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May 16, 2019

Mr. D. Christle
Secretary and Executive Director
Public Utilities Board
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Christle:

RE: CENTRA GAS MANITOBA INC. ("CENTRA") 2019/20 GENERAL RATE APPLICATION – REMAINING RESPONSES TO INFORMATION REQUESTS

On May 10th and 15th, Centra provided responses to 982 of the 985 First Round Information Requests ("IR") received with respect to Centra's 2019/20 General Rate Application. Further to its letter and the correspondence from the PUB dated May 14, 2019 granting an extension of time to file the remaining IR responses to May 17, 2019, please find enclosed responses to PUB/CENTRA I-10a-c. Centra has now filed responses to all First Found IRs.

If you have any questions or comments with respect to this submission, please contact the writer at 204-360-3257.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES DIVISION
Per:

BRENT A. CZARNECKI
Barrister & Solicitor

cc: Rachel McMillin, Assistant Associate Secretary
Bob Peters, Board Counsel
Dayna Steinfeld, Board Counsel
Brian Meronek, CAC Counsel

Available in accessible formats upon request

REFERENCE:

Tab 3; Appendix 3.1; 2013/14 GRA PUB/Centra I-7(b)

PREAMBLE TO IR (IF ANY):

QUESTION:

a) Please provide detailed discussion, information, and support with respect to any changes to Centra's accounting policies subsequent to the adoption of IFRS.
b) Please file an updated CGM18 scenario including additional line items quantifying the net impact of accounting changes reflected in the IFF including historical years from 2012/13 to 2017/18.
c) Please provide an update to the detailed narrative to PUB/Centra I-7(b) from the Centra 2013/14 GRA.

RESPONSE:

a) There have been no significant changes to Centra's accounting policies subsequent to the adoption of IFRS. New accounting standards IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers are effective for fiscal 2019 and IFRS 16 – Leases is effective for fiscal 2020. Centra is not anticipating any material impact to its financial statements as a result of these new standards.

b) Schedule A to this response shows the impact of accounting changes on Centra's Financial Statements, reflecting actual figures for the 2012/13 to 2017/18, the Financial Outlook for 2018/19 and the Approved Budget for 2019/20, as filed in the Supplement to the Application. Please note that CGAAP changes and IFRS impacts for administrative overhead capitalized, intangible assets and pension and benefit impacts were only determined by Centra up to the date of its transition to IFRS. Following its transition, detailed accounting records determining these impacts were not maintained and as such, these amounts have been escalated forward for the purposes of preparing this response.

c) Please see the tables following Schedule A for an update to the detailed narrative from PUB/Centra I-7 b) from the Centra 2013/14 GRA.

Schedule A

Centra Gas Statement of Income Impact of Accounting Changes and IFRS (millions of dollars)	CGAAP 2012/13 Actual	 2013/14 Actual	IFRS 2014/15 Actual	 2015/16 Actual	 2016/17 Actual	 2017/18 Actual	 2018/19 Current Outlook	 2019/20 Approved Budget	Reference
Revenues									
Revenue at Approved Rates before Accounting Changes	328	413	427	353	342	343	342	322	
IFRS Changes:									
Reclass to Gas Revenues from Other Income	-	-	1	1	1	1	1	1	*1*
Revenue at Approved Rates after Accounting Changes	**328**	**413**	**428**	**354**	**343**	**344**	**343**	**323**	
Cost of Gas	**182**	**252**	**274**	**215**	**199**	**193**	**193**	**174**	
Gross Margin	**146**	**161**	**154**	**139**	**144**	**150**	**150**	**149**	
Other Income before Accounting Changes	1	2	2	1	1	1	1	1	
IFRS Changes:									
Reclass from Other Income to Gas Revenues	-	-	(1)	(1)	(1)	(1)	(1)	(1)	*1*
Reclass Miscellaneous from Other Expenses	-	-	0	0	0	0	0	0	*1*
Reclass Amortization of Customer Contributions	-	-	1	1	1	1	1	1	*2*
Net Impact of Accounting Changes to Other Income	-	-	(0)	0	0	0	0	0	
Other Income after Accounting Changes	**1**	**2**	**1**	**2**	**2**	**2**	**2**	**2**	
	147	**163**	**155**	**141**	**145**	**152**	**152**	**151**	
Expenses									
Operating & Administrative before Accounting Changes	57	59	59	55	54	51	51	53	
CGAAP Changes:									
Reduction to Intangible Assets	1	1	1	1	1	1	1	1	*3*
Reduction in Administrative Overhead Capitalized	3	3	3	3	4	4	4	4	*4*
Pension and Employee Benefit Changes	2	3	4	4	4	4	4	4	*5*
IFRS Changes:									
Ineligible Administrative Overhead for Capitalization	-	-	3	3	3	3	3	3	*4*
Meter Compliance, Testing and Sampling	-	-	-	-	-	-	-	(3)	*6*
Pension and Employee Benefit Changes	-	-	0	0	0	0	0	0	*7*
Net Impact of Accounting Changes to Operating & Administrative	6	8	12	12	12	12	12	8	
Operating & Administrative after Accounting Changes	**64**	**67**	**70**	**67**	**65**	**63**	**63**	**61**	

