Centra Gas Manitoba Inc.
2019/20 General Rate Application

Cost Allocation and Rates Panel

August 15, 2019

2019/20 GRA

- Forecasted Non-primary gas costs of approximately $71 million (based on a 2019/20 gas year)
- Non-gas costs of approx. $148.5 million
- Rate riders to refund to customers a net amount of approximately $21.3 million of Non-primary gas cost deferral balances accumulated between November 1, 2015 and October 31, 2019 with updated carrying costs to October 31, 2019.

Annual Bill Impacts of Proposed Base Rates

Sales Service	Base Rate Impact (%)
SGS *(typical residential)*	(5.4%)
Small General Service	(4.2%) - (6.7%)
Large General Service	(0.5%) – (0.7%)
High Volume Firm / Sales	(2.7%) – (3.4%)
Mainline Firm / Sales	(6.2%) – (9.9%)
Interruptible / Sales	(3.1%) – (4.4%)

Transportation Service	Base Rate Impact (%)
High Volume Firm / T-Service	20.8% – 29.2%
Mainline Firm / T-Service	25.5% – 41.8%
Power Stations / T-Service	[redacted]
Special Contract / T-Service	[redacted]

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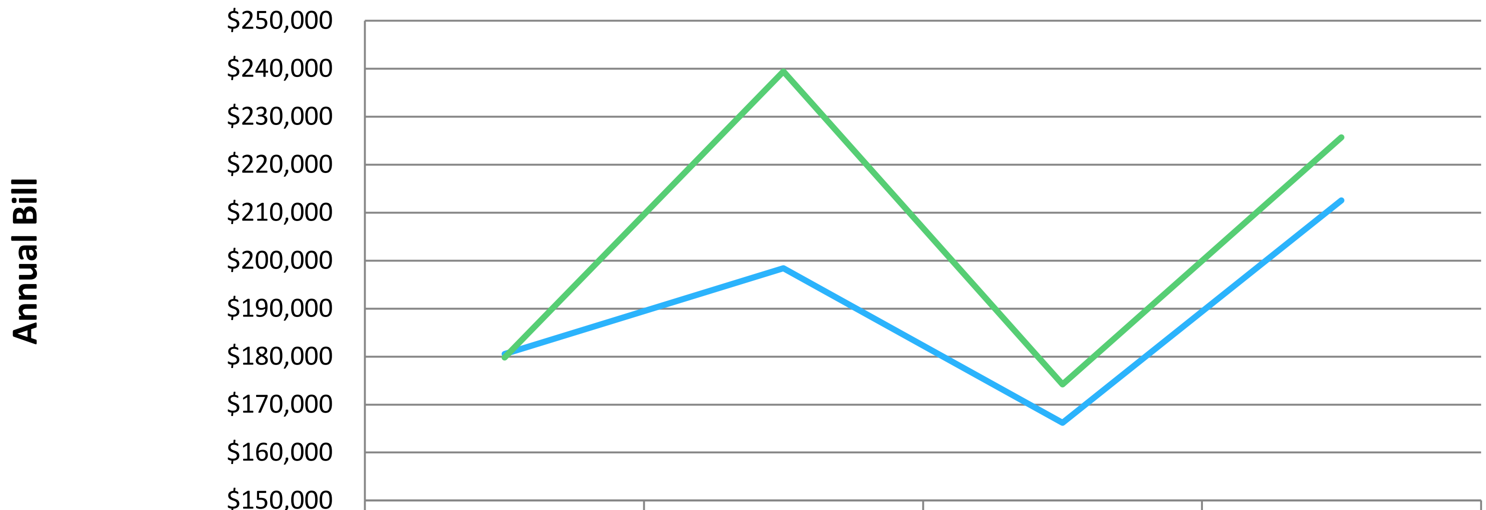
Impact of Rate Reversion on T-Service Customers in HVF and ML Classes

T-Service Annual Bills



	2010	2013	2017	2019
HVF-T Service	$180,541	$198,390	$166,193	$212,560
		9.9%	-16.2%	27.9%
Mainline T-Service	$179,830	$239,413	$174,193	$225,703
		33.1%	-27.2%	29.6%

