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January 29, 2020

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

Dear Dr. Christle:

**RE: CENTRA GAS MANITOBA INC. (“CENTRA”) 2019/20 GENERAL RATE APPLICATION –
FURNACE REPLACEMENT PROGRAM (“FRP”) REFUND REVIEW & VARY APPLICATION**

Pursuant to sections 44, 127(1) and 129 of *The Public Utilities Board Act*, Centra is seeking an Order from the Public Utilities Board (“PUB”) approving both the discontinuation of the FRP Refund effective April 1, 2020 and the attached rates schedule reflecting the removal of the FRP Refund of \$0.0259/m³.

Background

On October 11, 2019, the PUB issued Order 152/19 approving Centra’s request to discontinue funding the FRP. In addition, the PUB directed Centra to reduce the FRP liability and concurrently establish a regulatory liability in the amount of \$17.7 million, ostensibly representing the surplus funds in the FRP fund. The PUB further directed Centra to start refunding the regulatory liability to the Small General Service (“SGS”) customer class on a volumetric-use basis calculated over a one-year period commencing November 1, 2019.

On October 25, 2019, Centra filed its Compliance Filing reflecting the Directives of Order 152/19. In its filing, Centra indicated that to be consistent with IFRS standards, the refund amount of \$17.7 million had been included as a liability in its Statement of Financial Position, and not as a regulatory liability. Centra also filed a rates schedule that included the FRP Refund of \$0.0259/m³ for the SGS customer class. The PUB issued Order 161/19 on October 31, 2019 approving the rates schedule.

As of November 30, 2019, approximately \$1.2 million, or 7%, of the \$17.7 million FRP liability has been refunded to SGS customers. Currently, Centra estimates approximately \$5.0 million of the FRP refund balance (including carrying costs) will remain in the FRP liability as of April 1, 2020. This estimate is weather-dependent.

Available in accessible formats upon request

Grounds for Relief

On August 9, 2019, the *Efficiency Manitoba Regulation*, Man. Reg. 119/2019 (the "*EM Regulation*") was registered and took effect. Sections 15 and 16 of the *EM Regulation* specifically address the FRP funds.

Section 15 of the *EM Regulation* provides:

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.

Paragraph 15(2)(b) of the *EM Regulation* mandates Centra to reserve 100% of the residual balance in the FRP liability (including the surplus balance) on April 1, 2020 for the sole purpose of offsetting the cost of future natural gas demand-side management initiatives as identified in an approved efficiency plan to be implemented by Efficiency Manitoba. As a result, the estimated \$5.0 million of the FRP refund balance will no longer be available to offset the reduction in revenue associated with the FRP Refund to SGS customers over the April 1 to October 31, 2020 period.

If the April 1, 2020 discontinuance of the FRP Refund is not granted as requested herein, Centra will be expected to incrementally borrow and expense the estimated \$5.0 million (plus interest charges) to fund the ongoing FRP Refund to SGS customers beyond March 31, 2020. This would represent a decrease of approximately \$5.0 million in Centra's net income. The resulting revenue requirement impacts were never contemplated by the PUB in Orders 152/19 or 161/19 and is prejudicial to and harms Centra.

For the above noted reasons, Centra respectfully requests the PUB to approve the discontinuation of the FRP Refund and the attached rates schedule reflecting the removal of the FRP Refund of \$0.0259/m³ effective April 1, 2020.

On November 1, 2019, Centra estimated the annual bill impact of the FRP refund for the typical residential customer to be approximately \$58. By April 1, 2020, approximately 72% of the FRP surplus balance, or \$42 for the typical residential customer, will have already been refunded to SGS customers. For the PUB's information, Centra has attached to this submission its proposed Bill Insert for communication to SGS customers of the discontinuation of the FRP Refund.

If you have any questions with respect to this submission, please contact the writer at 204-360-3257 or Liz Carriere at 204-360-3591.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES DIVISION

Per:

per [Signature]

BRENT CZARNECKI
Barrister & Solicitor

cc: Bob Peters, PUB Counsel
Dayna Steinfeld, PUB Counsel

CENTRA GAS MANITOBA INC.
REVIEW AND VARY ORDER 152/19
BILL INSERT CONTENT

In 2007, the Public Utilities Board (PUB) directed Centra to establish the Furnace Replacement Program (FRP) fund which at the time was to support a loan program for low-income customers to assist in the replacement of standard efficiency furnaces and boilers with high-efficiency ones. Until November 2019, funding for the FRP was provided through the natural gas rates of residential and small commercial customers in the Small General Service (SGS) customer class.

In November 2019, the PUB approved the discontinuation of funding for the FRP as the balance in the fund was more than sufficient to meet expected future furnace and boiler replacements. The PUB further required that the surplus balance be refunded to SGS customers through an FRP refund of \$0.0259/m³ applied to the customer's consumption and appearing on customers' bills starting November 1, 2019. The estimated annual bill impact of the FRP refund for the typical residential customer was approximately \$58.