Schedule A

Centra Gas Statement of Income Impact of Accounting Changes and IFRS (millions of dollars)	CGAAP 2012/13 Actual	 2013/14 Actual	IFRS 2014/15 Actual	 2015/16 Actual	 2016/17 Actual	 2017/18 Actual	 2018/19 Current Outlook	 2019/20 Approved Budget	Reference
Finance Expense before Accounting Changes	18	16	16	17	17	19	20	22	
IFRS Changes:									
Reclass Deferred Income Taxes Carrying Costs to Net Movement	-	-	2	2	2	2	2	1	***8***
Reclass PGVA Carrying Costs to Net Movement	-	-	1	0	(0)	(0)	(0)	(0)	***8***
Net Impact of Accounting Changes to Finance Expense	18	-	3	2	2	1	1	1	
Finance Expense after Accounting Changes	**18**	**16**	**19**	**20**	**19**	**21**	**22**	**23**	
Depreciation & Amortization before Accounting Changes	28	28	30	31	32	34	37	39	
CGAAP Changes:									
Reduction in Administrative Overhead Capitalized	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	***4***
Average Service Life Changes (2014 Depreciation Study)	-	-	(1)	(1)	(1)	(1)	(1)	-	***9***
IFRS Changes:									
Ineligible Administrative Overhead for Capitalization	-	-	(0)	(0)	(0)	(0)	(0)	(0)	***4***
Impact of Change in Gas Meter Rate	-	-	-	0	0	0	0	-	***9***
Meter Compliance, testing and Sampling	-	-	-	-	-	-	-	0	***6***
Removal of negative salvage in Depreciation Rates	-	-	(4)	(4)	(4)	(5)	(5)	(5)	***10***
Change to ELG method of Depreciation	-	-	2	2	2	2	2	2	***10***
Loss on Asset Retirements/Disposals	-	-	3	3	3	2	2	2	***10***
Reclass Amortization of DSM programs to Net Movement	-	-	(8)	(8)	(9)	(9)	(10)	(10)	***11***
Reclass Amortization of Regulatory Costs to Net Movement	-	-	(1)	(1)	(1)	(1)	(1)	(1)	***11***
Reclass Amortization of Site Remediation Costs to Net Movement	-	-	(0)	(0)	(0)	(0)	(0)	(0)	***11***
Reclass Amortization of Customer Contributions to Other Income	-	-	1	1	1	1	1	1	***2***
Net Impact of Accounting Changes to Depreciation & Amortization	(0)	(0)	(8)	(8)	(10)	(10)	(13)	(13)	
Depreciation & Amortization after Accounting Changes	**28**	**28**	**22**	**23**	**23**	**24**	**24**	**25**	
Capital & Other Taxes before Accounting Changes	18	20	19	20	19	19	20	20	
IFRS Changes:									
Reclass Amortization of Deferred Tax on Acquisition to Net Movement	-	-	(4)	(4)	(4)	(3)	(3)	(3)	***11***
Capital & Other Taxes after Accounting Changes	**18**	**20**	**16**	**16**	**15**	**16**	**17**	**17**	

