scope increase due to proposed redundancy over the base option estimate that is driven solely by load growth. Consider revising the estimate back to capacity-only assumptions if reliability case is not confirmed. |
| 2. | Portage La Prairie Gas Supply | Review the grounds for a ~3X cost estimate increase due to inclusion of a new supply point, justified through improper calculation. Consider revising the estimate to reflect the capacity-only assumptions if reliability case is not confirmed. |
| 3. | CVF Implementation | Explore options for joint PUB Staff/CG workshops on the CVF framework's fundamentals and specific (hands-on) project assessment tasks. Doing so would foster trust and simplify future evidence exploration. |
| 4. | Sustainment Program Impact Sensitivity | Conduct sensitivity analysis regarding the impact on Centra's operations and service levels of capital program cost reductions. Encourage Centra to not only state the impact of such costs, but also meaningfully explore opportunities to offset it beforehand. Contemplate funding reductions accordingly. |
| 5. | Load Materialization Patterns | Utilize past data to empirically explore the probability of forecasted load increases relative to the timing and levels anticipated. Integrate the results into capacity planning work and update them regularly. |
| 6. | Winnipeg HP Interconnection | Consider delaying project commencement until such time as the CIJ document is developed and review, having regard for the commentary on project justification issues contained in this report. |
| 7. | Station Condition Assessment Enhancements | Explore options for integrating quantitative data (instrument readings), use of weighted parameters and integration with the System-Wide ACA framework. Ensure that year-over-year trends in results are analyzed / used as a KPI. |
| 8. | Red River TP Replacement | Examine the options to estimate the statistical probability of a simultaneous dual supply point failure, and/or options for relocating of one of the two pipelines. |
| 9. | Pipeline Risk Assessment Methodology Enhancements | Identify a path forward for further development and utilization of the 2018 Model, including the options for using it in support of the CVF evaluation framework on an ongoing basis. |

| # | Initiative or Issue Area | Suggestions for Further Actions (PUB & CG) |
|-----|---|---|
| 10. | System Efficiency Benefits Tracking & Justification | Initiate dialogue on options for joint PUB/CG tracking/reporting on the efficiency benefit realization to facilitate evidence-based System Betterment CIJ development. |
| 11. | Asset Failure Data Research | Consider initiating efforts to identify and procure industry peer data on asset degradation-related failure patterns with the aim of developing probabilistic curves. |
| 12. | Capital - Maintenance Tradeoffs | Identify areas of opportunity and specific milestones for exploration of economic benefits of lifecycle-based assessment of tradeoffs between capital and maintenance expenditures for various asset classes and operating program areas. |

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2 This concludes our report. METSCO thanks the PUB, Centra and the CAC for the opportunity to explore
 3 the diverse and impactful issues raised in this proceeding. It is our hope that our commentary proves
 4 valuable to all parties involved, motivating them to continue exploring the benefits of evidence-based
 5 system planning and asset management.

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16.0 Cost Allocation

Centra's cost allocation methodology is a three-step process that assigns all Revenue Requirement components into one of six functional areas: Production, Pipeline, Storage, Transportation, Distribution, and Onsite. Step two classifies all of the functionalized costs as being either energy, customer or demand related. The final step then allocates the functionally classified cost to each of Centra's eight customer classes. Energy costs are allocated based on relative annual or seasonal class consumptions. Customer costs are based on the relative number of annual bills for each class, weighted to recognize differences in costs for significantly different types and size of customer classes. Demand related costs are allocated to customer classes based on one of several peak and average demand allocators. Centra indicated that the cost allocation methodology is consistent with that last approved by the Board in Order 107/96 and that used in the 2002/03 cost of gas hearing.

Centra cited several events that have transpired since the 1998 GRA which have impacted on the implementation of the approved methodology. The unbundling of rates into four discrete components of Primary Gas, Supplemental Gas, Transportation to Centra, and Distribution to Customer requires that cost be unbundled in a similar fashion. As well, Centra has incorporated changes in the allocation of investment costs, expenses and customer contributions associated with major expansion projects in new franchise areas, as previously directed by the Board. Centra is also proposing the addition of a Co-operative Customer Class and a Power Station Class that impact the cost allocation study.

Additionally, Centra has adopted Hydro's accounting system and employs a new Customer Information System. These systems generate more accurate information with respect to gas procurement and accounting costs, and service and meter investment and other functions resulting in a refinement to the cost allocation factors. Centra is now able to more precisely determine and directly assign onsite costs to the appropriate customer classes.

