

**CENTRA GAS MANITOBA INC.
2015/16 COST OF GAS APPLICATION
PROPOSED RATES & CUSTOMER IMPACTS**

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**CENTRA GAS MANITOBA INC.
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PROPOSED RATES & CUSTOMER BILL IMPACTS**

1 **6.0 OVERVIEW**

2 The purpose of this Tab is to provide the proposed rate schedules that Centra is seeking
3 approval to implement effective November 1, 2015. This Tab also provides the analysis
4 of the customer bill impacts comparing the proposed rates with the existing rates
5 approved May 1, 2015.

6
7 **6.1 CENTRA'S RATES**

8 The rates charged by Centra consist of five different components; Primary Gas,
9 Supplemental Gas, Transportation (to Centra), Distribution (to Customers), and a Basic
10 Monthly Charge.

11
12 The Primary Gas component of Centra's rates recovers the cost of supply that is received
13 from Western Canadian sources. Quarterly Primary Gas rates are set every three months
14 in accordance with the Rate Setting Methodology ("RSM") approved by the PUB in
15 Orders 55/00, 99/01, 143/03 and 69/04.

16
17 Centra's Fixed Rate Primary Gas Service ("FRPGS") provides customers with the
18 opportunity to contract for a fixed Primary Gas rate for a contract period of either one,
19 three or five years. Rates for Fixed Rate Primary Gas are determined at the time of an
20 offering based on a PUB approved formula.

21
22 Rates for Centra's quarterly Primary Gas and Fixed Rate Primary Gas Service will not
23 change as a result of this Application.

24
25 Supplemental Gas rates recover the cost of gas purchased from sources other than that for
26 Primary Gas, which includes U.S. sources, as well as Supplemental Gas withdrawn from
27 storage and Peaking Delivered Services. Supplemental Gas is required to serve the
28 Manitoba market peak day and seasonal requirements when such requirements exceed the
29 combined deliverability of Centra's sources of Primary Gas.

1 Transportation (to Centra) is the component of rates that recovers the costs associated
2 with transporting gas supplies from both Alberta and the U.S. to Manitoba, and for the
3 storage of gas during the summer months for redelivery to Manitoba in the high use
4 winter period.

5
6 The Distribution (to Customers) component of rates recovers the costs associated with
7 operating the gas utility, as well as the cost related to Unaccounted for Gas (“UFG”). A
8 portion of the utility’s operating costs are also recovered by way of the Basic Monthly
9 Charge.

10
11 The billed rates that Centra charges to its customers are made up of two components:
12 base rates and rate riders. As such, each of the Primary Gas, Supplemental Gas,
13 Transportation and Distribution rates has both a base rate and a rate rider component.

14
15 **6.2 CUSTOMER BILL IMPACTS**

16
17 Schedule 6.2.0 provides the annualized bill impacts for the proposed November 1, 2015
18 sales rates. All bill impact comparisons are determined relative to the current rates
19 effective May 1, 2015 as approved in Order 43/15.

20
21 Annual bill impacts vary by size of customer load and by the customer’s load factor for
22 those customers paying rates with demand charges. The customer bill impact
23 comparisons have been calculated to consider a range of customer consumption and load
24 factor levels within each class.

25
26 The annual consumption of a typical residential customer has been revised downward to
27 2,243 m³ from 2,374 m³, consistent with that reflected in the Load Forecast (Tab 4). The
28 bill impact comparisons for the Mainline Class have also been modified to better reflect
29 the customer mix in that class. Bill impact comparisons for the Special Contract and
30 Power Stations customers reflect delivery service only, while comparisons for all of the
31 other classes assume that Centra is providing system supply.