Schedule A

Centra Gas Statement of Income Impact of Accounting Changes and IFRS (millions of dollars)	CGAAP 2012/13 Actual	 2013/14 Actual	IFRS 2014/15 Actual	 2015/16 Actual	 2016/17 Actual	 2017/18 Actual	 2018/19 Current Outlook	 2019/20 Approved Budget	Reference
Other Expenses before Accounting Changes	-	-	-	-	0	3	1	0	
IFRS Changes:									
DSM Expenditures	-	-	9	10	11	11	9	8	*11*
Regulatory Costs	-	-	1	1	1	0	2	2	*11*
Site Restoration Costs	-	-	-	-	-	0	-	-	*11*
Reclass Miscellaneous to Other Income	-	-	0	0	0	0	0	0	*1*
Net Impact of Accounting Changes to Other Expenses	-	-	10	11	11	12	11	11	
Other Expenses after Accounting Changes	**-**	**-**	**10**	**11**	**12**	**15**	**12**	**11**	
Corporate Allocation	**12**	**12**	**12**	**12**	**12**	**12**	**12.0**	**12.0**	
	140	**143**	**150**	**148**	**146**	**150**	**150**	**149**	
Net Income before Net Movement in Regulatory Balances	**8**	**20**	**6**	**(7)**	**(1)**	**2**	**2**	**2**	
Net Movement in Regulatory Balances before Accounting Changes	-	-	-	-	-	-	-	-	
IFRS Changes:									
Defer Ineligible Administrative Overhead	-	-	1	1	1	1	1	1	*11*
Defer DSM Expenditures	-	-	9	10	11	11	9	8	*11*
Defer Regulatory Costs	-	-	1	1	1	0	2	2	*11*
Defer Site Restoration Expenditures	-	-	-	-	-	0	-	-	*11*
Defer Loss on Asset Retirements/Disposals	-	-	3	3	3	2	2	2	*11*
Defer Impact of 2014 Depreciation Study	-	-	(1)	(1)	(1)	(1)	(1)	-	*11*
Defer Change in Depreciation Rate Meters	-	-	-	0	0	0	0	-	*11*
Defer Impact of Change to ELG method	-	-	2	2	2	2	2	2	*11*
Reclass Deferred Income Taxes Carrying Costs from Finance Expense	-	-	2	2	2	2	2	1	*11*
Reclass PGVA Carrying Costs from Finance Expense	-	-	1	0	(0)	(0)	(0)	(0)	*11*
Reclass Amortization of DSM programs from Depreciation & Amortization	-	-	(8)	(8)	(9)	(9)	(10)	(10)	*11*
Reclass Amortization of Regulatory Costs from Depreciation & Amortization	-	-	(1)	(1)	(1)	(1)	(1)	(1)	*11*
Reclass Amortization of Site Remediation Costs from Depreciation & Amortization	-	-	(0)	(0)	(0)	(0)	(0)	(0)	*11*
Reclass Amortization of Deferred Tax on Acquisition from Capital & Other Taxes	-	-	(4)	(4)	(4)	(3)	(3)	(3)	*11*
Amortization of Loss on Asset Retirements/Disposals	-	-	-	-	-	-	-	(0)	*11*
Amortization of Ineligible Administrative Overhead	-	-	-	-	-	(0)	(0)	(0)	*11*
Amortization of Impact of 2014 Depreciation Study	-	-	-	-	-	-	-	(0)	*11*
Amortization of Change in Depreciation Rate - Meters	-	-	-	-	-	-	-	0	*11*
Net Impact of Accounting Changes to Net Movement in Regulatory Balances	-	-	5	6	5	4	2	1	
Net Movement in Regulatory Balances after Accounting Changes	**-**	**-**	**5**	**6**	**5**	**4**	**2**	**1**	
Net Income	**8**	**20**	**11**	**(1)**	**4**	**7**	**4**	**3**	

