Order No. 131/21

ORDER APPROVING CENTRA GAS MANITOBA INC.'S REVISED RATE STRUCTURE AND CUSTOMER BILL FORMAT

December 2, 2021

BEFORE: Larry Ring, Q.C., Panel Chair
Marilyn Kapitany, B.Sc., (Hon), M.Sc., Vice Chair
Susan Nemec, FCA, FCPA, Member
Michael Watson, Member

Table of Contents

1.0 Executive Summary

By this Order, the Public Utilities Board ("Board") approves Centra Gas Manitoba Inc.'s ("Centra") Application for a revised natural gas rate structure and related changes, including gas customer bill simplification effective November 1, 2022.

Specifically, the Board approves Centra's restructuring and replacing both the Primary Gas rate and Supplemental Gas rate with a single Gas Commodity rate. Additionally, the Board approves the restructuring and replacing of both the Transportation to Centra rate and the Distribution to Customer rate with a single Delivery rate.

As a result of the approved natural gas rate restructuring, customer bills will now reflect a three-component natural gas rate rather than the existing five-component natural gas rate.

This Order does not increase or decrease any natural gas rates. Specific gas rate increases or decreases will continue to be the subject of future quarterly commodity Rate Applications, Cost of Gas Applications, and General Rate Applications that Centra is required to file with the Board. The costs that underpin the new Gas Commodity and Delivery rates will continue to be provided by Centra to the Board in the same level of detail as under the prior rate structure when the Board analyzes and adjudicates Centra's rate applications. While customer bills will be simplified, the review process will continue to be rigorous and thorough.

Centra's Application is based on forecast gas costs and customer bill impacts which, as shown in the table on page 17 of this Order, demonstrate that there is no impact to the customer bills for Centra's Firm Service customers, including residential customers. There is a minimal impact of rate restructuring anticipated only on Interruptible class customers' future bills.

2.0 Background and Procedural History

Overview

Centra filed an application on March 23, 2021 seeking Board approval of changes to Centra's natural gas rate structure and customer bill format, to be effective no earlier than November 1, 2022 ("Application").

Centra proposes to replace Primary Gas and Supplemental Gas rates with a single Gas Commodity rate. Centra is also proposing to replace the Transportation to Centra and Distribution to Customer rates with a single Delivery rate for presentation on the customer bill.

It is important to note at the outset that Centra is not, in its Application, seeking any rate increase or decrease approvals from the Board. Specific rate increases or decreases will continue to be the subject of quarterly commodity Rate Applications, Cost of Gas Applications, and General Rate Applications that Centra will file with the Board.

It should also be noted that Centra's Application is based on forecast gas costs and customer bill impacts for illustrative purposes which demonstrate the minimal impacts anticipated on customer bills if Centra's proposed rate restructuring is approved by the Board.

History

Back in 1999/2000, Centra introduced and the Board approved a rate structure with five components to facilitate retail competition for natural gas sales in Manitoba. That five-component rate structure, which remains in effect today and until October 31, 2022, was intended to provide natural gas customers with greater market price and rate transparency because customers can chose from whom they purchase their natural gas commodity even though it is delivered to their burner tip by Centra.

The five-component rate structure as determined in May 2000 was designed to recover costs associated with the following:

1) Primary Gas: Natural gas purchased in Western Canada by Centra or by independent natural gas retail marketers (using Centra’s Western Transportation Service) and transported on the TransCanada Pipelines Limited (“TCPL”) Mainline to Centra's natural gas distribution system in Manitoba. Primary Gas is sourced at the Empress Alberta delivery point or at the Alberta Energy Company (“AECO”) hub which is also in Alberta.

2) Supplemental Gas: Natural gas supplies acquired by Centra that are other than Primary Gas as required to meet the needs of all consumers during periods of peak consumption or other seasonal requirements. Supplemental Gas includes, but is not limited to, Emerson supply and U.S. supplies.

3) Transportation to Centra: Recovers the fixed and variable costs associated with transporting gas supplies to Manitoba, including TCPL charges, all U.S. pipeline charges, and costs associated with storage facilities in Michigan.

4) Distribution to Customer: Recovers the fixed and variable costs associated with operating Centra's natural gas transmission and distribution network of underground pipes.

5) Basic Monthly Charge: A fixed charge designed to recover, in part, the cost of the customer being connected to Centra's natural gas distribution system that is not related to the volume of natural gas consumed. Examples of costs partially recovered by this charge include meter reading and billing costs, and costs to service and maintain meters and the underground service lines.