32
33 **6.2.1 Bill Impacts for Proposed Base Rates**

34 The November 1, 2015 rate schedules reflect the non-Primary Gas costs that are forecast
35 for the 2015/16 Gas Year as provided in Tab 3 of this Application. There are a number of

1 factors that contribute to the base and billed rate impacts. Changes to base rates are
2 primarily driven by TCPL transportation cost increases compared with transportation
3 costs currently embedded in rates. Increased transportation costs impact all customer
4 classes (excluding T-service customers). Given their overall size in terms of total energy
5 and also their contribution to peak demand, the SGS and LGS customer classes bear the
6 most significant responsibility. Base rate impacts are shown on Page 2 of Schedule 6.2.0
7 and are also found in Figure 6.2 below.

8
9 Within the Mainline Class, customer movement from Sales Service to T-Service has
10 resulted in a large reduction in the forecast of upstream demand. Although there has been
11 a resulting reduction in the allocation of upstream transportation demand costs, the
12 change in the number of billing determinants has resulted in an increase to the upstream
13 unit demand rate and corresponding base rate bill impact.

14
15 A migration of Interruptible customers during the 2013/14 winter to the HVF Class has
16 resulted in a shifting of costs allocated from the Interruptible Class to the HVF Class and
17 is largely responsible for the respective proposed base bill impacts for these classes.

18
19 The table on the following page summarizes the impacts to the annual bill related to
20 changes in base rates proposed in this Application compared with current base rates. The
21 annualized base rate increase for the typical residential customer is \$20 or 2.6%.

1 **Figure 6.1**

2015/16 Cost of Gas			Annual Impact Base Rates	
Customer Class	Consumption (10 ³ M ³)	Load Factor	\$ Impact	% Change
SGS	1.0		\$9	2.0%
	2.2		\$20	2.6%
	11.3		\$99	3.2%
LGS	11.3		\$84	2.6%
	679.9		\$5,031	3.6%
HVF	685	75%	\$2,436	1.9%
	850	25%	\$7,539	4.0%
Mainline	2,500	75%	\$13,048	3.1%
	11,000	40%	\$121,121	6.0%
Interruptible	850	75%	(\$528)	-0.4%
	850	25%	\$1,477	0.9%

2
 3
 4 Note, data for Figure 6.1 is taken from Page 2 of Schedule 6.2.0 and represents the range
 5 of bill impacts from low to high for each customer class.

6
 7 **6.2.2 Bill Impacts for Proposed Billed Rates**

8 The annualized bill impacts flowing from this Application are also driven by the
 9 inclusion of rate riders required to address the various non-Primary Gas deferrals, which
 10 are forecast to be approximately \$13.2 million (owing to Centra) as shown on line 36 of
 11 Schedule 5.5.0.

12
 13 This balance is largely related to an increase in TCPL Mainline costs experienced since
 14 January 2014 that were not previously reflected in base rates. In addition, a new
 15 Supplemental Gas Rate Rider is proposed to be implemented to recover the remaining
 16 50% of the PGVA (approximately \$22.2 million) over a 12-month period from
 17 November 1, 2015 to October 31, 2016. The existing Supplemental Gas Rate Rider is
 18 recovering 50% of the Supplemental Gas PGVA that accumulated during the 2013/14
 19 winter over a 9-month period, and is set to expire October 31, 2015. The reduction in the
 20 unit cost of the Supplemental Gas rate rider moderates the annual bill impacts for all
 21 customer classes.

22
 23 The table on the following page compares the proposed to existing Supplemental rate
 24 riders.

25 **Figure 6.2**

2013/14 Gas Year Supplemental PGVA Riders Approved v. Proposed	Approved B/O 12/15 9 Month Recovery	2013/14 Prior Period 12 Month Recovery
INT Supplemental Rider		
Supp \$	\$315,831	\$472,541
Volumes	44,701	78,467
Rate/10 ³ m ³	\$ 7.07	\$ 6.02
Rate/m ³	\$ 0.0071	\$ 0.0060
Firm Supplemental Rider		
Supp \$	\$17,648,871	\$21,727,498
Volumes	716,688	1,318,705
Rate/10 ³ m ³	\$ 24.63	\$ 16.48
Rate/m ³	\$ 0.0246	\$ 0.0165
Supplemental Gas PGVA recoverable	\$ 17,964,702	\$ 22,200,039

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The billed rate comparison combines the impacts of both base rate changes and changes to the rate riders. A summary of the annualized bill impacts is provided in the table below. The proposed change in the non-Primary Gas billed rates for November 1, 2015 results in the typical residential customer's annual bill increasing by approximately by \$26 or 3.2%.