Schedule A

Centra Gas Statement of Financial Position Impact of Accounting Changes and IFRS ($ 000's)	CGAAP 2012/13 Actual*	 2013/14 Actual*	IFRS 2014/15 Actual	 2015/16 Actual	 2016/17 Actual	 2017/18 Actual	 2018/19 Current Outlook	 2019/20 Approved Budget	Reference
ASSETS									
Current and Other Assets	**97**	**109**	**100**	**86**	**81**	**89**	**86**	**85**	
Property, Plant & Equipment before Accounting Changes	434	451	468	494	533	548	567	588	
CGAAP Changes:									
Reduction in Administrative Overhead Capitalized (incl. Depreciation impact)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	*4*
Average Service Life Changes (2014 Depreciation Study)	-	-	1	1	1	1	1	-	*9*
IFRS Changes:									
Ineligible Overhead for Capitalization (incl. Depreciation impact)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	*4*
Impact of Change in Gas Meter Rate	-	-	-	(0)	(0)	(0)	(0)	-	*9*
Meter Compliance, Testing and Sampling	-	-	-	-	-	-	-	3	*6*
Removal of negative salvage in Depreciation Rates	-	-	4	4	4	5	5	5	*10*
Change to ELG method of Depreciation	-	-	(2)	(2)	(2)	(2)	(2)	(2)	*10*
Loss on Asset Retirements/Disposals	-	-	(3)	(3)	(3)	(2)	(2)	(2)	*10*
Net Impact of Accounting Changes to Property, Plant & Equipment	(3)	(3)	(5)	(6)	(5)	(5)	(3)	(0)	
Property, Plant & Equipment after Accounting Changes	**431**	**448**	**463**	**488**	**528**	**543**	**563**	**588**	
Intangible Assets before Accounting Changes	9	9	8	8	9	11	11	10	
CGAAP Changes:									
Reduction to Intangible Assets	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	*3*
Intangible Assets before Accounting Changes	**8**	**8**	**7**	**7**	**8**	**10**	**10**	**9**	
Total assets before regulatory deferral balance	**536**	**565**	**570**	**581**	**617**	**642**	**659**	**682**	
Regulatory Deferral Balance before Accounting Changes	78	124	117	90	98	104	100	103	
IFRS Changes:									
Impact of Change in Gas Meter Rate	-	-	-	0	0	0	0	-	*9*
Change to ELG method of Depreciation	-	-	2	2	2	2	2	2	*10*
Loss on Asset Retirements/Disposals	-	-	3	3	3	2	2	2	*10*
Defer Ineligible Administrative Overhead	-	-	1	1	1	1	1	1	*11*
Amortization of Loss on Asset Retirements/Disposals	-	-	-	-	-	-	-	(0)	*11*
Amortization of Ineligible Administrative Overhead	-	-	-	-	-	(0)	(0)	(0)	*11*
Amortization of Change in Depreciation Rate - Meters	-	-	-	-	-	-	-	0	*11*
Net Impact of Accounting Changes to Regulatory Deferral Balance	-	-	5	6	6	6	5	5	
Regulatory Deferral Balance after Accounting Changes	**78**	**124**	**122**	**96**	**104**	**110**	**106**	**107**	
Total Assets and Regulatory Deferral Balance	**614**	**689**	**692**	**677**	**721**	**752**	**764**	**789**	

* For comparative purposes, 2012/13 and 2014/15 have been restated to conform to the current year's Financial Statement presentation