Confusion and Complications with the Five-Component Rate Structure

While initially the five-component rate structure supported the development of a competitive fixed-rate retail commodity market for Primary Gas in Manitoba, it has since become apparent to Centra that the complex nature of five-component rates on customer bills has added more confusion than value for customers. According to Centra's research, the majority of customers ignore or do not understand the details of their monthly natural gas bill regarding the different commodity (Primary Gas and Supplemental Gas) and delivery (Transportation to Centra and Distribution to Customer) charges.

In addition to the confusion experienced by customers, Centra indicates the current five-component rate structure results in administrative complications when differences between actual and forecast weather conditions result in differences between actual and forecast Primary Gas and Supplemental Gas billing percentages. The billing percentage is the proportion of Primary Gas and Supplemental Gas billed to customers, which is typically 90% to 95% Primary Gas with the balance Supplemental Gas. Furthermore, Centra indicates adjustments to billing percentages may create uncertainty for retail marketers in forecasting the proportion of their customers' overall gas consumption that will be served with Primary Gas.

Board Order 65/11

During Centra's 2011/12 Cost of Gas Application, the evidence before the Board raised two questions:

1. Did the distinction between Primary Gas and Supplemental Gas remain valid in light of Centra's new usages of 'Delivered Service'? Prior to 2011, Delivered Service was another source of Supplemental Gas that Centra used to meet its peaking requirements, in which gas was delivered directly by a third party to Centra's system in Manitoba. In 2011, Centra reduced its contractual capacity commitments for firm transportation to Manitoba from Alberta on TCPL's system and also replaced some of its Western Canada Primary Gas with Delivered Service. The nature and purpose of these new Delivered Service arrangements were completely different from the historical nature and purpose of Delivered Service. Independent gas marketers using Centra's Western Transportation Service ("WTS") would therefore be expected to flow reduced volumes of Primary Gas to their customers.

2. Would combining the Primary Gas and Supplemental Gas charges, or the Transportation and Distribution charges, or both on the customer's bill help simplify Centra's rate structure? In Order 65/11, the Board noted that other Canadian utilities had a three-component rate structure for smaller volume customers (i.e. residential) comprised of only commodity, delivery, and monthly charges.

To further consider these two issues, the Board, in Order 65/11, issued Directive #14: "*Centra to propose, by May 20, 2011, a process to review and obtain Board approval of Centra's rate and service structure – including the distinction between Primary and Supplemental Gas.*"

In its 2013/14 General Rate Application before the Board, Centra addressed the first of the above questions from Order 65/11 by reclassifying some Delivered Service as "Primary Gas Delivered Service" and some as "Supplemental Gas Delivered Service". This clarification returned billing percentages to normal historical levels and allowed WTS gas marketers to increase the volume of Primary Gas supplied to their customers. This clarification also returned the purpose of Supplemental Gas to meeting seasonal and peaking loads only.

However, the second question from Order 65/11 related to the simplification of Centra's rate structure and customer bill presentation was not addressed until the filing of the current Application.

3.0 Centra's Application

Stakeholder Engagement

Prior to filing its Application with the Board, Centra recognized that there would be implications to various stakeholders with any restructuring of gas rates and that these implications and potential impacts would need to be considered. As such, Centra committed to the Board that prior to proposing a new rate structure it would engage with interested stakeholders to understand their concerns and perspectives on the existing and proposed rate structure and bill format.

Centra's stakeholder engagement process consisted of a gas customer satisfaction tracking study conducted by telephone (January 2019) and an in-person presentation and consultation engagement (January 2019) with WTS marketers, large volume gas customers, and interveners in Centra's regulatory processes to consider potential approaches to rate restructuring. In addition, and using the services of an independent market research firm, Centra conducted a focus group study (February and March 2020) of Centra's gas customers to gauge customer perceptions of their gas bills and Centra's proposed format changes to the gas bills.

These stakeholder and customer consultations yielded the following summary of Centra's conclusions and the key findings by the independent market research firm:

- *The distinction between Primary Gas and Supplemental Gas rates is not well understood by customers and does not enable the customer to understand the different components of the bill. Although the original intent of* [un]*bundling was to promote transparency and knowledge for the customer to facilitate an enhanced competitive landscape, customers have not demonstrated a desire for such information.*

- *Generally, participants look at their bills very irregularly, most often simply looking at the total amount owing for the month. If the total amount owing is different than expected, they might examine their usage (typically gas usage), unless they can easily explain the change.*

- *Those on an Equal Payment Plan look at bills closer to the end of the EPP year to determine if they are going to have any amount owing or credits.*