Effective April 1, 2020, in accordance with Provincial regulation, funds remaining in the FRP fund will be used to offset the cost of future natural gas energy efficiency initiatives implemented by Efficiency Manitoba. As a result, the FRP refund will no longer apply to customer's bills. By April 1, 2020, approximately 72% of the FRP surplus balance, or \$42 for the typical residential customer, will have already been refunded to SGS customers.

For more information with respect to the Furnace Replacement Fund refund, contact us at 204-480-5900 in Winnipeg or 1-888-624-9376 (toll-free) in Manitoba or visit us online at **hydro.mb.ca**.

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

1	Territory:	Entire natural gas service area of Company, including all zones				
2						
3	Availability:					
4	SGC:	For gas supplied through one domestic-sized meter.				
5	LGC:	For gas delivered through one meter at annual volumes less than 680,000 m ³				
6	HVF:	For gas delivered through one meter at annual volumes greater than 680,000 m ³				
7	CO-OP:	For gas delivered to natural gas distribution cooperatives				
8	MLC:	For gas delivered through one meter to customers served from the Transmission system				
9	Special Contract:	For gas delivered under the terms of a Special Contract with the Company				
10	Power Station:	For gas delivered under the terms of a Special Contract with the Company				
11						
12	Rates:	<u>Distribution to Customers</u>				
		<u>Transportation</u>				<u>Supplemental</u>
		<u>to</u>			<u>Primary Gas</u>	<u>Gas</u>
		<u>Centra</u>	<u>Sales Service</u>	<u>T-Service</u>	<u>Supply</u>	<u>Supply¹</u>
13						
14	Basic Monthly Charge: (\$/month)					
15	Small General Class (SGC)	N/A	\$14.00	N/A	N/A	N/A
16	Large General Class (LGC)	N/A	\$77.00	\$77.00	N/A	N/A
17	High Volume Firm (HVF)	N/A	\$1,017.72	\$1,017.72	N/A	N/A
18	Cooperative (CO-OP)	N/A	\$221.87	\$221.87	N/A	N/A
19	Main Line Class (MLC)	N/A	\$1,082.93	\$1,082.93	N/A	N/A
20	Special Contract	N/A	N/A	\$187,692.71	N/A	N/A
21	Power Station	N/A	N/A	\$6,307.49	N/A	N/A
22						
23	Monthly Demand Charge (\$/m³/month)					
24	High Volume Firm Class (HVF)	\$0.2657	\$0.1799	\$0.1799	N/A	N/A
25	Cooperative (CO-OP)	\$0.4237	\$0.1614	\$0.1614	N/A	N/A
26	Main Line Class (MLC)	\$0.3802	\$0.2260	\$0.2260	N/A	N/A
27	Special Contract	N/A	N/A	N/A	N/A	N/A
28	Power Station	N/A	N/A	\$0.0036	N/A	N/A
29						
30	Commodity Volumetric Charge: (\$/m³)					
31	Small General Class (SGC)	\$0.0452	\$0.0744	N/A	\$0.0799	\$0.1384
32	Large General Class (LGC)	\$0.0437	\$0.0427	N/A	\$0.0799	\$0.1384
33	High Volume Firm (HVF)	\$0.0141	\$0.0099	\$0.0099	\$0.0799	\$0.1384
34	Cooperative (CO-OP)	\$0.0025	\$0.0001	\$0.0001	\$0.0799	\$0.1384
35	Main Line Class (MLC)	\$0.0027	\$0.0016	\$0.0016	\$0.0799	\$0.1384
36	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
37	Power Station	N/A	N/A	\$0.0205	N/A	N/A
38						
39		¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.				
40						
41	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
42						
43	Effective:	Rates to be charged for all billings based on gas consumed on and after April 1, 2020				

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

1	Territory:	Entire natural gas service area of Company, including all zones				
2						
3	Availability:	For any consumer at one location whose annual natural gas requirements equal or exceed 680,000 m ³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.				
4						
5						
6						
7						
8						
9	Rates:	<u>Distribution to Customers</u>				
		<u>Transportation to Centra</u>			<u>Primary Gas Supply</u>	<u>Supplemental Gas Supply¹</u>
10			<u>Sales Service</u>	<u>T-Service</u>		
11	Basic Monthly Charge: (\$/month)					
12	Interruptible Service	N/A	\$1,042.25	\$1,042.25	N/A	N/A
13	Mainline Interruptible (with firm delivery)	N/A	\$1,082.93	\$1,082.93	N/A	N/A
14						
15	Monthly Demand Charge (\$/m³/month)					
16	Interruptible Service	\$0.1344	\$0.0870	\$0.0870	N/A	N/A
17	Mainline Interruptible (with firm delivery)	\$0.2068	\$0.2260	\$0.2260	N/A	N/A
18						
19	Commodity Volumetric Charge: (\$/m³)					
20	Interruptible Service	\$0.0077	\$0.0067	\$0.0067	\$0.0799	\$0.1392
21	Mainline Interruptible (with firm delivery)	\$0.0028	\$0.0016	\$0.0016	\$0.0799	\$0.1392
22						
23	Alternate Supply Service:			Negotiated		
24	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
25	Delivery - Interruptible Class			\$0.0096		
26	Delivery - Mainline Interruptible Class			\$0.0090		
27						
28	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
29						
30	Minimum Monthly Bill:	Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.				
31						
32	Effective:	Rates to be charged for all billings based on gas consumed on and after April 1, 2020				