Schedule A

Centra Gas Statement of Financial Position Impact of Accounting Changes and IFRS ($ 000's)	CGAAP 2012/13 Actual*	CGAAP 2013/14 Actual*	IFRS 2014/15 Actual	IFRS 2015/16 Actual	IFRS 2016/17 Actual	IFRS 2017/18 Actual	IFRS 2018/19 Current Outlook	IFRS 2019/20 Approved Budget	Reference
LIABILITIES AND EQUITY									
Current and Other Liabilities before Accounting Changes	76	173	133	81	80	95	102	86	
CGAAP Changes:									
Pension and Employee Benefit Changes	2	3	4	4	4	4	4	4	*5*
IFRS Changes:									
Pension and Employee Benefit Changes	-	-	0	0	0	0	0	0	*7*
Net Impact of Accounting Changes to Current and Other Liabilities	2	3	4	4	4	4	4	4	
Current and Other Liabilities after Accounting Changes	**78**	**176**	**137**	**85**	**84**	**99**	**107**	**90**	
Long-term Debt	**295**	**270**	**305**	**340**	**360**	**370**	**370**	**420**	
Refundable Advances from customers	**21**	**12**	**14**	**12**	**14**	**14**	**13**	**14**	
Deferred Revenue	**33**	**42**	**42**	**45**	**45**	**45**	**47**	**49**	
Total Liabilities	**427**	**500**	**498**	**482**	**503**	**528**	**537**	**573**	
Equity									
Share Capital	**121**	**121**	**121**	**121**	**121**	**121**	**121**	**121**	
Retained Earnings before Accounting Changes	48	69	72	71	74	81	84	84	
CGAAP Changes:									
Reduction in Administrative Overhead Capitalized (incl. Depreciation impact)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	*4*
Reduction to Intangible Assets	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	*3*
Pension and Employee Benefit Changes	(2)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	*5*
IFRS Changes:									
Ineligible Overhead for Capitalization (incl. Depreciation impact)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	*4*
Meter Compliance, Testing and Sampling	-	-	-	-	-	-	-	3	*6*
Pension and Employee Benefit Changes	-	-	(0)	(0)	(0)	(0)	(0)	(0)	*7*
Removal of negative salvage in Depreciation Rates	-	-	4	4	4	5	5	5	*10*
Defer Ineligible Administrative Overhead	-	-	1	1	1	1	1	1	*11*
Amortization of Loss on Asset Retirements/Disposals	-	-	-	-	-	-	-	(0)	*11*
Amortization of Ineligible Administrative Overhead	-	-	-	-	-	(0)	(0)	(0)	*11*
Amortization of Change in Depreciation Rate - Meters	-	-	-	-	-	-	-	(0)	*11*
Amortization of Impact of 2014 Depreciation Study	-	-	-	-	-	-	-	0	*11*
Net Impact of Accounting Changes to Retained Earnings	(6)	(7)	(6)	(6)	(5)	(5)	(4)	(1)	
Retained Earnings after Accounting Changes	**42**	**62**	**66**	**65**	**69**	**76**	**80**	**83**	
Total Equity	**163**	**183**	**187**	**186**	**190**	**197**	**201**	**204**	

* For comparative purposes, 2012/13 and 2014/15 have been restated to conform to the current year's Financial Statement presentation

Schedule A

Centra Gas Statement of Financial Position Impact of Accounting Changes and IFRS ($ 000's)	CGAAP 2012/13 Actual*	 2013/14 Actual*	IFRS 2014/15 Actual	 2015/16 Actual	 2016/17 Actual	 2017/18 Actual	 2018/19 Current Outlook	 2019/20 Approved Budget	Reference
Regulatory Deferral Balance	24	6	6	8	27	26	25	12	
IFRS Changes:									
Average Service Life Changes (2014 Depreciation Study)	-	-	1	1	1	1	1	-	*9*
Amortization of Impact of 2014 Depreciation Study	-	-	-	-	-	-	-	(0)	*11*
Net Impact of Accounting Changes to Regulatory Deferral Balance	-	-	1	1	1	1	1	(0)	
Regulatory deferral balance after Accounting Changes	**24**	**6**	**7**	**9**	**28**	**27**	**26**	**12**	
Total Liabilities, Equity and Regulatory Deferral Balance	**614**	**689**	**692**	**677**	**721**	**752**	**764**	**789**	

* For comparative purposes, 2012/13 and 2014/15 have been restated to conform to the current year's Financial Statement presentation

Reference	Description	Accounting Handbook Reference
1	The reclassification of amounts from Other Income to Gas Revenues was made to more appropriately group related revenue items for financial reporting purposes. The three items included in the re-class to Gas Revenue are all directly related to the sale of domestic gas and include: late payment charges, revenue collected from brokers for billing services and miscellaneous revenue from non-metered gas sales. The re-class of miscellaneous items from Other Expenses to Other Income was made to comply with the IFRS financial reporting requirement that income and expenses should not be netted unless permitted by IFRS.	**IFRS – IAS 1 Presentation of Financial Statements:** **Materiality and aggregation** .29 An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial. .30A When applying this and other IFRSs an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions **Offsetting** .32 An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS.
2	The reclassification of the amortization of customer contributions to Other Income was made to be consistent with the IFRS standard IFRIC 18 *Transfers of Assets From Customers* which requires that contributions be recorded as deferred revenue and subsequently recognized in revenue over the life of the asset. Under CGAAP, the amortization of customer contributions was recognized in depreciation and amortization expense.	**IFRS - IFRIC 18 Transfers of Assets From Customers:** .20 If an ongoing service is identified as part of the agreement, the period over which revenue shall be recognized for that service is generally determined by the terms of the agreement with the customer. If the agreement does not specify a period, the revenue shall be recognized over a period no longer than the useful life of the transferred asset used to provide the ongoing service.

