REFERENCE:

Appendix 5.12 Figure 2, Figure 4 and Figure 5 Supplement; 2013/14 GRA PUB/Centra I-11

PREAMBLE TO IR (IF ANY):

QUESTION:

Please provide a schedule which compares the approved cost of service for 2013/14 with the 2013/14 through to 2017/18 actual results and explain all material variances in a similar format to PUB/Centra I-11 from the 2013/14 GRA. In the response, reclassify the net movement to the revenue requirement elements as was done for Appendix 5.12 Figure 2 of the supplemental filing.

RESPONSE:

Please see the following figures for a comparison of the approved cost of service for 2013/14 with actual results from 2013/14 to 2017/18.

Centra Gas Manitoba Inc.
2019/20 General Rate Application

PUB/Centra 7
Figure 1 of 5

Comparison of Approved Total Cost of Service with Actual Results ($000's)

	2013/14 Approved [1]	2013/14 Actual [2]	Variance [3] = [2] - [1]	Explanation [4]
Cost of Gas	183 202	251 733	68 531	Increase due to colder weather resulting in higher consumption as well as increased natural gas prices.
Other Income (incl. Late Payment and Broker Revenue)	(1 866)	(1 599)	267	
Operating & Administrative (Net of Net Movement)	68 800	66 810	(1 990)	Reduction of costs in most programs primarily as a result of cost saving measures partially offset by increased benefit costs due to recognition of a liability for the Centra Extended Health plan and an increase in current service costs, as well as cost recoveries resulting from the TCPL explosion.
Depreciation & Amortization (Net of Net Movement)	30 091	28 060	(2 031)	Primarily due to lower capital costs and delayed in-service of gas SCADA related software costs, lower allocation of depreciation on common assets due to costing changes and timing of amortization of cost of gas hearing.
Capital & Other Taxes (Net of Net Movement)	18 750	19 755	1 005	Primarily due to increased corporate capital taxes.
Finance Expense (Net of Net Movement)	16 945	16 120	(825)	
Other Expenses (Net of Net Movement)	-	-	-	
Corporate Allocation	12 000	12 000	-	
Furnace Replacement Program	3 800	3 800	-	
Net Income (Loss)	2 506	19 794	17 288	Increased natural gas sales due to colder winter resulting in higher consumption as well as lower operating costs.
Total Cost of Service	334 227	416 474	82 246	

Centra Gas Manitoba Inc.
2019/20 General Rate Application

PUB/Centra 7
Figure 2 of 5

Comparison of Approved Total Cost of Service with Actual Results ($000's)

	2013/14 Approved [1]	2014/15 Actual [2]	Variance [3] = [2] - [1]	Explanation [4]
Cost of Gas	183 202	273 904	90 702	Increase due to change in rate rate riders refunding/collecting from customer, primary gas costs and colder weather.
Other Income (incl. Late Payment and Broker Revenue)	(1 866)	(1 543)	323	
Operating & Administrative (Net of Net Movement)	68 800	67 458	(1 342)	Decrease is primarily due to a reduction in labour in the Customer & Public Relations and Organizational Support programs, partially offset by lower benefits as a result of a change in the discount rate.
Depreciation & Amortization (Net of Net Movement)	30 091	29 027	(1 064)	Decrease primarily due to lower capital costs and delayed in-service of gas SCADA related software costs, lower allocation of depreciation on common assets and reduced amortization of regulatory costs partially offset by an increase in depreciation for plant asset additions.
Capital & Other Taxes (Net of Net Movement)	18 750	19 461	711	
Finance Expense (Net of Net Movement)	16 945	16 188	(757)	
Other Expenses (Net of Net Movement)	-	-	-	
Corporate Allocation	12 000	12 000	-	
Furnace Replacement Program	3 800	3 800	-	
Net Income (Loss)	2 506	10 207	7 701	Higher gross margin resulting from colder weather, more customers and higher usage in addition to lower expenses.
Total Cost of Service	334 227	430 501	96 273	

Centra Gas Manitoba Inc.
2019/20 General Rate Application

PUB/Centra 7
Figure 3 of 5

Comparison of Approved Total Cost of Service with Actual Results

($000's)