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

1	Territory:	Entire natural gas service area of Company, including all zones
2		
3	Availability:	
4	SGC:	For gas supplied through one domestic-sized meter.
5	LGC:	For gas delivered through one meter at annual volumes less than 680,000 m ³
6	HVF:	For gas delivered to natural gas distribution cooperatives
7	CO-OP:	For gas delivered through one meter at annual volumes greater than 680,000 m ³
8	MLC:	For gas delivered through one meter to customers served from the Transmission system
9	Special Contract:	For gas delivered under the terms of a Special Contract with the Company
10	Power Station:	For gas delivered under the terms of a Special Contract with the Company
11		

12	Rates:	<u>Distribution to Customers</u>			
		<u>Transportation</u>		<u>Primary</u>	<u>Supplemental</u>
		<u>to</u>		<u>Gas</u>	<u>Gas</u>
		<u>Centra</u>	<u>Sales Service</u>	<u>Supply</u>	<u>Supply¹</u>
		<u>T-Service</u>			
13					
14	Basic Monthly Charge: (\$/month)				
15	Small General Class (SGC)	N/A	\$14.00	N/A	N/A
16	Large General Class (LGC)	N/A	\$77.00	\$77.00	N/A
17	High Volume Firm (HVF)	N/A	\$1,017.72	\$1,017.72	N/A
18	Cooperative (CO-OP)	N/A	\$221.87	\$221.87	N/A
19	Main Line Class (MLC)	N/A	\$1,082.93	\$1,082.93	N/A
20	Special Contract	N/A	N/A	\$187,692.71	N/A
21	Power Station	N/A	N/A	\$6,307.49	N/A
22					
23	Monthly Demand Charge (\$/m³/month)				
24	High Volume Firm Class (HVF)	\$0.4905	\$0.1809	\$0.1809	N/A
25	Cooperative (CO-OP)	\$0.4237	\$0.1614	\$0.1614	N/A
26	Main Line Class (MLC)	\$0.1073	\$0.2264	\$0.2264	N/A
27	Special Contract	N/A	N/A	N/A	N/A
28	Power Station	N/A	N/A	\$0.0036	N/A
29					
30	Commodity Volumetric Charge: (\$/m³)				
31	Small General Class (SGC)	\$0.0419	\$0.0628	N/A	\$0.1384
32	Large General Class (LGC)	\$0.0430	\$0.0312	N/A	\$0.1384
33	High Volume Firm (HVF)	\$0.0141	\$0.0099	\$0.0086	\$0.1384
34	High Volume Firm (HVF) Refund	-\$0.0296	-\$0.0123		
35	Cooperative (CO-OP)	\$0.0025	\$0.0001	\$0.0001	\$0.1384
36	Main Line Class (MLC)	\$0.0129	\$0.0016	\$0.0016	\$0.1384
37	Main Line Class (MLC) Refund		-\$0.0135	-\$0.0025	
38	Special Contract	N/A	N/A	\$0.0001	N/A
39	Power Station	N/A	N/A	\$0.0205	N/A
40					

¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.

45 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

47 **Effective:** Rates to be charged for all billings based on gas consumed on and after April 1, 2020

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

1	Territory:	Entire natural gas service area of Company, including all zones.				
2						
3	Availability:	For any Consumer at one location whose annual natural gas requirements equal or exceed 680,000m ³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.				
4						
5	Rates:	<u>Distribution to Customers</u>				
6		<u>Transportation to</u>			<u>Primary Gas</u>	<u>Supplemental Gas</u>
7		<u>Centra</u>	<u>Sales Service</u>	<u>T-Service</u>	<u>Supply</u>	<u>Supply¹</u>
8	Basic Monthly Charge: (\$/month)					
9	Interruptible Service	N/A	\$1,042.25	\$1,042.25	N/A	N/A
10	Mainline Interruptible (with firm delivery)	N/A	\$1,082.93	\$1,082.93	N/A	N/A
11						
12	Monthly Demand Charge (\$/m³/month)					
13	Interruptible Service	\$0.2479	\$0.0877	\$0.0877	N/A	N/A
14	Mainline Interruptible (with firm delivery)	\$0.3814	\$0.2264	\$0.2264	N/A	N/A
15						
16	Commodity Volumetric Charge: (\$/m³)					
17	Interruptible Service	\$0.0033	\$0.0067	\$0.0067	\$0.0863	\$0.1392
18	Interruptible Service Refund		-\$0.0201	-\$0.0070		
19	Mainline Interruptible (with firm delivery)	-\$0.0043	\$0.0016	\$0.0016	\$0.0863	\$0.1392
20						
21	Alternate Supply Service:			Negotiated		
22	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
23	Delivery - Interruptible Class			\$0.0096		
24	Delivery - Mainline Interruptible Class			\$0.0090		
25						
26	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
27						
28						
29	Minimum Monthly Bill:	Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.				
30						
31	Effective:	Rates to be charged for all billings based on gas consumed on and after April 1, 2020				