Reference	Description	Accounting Handbook Reference
3	The OM&A adjustments for intangible assets under CGAAP reflect a change (section 3064 Goodwill and Intangible Assets) in the Canadian accounting standards for Goodwill and Intangible assets that was effective for MH April 1, 2009. The new standard was harmonized with IFRS and required research and promotional costs to be expensed as incurred with retrospective application. Effective April 1, 2009, research and promotional costs for intangible assets are expensed as incurred.	**CGAAP – Section 3064 Goodwill and Intangible Assets:** .37 No intangible asset arising from research (or from the research phase of an internal project) should be recognized. Expenditure on research (or on the research phase of an internal project) should be recognized as an expense when it is incurred. [OCT. 2008] .52 In some cases, expenditure is incurred to provide future economic benefits to an entity, but no intangible asset or other asset is acquired or created that can be recognized,…,Other examples of expenditure that is recognized as an expense when it is incurred include expenditure on: (a) start-up activities (i.e., start-up costs) (b) training activities (c) advertising and promotional activities. **IFRS - IAS 38 Intangible Assets**: Research phase .54 No intangible asset arising from research (or from the research phase of an internal project) shall be recognized. Expenditure on research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred. .29 Examples of expenditures that are not part of the cost of an intangible asset are: (a) costs of introducing a new product or service (including costs of advertising and promotional activities);

Reference	Description	Accounting Handbook Reference
		(b) costs of conducting business in a new location or with a new class of customer (including costs of staff training); and (c) administration and other general overhead costs.
4	The reduction in administrative and general overhead capitalized reflects adjustments made under CGAAP to become more consistent with other Canadian utilities. Further reductions to administration and general overhead capitalized upon transition to IFRS were made to be consistent with the more specific requirements of IFRS that do not permit general overhead costs to be capitalized. The adjustments result in the following: • an annual increase in operating and administrative expense; • reductions in plant asset values for amounts no longer capitalized; and • reductions in depreciation expense as a result of reduced asset values.	**CGAAP – Section 3061 Property, plant & equipment:** .20 The cost of an item of property, plant and equipment includes direct construction or development costs (such as materials and labour), and overhead costs directly attributable to the construction or development activity. **IFRS – IAS 16 Property, plant and equipment:** .19 Examples of costs that are not costs of an item of property, plant and equipment are: (a) costs of opening a new facility; (b) costs of introducing a new product or service (including costs of advertising and promotional activities); (c) costs of conducting business in a new location or with a new class of customer (including costs of staff training); and (d) administration and other general overhead costs.

Reference	Description	Accounting Handbook Reference
5	The increase in the pension and employee benefits cost under CGAAP is a result of a changes in the discount rate and the corresponding increase in current service cost for employee benefits.	**CGAAP – Section 3461 Employee Future Benefits:** .50 For a defined benefit plan, the discount rate used to determine the accrued benefit obligation should be an interest rate determined by reference to: (a) market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or (b) the interest rate inherent in the amount at which the accrued benefit obligation could be settled. [JAN. 2000] .54. The discount rate is re-evaluated at each measurement date. When long-term interest rates rise or decline, the discount rate changes in a similar manner. **IFRS - IAS 19 Employee Benefits** reference include the following: Actuarial assumptions: discount rate .83 The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. For currencies for which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency shall be used,

Reference	Description	Accounting Handbook Reference
6	Upon its transition to IFRS, Manitoba Hydro commenced the capitalization Centra's meter exchange, sampling and testing activities for reporting its consolidated financial statements. This accounting treatment is performed to comply with the IFRS requirement to harmonize the accounting policies of a parent company and its subsidiaries. As part of its 2019 General Rate Application, Centra is proposing to commence capitalizing meter exchange activities in 2019/20 similar to Manitoba Hydro. The financial impacts of doing so include the following: • an annual decrease in operating and administrative expense; • increases in plant asset values for amounts capitalized; and • increases in depreciation for increases in plant assets.	**IFRS 10 - Consolidated Financial Statements** .19 A parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. **Uniform accounting policies** B87. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.
7	Pension and employee benefit changes reflect the differences in the requirements between CGAAP and IFRS. Some of the key areas where IFRS is different than CGAAP include: - Under IFRS, the expected return on plan assets is replaced by interest income calculated using the same discount rate used to measure the pension obligations. Under CGAAP, the return on plan assets assumed a market return rate as opposed to the discount rate.	**IFRS - IAS 19 Employee Benefits**: **Net interest on the net defined benefit liability (asset)** .123 An entity shall determine net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified in paragraph 83. **Past service cost** .102 Past service cost is the change in the present value of