Centra has changed the allocation of gas procurement and accounting costs. Previously gas procurement costs were allocated by the peak and average method, and gas accounting costs were functionalized entirely to Transportation. In this GRA, Centra is proposing to allocate both types of costs in proportion to total gas costs. Centra is of the view that these costs are more sensitive to volumes consumed than to demands place on the system and thus are more appropriate to allocate in proportion to total gas costs.

Based on the May 1, 2003 cost of gas update the following table shows the results of the unbundling of gas costs into Primary and Supplemental components and the allocation to the Revenue Requirement to each customer class, including Primary Gas.

| Cost of Gas Component (\$ thousands) | Allocated Cost |
|---|-----------------------|
| Primary Gas | \$289,794 |
| Supplemental Gas – Firm Supply | 18,606 |
| Supplemental Gas – Interruptible Supply | 3,107 |
| Total | \$311,507 |

Revenue Requirement Allocation Results:

| Customer Class | Total Allocated Costs |
|------------------------------|------------------------------|
| Small General Class | \$125,522 |
| Large General Class | 47,005 |
| High Volume Firm Class | 9,272 |
| Mainline Class | 3,044 |
| Co-operative Class | 19 |
| Power Station Class | 1,029 |
| Special Contract Class | 1,881 |
| Interruptible Class | 4,557 |
| Total Allocated Costs | \$503,836 |

16.1 Intervenor Positions

Municipal addressed the matter of allocation of gas procurement costs, disagreeing with Centra's allocation of these costs. In Municipal's view, primary and supplemental gas costs should include non-gas, costs (overheads and accounting) incurred to support those services, and that an appropriate level of overhead should be assigned to primary gas. Municipal's cost of gas to its customers include Municipal's overheads, and if a level playing field is to be maintained, then Centra must assure that all appropriate overheads related to primary gas are included in the Primary Gas Rate. These costs should not be included as a portion of Transportation and Distribution costs. Transportation and distribution costs are paid for by system and ABM customers. Municipal suggested that it is counter intuitive that less than 25% of overhead costs are actually allocated to Primary and Supplemental gas, and 75% to Transportation and Distribution.

Municipal contended that Centra had not satisfactorily proved the validity of the allocation of these costs, citing several apparent discrepancies in amounts from different schedules in the application. Further Municipal was of the view that the basis of the assignment and allocation of these costs was suspect. Municipal submitted that the proper guide to just and reasonable allocation of gas procurement costs should be the use of ratios of primary gas, supplemental gas and transportation costs. In Municipal's estimation these were 77% for primary gas, 5% for supplemental gas, and 15% for transportation.

16.2 Board Findings

The Board notes that there have been no substantive changes to the cost allocation methodology approved by the Board in 1996. Four events have transpired since the last GRA that have impacted on the implementation of the methodology. The unbundling of sales rates that necessitated a further unbundling of costs was previously ordered by the Board. The specific treatment of costs related to rural expansion projects was also previously ordered by the Board.

The Board considers Centra to have fully complied with the Board's directives in these matters. The Board also accepts that the adoption of Hydro's accounting system and the use of a new CIS has provided more accurate information and allowed for a more precise assignment of certain costs to the various customer classes. As discussed, in Section 17.0 of this Order, the Board will approve the creation of two new customer classes being the Co-operative Customer Class and the Power Station Customer Class. It follows that these new classes impact on all other classes in respect of the allocation of costs. The Board finds that the treatment of allocation of costs to these classes is consistent with that accorded to the other classes and finds that the methodology is reasonable.

The Board notes Municipal's view that there has been an incorrect allocation or assignment of Gas Procurement and Gas Accounting costs. The Board views the change in the allocation of these cost to a percentage of total gas costs, as opposed to the use of a peak and average factor, to be more responsive to cost causation and to be reasonable. The Board also notes that the only evidence on the record in respect of the assignment and allocation of various components of the pool of these costs was provided by Centra in response to one of the undertakings. The Board is not prepared to accept the fact that a proper allocation of these costs is a mathematical calculation using the respective annual values of primary, supplemental, transportation and distribution related gas costs. The Board will approve Centra's treatment of these costs, but will require Centra to more precisely track such costs in the future.

17.0 Rate Classes and Rate Design

Centra is proposing to introduce two new customer classes: the Co-operative Class and the Power Station Class. The Co-operative Class is designed to accommodate the North Cypress Energy Co-op ("North Cypress") that had been previously served under the LGS Class. Centra had proposed an Inter-Utility Rate for North Cypress in the 2002/03 cost of gas hearing. In Order 135/02, the Board directed Centra to further discuss the rate proposal with North Cypress. Centra complied with this request and is now proposing the Co-operative Class, with the agreement of North Cypress.