	2013/14 Approved [1]	2015/16 Actual [2]	Variance [3] = [2] - [1]	Explanation [4]
Cost of Gas	183 202	214 500	31 298	Increase due to change in rate rider refund/collection and higher customers partially offset by warmer weather and usage.
Other Income (incl. Late Payment and Broker Revenu	(1 866)	(2 439)	(573)	
Operating & Administrative (Net of Net Movement)	68 800	65 907	(2 893)	Decrease is primarily due to a reduction in various Customer Service & Corporate Relations programs, partially offset by a reduction in the allocation for Depreciation & Taxes and an overall increase in Operations and Maintenance programs.
Depreciation & Amortization (Net of Net Movement)	30 091	26 913	(3 178)	Decrease is primarily due to the impact of removing net salvage from depreciation rates upon transition to IFRS and a reduction in depreciation on common assets, partially offset by an increase in depreciation due to net plant asset additions.
Capital & Other Taxes (Net of Net Movement)	18 750	19 607	857	
Finance Expense (Net of Net Movement)	16 945	17 470	525	
Other Expenses (Net of Net Movement)	-	85	85	
Corporate Allocation	12 000	12 000	-	
Furnace Replacement Program	3 800	3 800	-	
Net Income (Loss)	2 506	(1 428)	(3 934)	Lower net income resulting from lower gross margin due to warmer weather and usage, partially offset with lower expenses.
Total Cost of Service	334 227	356 415	22 187	

Centra Gas Manitoba Inc.
2019/20 General Rate Application

PUB/Centra 7
Figure 4 of 5

Comparison of Approved Total Cost of Service with Actual Results

($000's)

	2013/14 Approved [1]	2016/17 Actual [2]	Variance [3] = [2] - [1]	Explanation [4]
Cost of Gas	183 202	199 221	16 019	Increase is primarily due to less rate rider refunds to customers and more customers partially offset by warmer weather.
Other Income (incl. Late Payment and Broker Revenue)	(1 866)	(2 315)	(449)	
Operating & Administrative (Net of Net Movement)	68 800	64 684	(4 116)	Decrease is primarily due to a continued reduction in various Customer Service & Corporate Relations programs, partially offset by a reduction in the allocation for Depreciation & Taxes.
Depreciation & Amortization (Net of Net Movement)	30 091	28 249	(1 842)	Decrease is primarily due to the impact of removing net salvage from depreciation rates upon transition to IFRS, a reduction in depreciation on common assets and computer system development costs becoming fully depreciated, partially offset by an increase in depreciation due to net plant asset additions.
Capital & Other Taxes (Net of Net Movement)	18 750	19 119	369	
Finance Expense (Net of Net Movement)	16 945	17 231	286	
Other Expenses (Net of Net Movement)	-	234	234	
Corporate Allocation	12 000	12 000	-	
Furnace Replacement Program	3 800	3 800	-	
Net Income (Loss)	2 506	3 876	1 370	Lower expenses partially offset by lower margin due to warmer weather.
Total Cost of Service	334 227	346 098	11 870	

Centra Gas Manitoba Inc.
2019/20 General Rate Application

PUB/Centra 7
Figure 5 of 5

Comparison of Approved Total Cost of Service with Actual Results

($000's)

	2013/14 Approved [1]	2017/18 Actual [2]	Variance [3] = [2] - [1]	Explanation [4]
Cost of Gas	183 202	193 185	9 983	Cost of gas is higher resulting from the lower rate rider refunds, customer growth offset with decrease rates (August 2017 rollback) and lower usage.
Other Income (incl. Late Payment and Broker Revenue)	(1 866)	(2 380)	(514)	
Operating & Administrative (Net of Net Movement)	68 800	62 413	(6 387)	Decrease is primarily due to a continued reduction in various Customer Service & Corporate Relations and Organization Support programs largely related to the voluntary departure program, partially offset by a reduction in the allocation for Depreciation & Taxes.
Depreciation & Amortization (Net of Net Movement)	30 091	29 629	(462)	
Capital & Other Taxes (Net of Net Movement)	18 750	19 216	466	
Finance Expense (Net of Net Movement)	16 945	19 092	2 147	Increase is due to higher interest on long term and short term debt as a result of higher debt balances due to asset growth. Consequently, the provincial guarantee fee on both long term and short term debt is higher due to the higher debt balances. Partially offsetting these variances is lower interest on common assets due to a lower weighted average cost of debt, a change in the cost allocation to Centra from 10% to 8%, and lower net book value of common assets (primarily IT systems & infrastructure, facilities).
Other Expenses (Net of Net Movement)	-	3 028	3 028	Increase is due to restructuring costs.
Corporate Allocation	12 000	12 000	-	
Furnace Replacement Program	3 800	3 800	-	
Net Income (Loss)	2 506	6 763	4 257	Increased income primarily resulting from lower O&A and increased margin impacts for customer growth partially offset by higher finance expense, restructuring costs, decreased rates (August 2017 rollback) and lower usage.
Total Cost of Service	334 227	346 746	12 518	