Reference	Description	Accounting Handbook Reference
	- Under IFRS, past service costs associated with plan improvements or amendments are recognized as expense through profit or loss when the amendment or curtailment occurs. Under CGAAP, such amounts were amortized over the expected remaining service life of the employees. - IFRS recognizes an obligation for benefits as an employee renders service regardless of vesting criteria. Therefore, under IFRS, actuarial obligations must be recognized for all accumulating benefit plans such as sick leave and severance. Under CGAAP, obligations were only recognized for vested service.	the defined benefit obligation resulting from a plan amendment or curtailment. .103 An entity shall recognise past service cost as an expense at the earlier of the following dates: (a) when the plan amendment or curtailment occurs; and (b) when the entity recognises related restructuring costs or termination benefits (see paragraph 165). **Vesting:** .72 Employee service gives rise to an obligation under a defined benefit plan even if the benefits are conditional on future employment (in other words they are not vested). Employee service before the vesting date gives rise to a constructive obligation because, at the end of each successive reporting period, the amount of future service that an employee will have to render before becoming entitled to the benefit is reduced. In measuring its defined benefit obligation, an entity considers the probability that some employees may not satisfy any vesting requirements.
8	Under CGAAP, carrying costs initially recognized in Finance Expense for PGVA and deferred acquisition tax regulated accounts would be deferred (with a corresponding reduction to finance expense) to the cost of the respective regulated item and amortized to income consistent with the amortization of the regulated item. As an example, carrying costs on Centra's deferred	**IFRS - IFRS 14 Regulatory Deferral Accounts**: **Classification of regulatory deferral account balances** .20 An entity shall present separate line items in the statement of financial position for: (a) the total of all regulatory deferral account debit balances; and

Reference	Description	Accounting Handbook Reference
	acquisition tax account would be added to the deferred tax balance and amortized to the income statement in the Capital and Other Taxes line. Under IFRS, the recognition of carrying costs for regulated deferrals must be segregated from other non-regulated accounts and recognized to income under the Net Movement in Regulatory Deferrals account.	(b) the total of all regulatory deferral account credit balances. .23 An entity shall present a separate line item in the profit or loss section of the statement of profit or loss and other comprehensive income, or in the separate statement of profit or loss, for the remaining net movement in all regulatory deferral account balances for the reporting period, excluding movements that are not reflected in profit or loss, such as amounts acquired. This separate line item shall be distinguished from the income and expenses that are presented in accordance with other Standards by the use of a sub-total, which is drawn before the net movement in regulatory deferral account balances.
9	The net result of the 2014 depreciation study under the ASL approach is an overall reduction in annual depreciation expense for Centra due to changes in the service lives for certain assets. Under either CGAAP or IFRS, when new estimates are available as to the service life of a depreciable asset, that estimate is required to be used for financial reporting purposes. IFRS requires an entity to examine the reasonableness of its asset service lives at each year end. Following two years of significant retirement losses for the Gas Meters account, Centra reduced the	**CGAAP – 3061 Property, plant & equipment:** .28 Amortization should be recognized in a rational and systematic manner appropriate to the nature of an item of property, plant and equipment with a limited life and its use by the enterprise. .33 The amortization method and estimates of the life and useful life of an item of property, plant and equipment should be reviewed on a regular basis. [DEC. 1990 *] **IFRS – IAS 16 Property, plant and equipment** **Depreciable amount and depreciation period** .50 The depreciable amount of an asset shall be allocated on