Source: Page 5 of Centra’s Rebuttal Evidence filed August 2, 2019

Illustrative Example of Impact of Rate Reversion on T-Service Customers

Indicative Base Rate Impacts
With and Without Rate Reversion
Attachment 3 - PUB/Centra I-143c)

			Proposed (As filed w/Supplement)		Proposed If no Reversion of Non-Gas Costs	
Customer class	Consumption 10^3m^3	Load Factor	$ Impact	% Change	$ Impact	% Change
HVF (T-Service)	2,600	75%	$ 9,523	19.2%	$1,695	3.0%
	17,600	75%	$ 72,091	28.0%	$ 26,241	8.7%
Mainline (T-Service)	14,000	75%	$ 35,176	24.7%	($11,961)	-6.3%
	44,000	40%	271812	41.6%	54782	6.3%

Annual Bill Impacts of Proposed Base Rates on Special Contract

- Share of non-gas costs allocated to this class has increased since the last GRA
- Primarily driven by a change in the proportion of rate base that is functionalized as transmission-related versus distribution-related
- Higher level of transmission investments also resulted in higher overall levels of finance expense and capital taxes
- Also reflects the decision in Order 79/17 to freeze the non-gas component of rates for this class
  - Had the rates reverted, the Special Contract Class would have experienced a 14.4% increase in 2017, which would have lessened the impact of the increase proposed in this GRA

Annual Bill Impacts

Sale Service	Base Rate (%)	Base Rates plus Riders (%)
SGS *(typical residential)*	(5.4%)	(10.1%)
Small General Service	(4.2%) - (6.7%)	(7.8%) - (12.5%)
Large General Service	(0.5%) – (0.7%)	(5.1%) - (7.3%)
High Volume Firm / Sales	(2.7%) – (3.4%)	(8.2%) - (23.7%)
Mainline Firm / Sales	(6.2%) – (9.9%)	(15.9%) - (23.4%)
Interruptible / Sales	(3.1%) – (4.4%)	(7.8%) - (17.9%)

Transportation Service	Base Rate (%)	Base Rates plus Riders (%)
High Volume Firm / T-Service	20.8% – 29.2%	21.9% - 30.0%
Mainline Firm / T-Service	25.5% – 41.8%	17.1% - 36.2%
Power Stations / T-Service	[redacted]	
Special Contract / T-Service		

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Bill Mitigation Considerations

Context for Bill Mitigation

"With respect to the T-Service rates, the Board agrees that in order to properly compare annual energy increases the cost of gas must be considered an integral part of the total annual impact."

– PUB Order 156/91

Rate Impacts
Including Assumed Cost of Gas

Base Rate Bill Impacts using the August 1, 2019 Primary Gas Cost

	2010	2013	2017	2019
HVF/T-Service	$1,117,741	$1,135,590	$1,103,393	$1,149,760
		1.60%	-2.84%	4.20%
Mainline/T-Service	$1,713,430	$1,773,013	$1,707,793	$1,759,303
		3.48%	-3.68%	3.02%
Special Contract	[redacted]			

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Based on the following load profiles:
HVF – 11,000 10^3m^3/year at 75% load factor
Mainline – 18,000 10^3m^3/year at 75% load factor
Special Contract, as per load forecast

Bill Mitigation Options

- Bill mitigation is likely not warranted based on the overall customer impacts
- If mitigation is determined necessary, Centra's proposed options relate to the Heating Value Margin Deferral Account:
  - Allow the Special Contract Class to pay the portion assigned to that class over two years
  - Make change to allocation of Heating Value Margin Deferral now, prior to full Cost of Service review

Changes to Allocation of Heating Value Margin Deferral Balance

- Implement the Christensen recommendation at this time, which is to remove the Special Contract class from the allocation of the Heating Value Margin Deferral balance.
  - This takes the portion that would have been allocated to the Special Contract class and distributes it to all other customer classes on the same basis Centra has used previously
- Allocate the deferral balance based on volumetric revenue as proposed by Mr. McLaren on behalf of IGU
  - This reduces the amount allocated to all classes except SGS which is now allocated twice the amount of the balance as was done previously

Conclusions

- Bill mitigation is likely not warranted based on the overall customer impacts
- If mitigation is determined to be necessary making adjustments to the Heating Value Margin Deferral is Centra's preferred option
  - Avoids tinkering with accepted cost allocation practices