The rate design for this class recognizes that North Cypress is served from a dedicated high-pressure distribution main and on-site equipment. These considerations have resulted in a proposed three-part rate structure. The Basic Monthly Charge ("BMC") is designed to recover all of the onsite costs, and the demand charge is to recover 100% of the demand related costs. The variable commodity rate will recover the balance of the costs.

The proposed Power Station Class will consist of Hydro's two generating plants in Brandon and Selkirk. Natural gas service has been provided to these two plants since early 2002 under the Mainline Class Rates, because these were the approved existing rates most closely reflecting the plant's service requirements.

Centra submitted that the two plants belonged in a separate rate class because of the nature of the service requirements. These include the magnitude of onsite costs, load factors at 30%, the lowest on the system, and large annual volumes. Centra submitted therefore, that if they were to remain in the Mainline Class, the other Mainline customers would in fact be subsidizing the Power Station customers. Centra contended that it was reasonable to include both plants in one class, even though they differed in size. They both use large volumes of gas, when they use it, have similar characteristics and use patterns; both have low load factors and high onsite

investment. Centra is also requesting approval of Terms and Conditions of Service for Power Stations as set out in the respective contracts between Centra and Hydro.

The rate structure and contract conditions contemplate a three-part rate. The BMC, demand charge and a variable commodity charge are designed to fully recover all costs allocated to this new class. The contracts also contain a minimum gross margin guarantee respecting minimum annual revenue, and a guaranteed minimum ratcheted demand level. The contracts, that have a 10-year term, also provide for three true-up calculations to assess contributions in aid of construction which include refund provisions should the calculations prove such are necessary. Centra's position is that there will be little if any, possibility of additional contribution requirements as the feasibility test used very conservative assumptions, contributions already received are greater than capital project costs, and minimum revenue guarantees contained in the contracts.

Centra's rate structures is designed to fully recover from each customer class all of the costs allocated to that customer class. That is, all customer classes have a revenue to cost ratio of 1.0, subject to rounding. The SGC and LGC customer classes have a two-part rate: a BMC and a variable commodity rate. All other classes have a three part rated: a BMC, a Demand Rate and a variable commodity rate.

Centra is also requesting that the billing demand level for the HVF Class be changed to be determined in the same way as is currently done for the other classes. The level would be determined as the highest daily demand during the winter months, ratcheted to the highest level from the previous winter. Because of limited meters, Centra was unable to determine the peak daily demands for all HVF customers until this year. Centra had previously used the maximum winter month daily average as the determinant. This change will be revenue neutral for the HVF Class, but individual customers within the class will be impacted to differing degrees, estimated

to be plus or minus 5% on an annual bill basis. The change cannot become effective until after the 2003/04 winter when peak daily demands for all customers have been established.

Centra is also requesting that the percentage of allocated demand costs to be recovered from the HVF and Interruptible Customer Classes be increased from 50% to 65%. Currently 50% of the demand costs are recovered through the variable commodity charge for these two classes.

Centra is of the view that this change will allow for a more stable recovery of the fixed costs, and encourage a more efficient use of the system. Additionally, it will move the HVF and Interruptible customers closer to a 100% recovery of demand costs through demand rates, as is the case for all other customers having a three-part rate, and not subject to Special Contract provisions. The adjustments would be revenue neutral for the customer class as a whole, while individual customer impacts within the class could range from plus 5% to minus 5%.

In all other respects Centra's rate design remains unchanged from that previously utilized.

17.1 Intervenor Positions

CAC/MSOS expressed no concern with the economics of the Brandon and Selkirk projects as new feasibility tests were to be conducted in conjunction with the true-up clauses contained in the contracts for both Power Station Class Customers, and would be submitted to the Board and Intervenors. However, CAC/MSOS spoke to three issues with respect to the proposed Power Station Rate Class and Rates. CAC/MSOS stated that the term of the contracts is less than the expected life of the projects. Thus CAC/MSOS requested the Board to ensure that the minimum guarantees in the contracts were extended on an evergreening of the contracts or in any new contracts subsequently negotiated.

Additionally, although Centra does not expect that the future feasibility tests will show that additional contributions will be required, CAC/MSOS recommended that a clause be inserted in the contracts to provide for collection of additional required customer contributions.

CAC/MSOS agreed with Centra's proposed Rate Structure for the Power Station Class, subject to a future review if necessary, to assess if the rates are recovering costs in the most efficient manner.