Reference	Description	Accounting Handbook Reference
	service life from 25 to 20 years and is deferring this impact to depreciation expense through the Net Movement account subject to PUB endoresment of the updated service life.	a systematic basis over its useful life. . 51 The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
10	Changes made by Centra to depreciation and amortization expense upon transition to IFRS regarding the removal of net salvage in depreciation rates, the change to the ELG method of depreciation and the addition of gains and losses on asset retirements were done to comply with the financial reporting requirements of IFRS. The inclusion of net salvage in depreciation rates as a means to recover future asset removal costs from ratepayers was a regulated industry practice under CGAAP. IFRS does not include language that supports the inclusion of negative salvage in depreciation rates. Only where an entity has determined it has an Asset Retirement Obligation with the retirement of the asset can it include the present value cost of retiring the asset in the cost base for depreciation. As such, Centra eliminated the inclusion of negative salvage in depreciation rates on transition to IFRS.	**IFRS - IAS 16 Property, plant & equipment:** .43 Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. .68 The gain or loss arising from the de-recognition of an item of property, plant and equipment shall be included in profit or loss when the item is de-recognized. Gains shall not be classified as revenue.

Reference	Description	Accounting Handbook Reference
	IFRS is more rigorous in terms of identifying separate asset components for determining annual depreciation. To the extent that assets include components with different lives that would materially impact depreciation, these components must be separately depreciated or a depreciation methodology must be utilized that recognizes the differences in service lives. On transition to IFRS, Centra adopted the ELG method of depreciation which develops depreciation rates with specific consideration of the expected retirement pattern for each asset type within each depreciation class. Under previous CGAAP, Centra deferred gains or losses on asset retirements through accumulated depreciation. IFRS requires that any gains and losses on disposal/retirement of assets be recognized immediately in income.	
11	Under CGAAP, regulated utility accounting practices evolved through industry practices with reference to US accounting standards. Transparency as to the impacts of rate regulation was not obvious as not all regulated accounting amounts were easily identifiable on the financial statements. For example, general administrative overhead was capitalized in the cost of plant assets and amortized through depreciation and amortization expense. Centra's deferred taxes on the acquisition by Manitoba Hydro were recorded	**IFRS - IFRS 14 Regulatory Deferral Accounts**: **Classification of regulatory deferral account balances** .20 An entity shall present separate line items in the statement of financial position for: (a) the total of all regulatory deferral account debit balances; and (b) the total of all regulatory deferral account credit balances.

Reference	Description	Accounting Handbook Reference
	in a regulated asset and amortized in the Capital and Other Taxes expense line. Some expenditures were deferred directly to regulated deferral accounts such as DSM charges and amortized through depreciation and amortization expense. Under **IFRS 14 Regulatory Deferral Accounts**, all transactions pertaining to regulated accounting practices (as endorsed by an entities regulator) must be clearly segregated from other items on the Statement of Income and Statement of Financial Position. Further, any changes in the deferral accounts must be recognized through the Net Movement in Regulatory Deferral Account. This form of accounting facilitates the identification of the impacts of regulated accounting (as endorsed by the regulator) on the financial position of the regulated entity. To comply with the requirements of IFRS 14, an entity must first record transactions for regulated accounts in accordance with other IFRS standards and determine its net income before the impact of rate regulation. Examples include the following: • Record expenditures for DSM, Regulatory proceedings and site restoration through Other Expenses; • Determine depreciation expense based on	.23 An entity shall present a separate line item in the profit or loss section of the statement of profit or loss and other comprehensive income, or in the separate statement of profit or loss, for the remaining net movement in all regulatory deferral account balances for the reporting period, excluding movements that are not reflected in profit or loss, such as amounts acquired. This separate line item shall be distinguished from the income and expenses that are presented in accordance with other Standards by the use of a sub-total, which is drawn before the net movement in regulatory deferral account balances.

Reference	Description	Accounting Handbook Reference
	the ELG method; and • Record asset retirement gains and losses through depreciation and amortization expense; Where the regulator has endorsed a different form of accounting than required by IFRS standards, IFRS 14 requires an entity to reflect the impacts of rate regulation through the recognition of separate regulatory deferred debit and credit accounts. All transactions recorded through the regulatory deferral accounts are to be recognized in the Net Movement Account so as to segregate out the impacts of rate regulated accounting. For example, the impact to net income of recording DSM and Regulatory expenditures through Other Expenses is completely offset by recording a deferral amount through the Net Movement Account. The amortization to income of the deferral is also recognized through the Net Movement Account over a period as endorsed by the regulator. Please see Appendix 3.4 to this application for more information on each of Centra's regulatory deferral accounts.	