1 **Figure 6.3**

2015/16 Cost of Gas			Annual Impacts Billed Rates	
Customer Class	Consumption (10 ³ M ³)	Load Factor	\$ Impact	% Change
SGS	1.0		\$12	2.6%
	2.2		\$26	3.2%
	11.3		\$130	3.9%
LGS	11.3		\$119	3.4%
	679.9		\$7,154	4.6%
HVF	685	75%	(\$1,528)	-1.1%
	12,600	40%	(\$34,582)	-1.3%
Mainline	11,000	75%	(\$27,923)	-1.4%
	11,000	40%	\$54,550	2.4%
Interruptible	850	75%	\$5,768	3.9%
	850	25%	\$11,907	7.3%

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 3
 4 Note, data for Figure 6.3 is taken from Page 1 of Schedule 6.2.0 and represents the range
 5 of bill impacts from low to high for each customer class.

6
 7 **6.3 PROPOSED RATE SCHEDULES**

8 The following sets of rate schedules are included in this Tab:

- 9
 10 1. Existing base and billed rates approved in Order 43/15, effective May 1, 2015
 (Schedule 6.0.0, Pages 1 to 4); and
 11
 12 2. Proposed base and billed rates to be implemented November 1, 2015 (Schedule 6.1.0,
 Pages 1 to 4).

13
 14 The November 1, 2015 base and billed rate schedules reflect the non-Primary gas cost
 15 forecast for the 2015/16 Gas Year as provided in Tab 3 of this Application. The billed
 16 rates also reflect:

- 17
 18 • The expiration of the current Supplemental Gas rate rider approved in Order 12/15
 and all other rate riders approved in Order 123/14;
 19
 20 • Proposed rate riders designed to recover \$13.2 million in gas cost deferrals forecast to
 October 31, 2015, including a 2014/15 Supplemental Gas PGVA balance forecast of
 21 \$1.5 million, over 12 months from November 1, 2015 to October 31, 2016;
 22
 23 • Proposed Supplemental Gas rate rider designed to recover the remaining
 Supplemental PGVA balance of \$22.2 million over a 12-month period from

1 November 1, 2015 to October 31, 2016.

2
 3 The proposed rate schedules attached also reflect Distribution commodity rates (Schedule
 4 6.1.0 Page 3 of 4) for customers who have or may elect Firm Service (from Interruptible
 5 Service) subsequent to the 2013/14 winter or customers who elect T-service (from Firm
 6 Sales Service/WTS) as discussed in Tab 5 of this Application. The following table
 7 provides the rate determinations for these specific circumstances:

8
 9 **Figure 6.4**

Distribution Commodity Rates for Migrating Customers

	<u>Nov 1/15</u>	<u>Distribution</u>	<u>2014/15 GY</u>	<u>2013/14 GY</u>	<u>Nov1/15</u>
	<u>Base Rate</u>	<u>Commod. Rider</u>	<u>Supp. rider</u>	<u>Supp. rider</u>	<u>Billed Rate</u>
² LGS distribution commodity rate for former INT customers	\$ 0.0416	\$ 0.0006	\$ 0.0011	\$ 0.0060	\$ 0.0493
³ HVF distribution commodity rate for former INT customers	\$ 0.0091	\$ 0.0004	\$ 0.0011	\$ 0.0060	\$ 0.0166
⁴ Firm Supplemental Rider for customers electing T-service				\$ 0.0165	

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