17.2 Board Findings

The Board will accept Centra's proposal to introduce two new customer classes. The Co-operative Class was first suggested by the Board and addressed by Centra in 2002. The Board instructed Centra to conduct further discussion with North Cypress to agree to a rate. The Board notes that North Cypress has agreed to Centra's proposal. The Board considers the three part rate structure proposed by Centra to be consistent with its stated rate philosophies in that it is designed to recover all allocated costs from that customer.

The Board will also approve Centra's proposed Power Station Class. The Board notes that this customer class is akin to the Special Contract Class, in that the class has a rate as approved by the Board and each of the two customers have entered into a contract with Centra outlining the Terms and Conditions of Service. As with the Co-operative Class, the Board considers the rate structure and rates to be reasonable and appropriate. The Board acknowledges that the contract provide for a minimum revenue guarantees, but only for the respective contract terms. The Board will require that any changes in terms and conditions, or extensions to the term of contract will be filed with the Board for review and, if necessary, approval. The Board also expects that the minimum guarantee will continue for any extended contract terms.

The Board also notes that specific dates are contemplated for true-up calculations that will determine if customer contributions remain appropriate. The Board notes that the contracts contain clauses requiring a refund of contributions if a refund is necessary pursuant to the true-up calculations, but no clause is included requiring additional contributions should they be required. The Board will require that wording to rectify this matter be incorporated into the contracts.

18.2 Board Findings

Rates are impacted by all Board decisions that require changes to the 2003/04 Revenue Requirement and deferral account balances. Because there are a number of such changes within this Order, actual rate impacts in respect of Base Rates and Billed Rates cannot be calculated until the effects of these changes have been determined by Centra. The Board will comment on rate impacts in a future order of the Board.

The Co-operative Class consisting of one customer had previously been included in the LGS Class. The indicated rate impacts are calculated using the annual revenues that would have been generated had the customer remained in the LGS Class. As such the impact is not driven solely by costs, but also reflects the movement to a new class. In a similar fashion, the Power Stations customers were initially included in the HVF Class, because the Power Stations most closely resembled the operational characteristics and eligibility criteria for the HVF Class. Therefore, the indicated annual revenue impacts also reflect the movement to a new class.

The one customer in Special Contract Class has undergone a plant expansion since the rates were last approved. Therefore a significant amount of the annual revenue impact is due to greater annual consumption, an increased peak load and cost of dedicated facilities. Additionally, calculations of customer impacts for other classes (except Power Stations) reflect changes in all costs, while the impact shown for the Special Customer Class only reflect increases in non-gas costs, as the Special Contract customer does not purchase gas from Centra.

The Board recognizes that parties expressed frustration with Centra's absence from public review since 1998. As previously mentioned, the Board's job was made more onerous due to the long passage of time between the last GRA held in 1998. Therefore, the Board will require Centra establish a more regular schedule, not exceeding three years, for periodic rate reviews. This regular schedule should improve the efficiency, effectiveness and timeliness of the regulatory process, even if no rate changes are requested.

17. Continuation of the Return on Equity Formula resulting in a ROE of 9.56% for the 2003/04 Test Year, BE AND IS HEREBY APPROVED.
18. Centra's requests to adjust capitalization for Rate of Return purposes so that capitalization is equal to Rate Base, and to utilize a notional capital structure of 40% equity and 60% debt, BE AND ARE HEREBY DENIED.
19. Other income of \$ 2.2 million for 2003/04, BE AND IS HEREBY APPROVED
20. Centra's request to introduce the Co-operative Customer Class and Power Station Customer Class, BE AND IS HEREBY APPROVED.
21. Centra revise the wording of the contracts in respect of the Selkirk Generating Station and the Brandon Combustion Turbine to include a clause requiring the payment of additional customer contributions if required pursuant to the true-up calculations.
22. Centra's requested changes to the method to determine demand levels for the HVF Class, and the move to recover 65% of all demand related costs through demand rates for the HVF and Interruptible Classes, BE AND ARE HEREBY APPROVED.
23. Centra establish a more regular schedule for periodic general rate reviews, not exceeding three years between general rate applications.
24. Interim Orders 79/02, 84/02, 135/02, 136/02, 188/02, and 11/03, BE AND ARE HEREBY CONFIRMED AS FINAL.
25. The amendment to the existing franchise agreement and a feasibility test for extending gas service within the Rural Municipality of Rockwood approved on an interim basis in Order 134/02, BE AND ARE HEREBY CONFIRMED AS FINAL.