- *Participants in the business groups appear to refer to or check their bills even less diligently than participants in the personal use groups. Most often, business participants said that they simply look at the amount owing and pay it, rather than reviewing any detail.*

- *Most participants did not understand or care about how natural gas charges are calculated, and when referred specifically to them, most said that they had never even noticed the detail in the breakdown.*

- *Because of this, the majority of participants were in favour of changing to a simplified version of calculating natural gas costs.*

- *The few who were not in favour of the change typically took an idealistic stance that more information is better, even though almost all of these participants admitted to never paying attention to this information or fully understanding it.*

- *Ultimately, those who were opposed to the change were fine with it if the breakdown of information was available to them in other ways, such as online.*

Criteria for Developing a Single Commodity Solution

Based on and consistent with stakeholder and customer feedback, Centra proposed a revised gas rate structure along with consequentially related changes that Centra believes will add value to customers by:

- Simplifying the presentation of gas rates on customer bills;
- Reducing the complexity of administering gas-related charges; and,
- Ensuring that retail competition remains on a fair and level playing field.

Following its review of the challenges and complexities associated with administering separate Primary Gas and Supplemental Gas rates, Centra established criteria for developing a single commodity rate solution including:

- Ensure retail competition for gas commodity remains on a fair and level playing field;

- Ensure neither WTS marketers' customers nor Centra supplied customers are advantaged at each other's expense;
- Ensure that WTS marketers are not unfairly advantaged or disadvantaged;
- Reduce operational and administrative complexity where possible;
- Ensure that all of Centra's upstream costs to deliver gas to Manitoba continue to be collected from customers;
- Maintain the timely market price signals inherent in Centra's current default Primary Gas rate;
- Maintain comparability between the various competitive gas commodity rate offerings; and,
- Enable customers, whether their gas commodity is supplied by WTS marketers or Centra, to fix the rate on 100% of their commodity.

Centra's Requests for Board Approval

To implement its proposed revised gas rate structure and related changes, Centra's Application requests a Board Order approving changes to be effective no earlier than November 1, 2022 with respect to the following:

I. The replacement of the existing Primary Gas and Supplemental Gas components with a single Gas Commodity rate component;
II. The replacement of the existing Primary Gas purchased gas variance account ("PGVA") with a new Gas Commodity PGVA, with any residual balance in the Primary Gas PGVA transferring into the Gas Commodity PGVA at that time;
III. The creation of a new Commodity Cost Balancing Deferral ("CCBD") account and associated CCBD rate rider;
IV. The quarterly adjustment of the CCBD rate rider as part of quarterly variable Gas Commodity rate applications; and
V. The migration of the delivery point from Empress to the AECO/NIT ("AECO") gas hub for WTS.

In addition to addressing the approvals expressly sought by Centra in its Application, the Board can also make additional orders that the Board determines are appropriate. Pursuant to the Public Utilities Board Act:

> 44(1) Upon any application to it, the board may make an order granting the whole or part only of the application or may grant such further or other relief in addition to or in substitution for that applied for, as fully and in all respects as if the application had been for such partial, further or other relief.

Single Gas Commodity Rate

Currently, and as explained above, Centra has two gas commodity rates (Primary Gas and Supplemental Gas) that are billed to customers at different percentages, totaling 100%. In its Application, Centra is requesting Board approval to replace the Primary Gas rate and Supplemental Gas rates with a single Gas Commodity rate.

The Gas Commodity rate will be a variable rate that is set quarterly and will be established in essentially the same manner as the current quarterly variable Primary Gas rate, with the exception that it will be based on forecast Alberta Energy Company ("AECO") supply costs rather than Empress supply costs. Centra's gas commodity costs will accordingly fall into either "AECO supply" or "non-AECO supply" categories. This AECO-based Gas Commodity rate will be applied to all gas volumes consumed by Centra system supply customers, irrespective of Centra's purchase of non-AECO supply to meet aggregate customer demand.

In quarterly Gas Commodity rate applications to the Board, Centra will use a 12-month AECO futures price strip and its forecast cost of AECO supply in storage to determine the AECO supply costs that will be embedded in the Gas Commodity base rate. This will be similar to the current process of using 12-month futures prices to forecast Primary Gas costs at Empress along with Centra's forecast cost of Primary Gas in storage. In addition, a gas overhead component will be added to the weighted average AECO supply cost (as is done today to the weighted average Primary Gas cost), thereby establishing the Gas Commodity base rate.

New Gas Commodity Purchased Gas Variance Account

To establish the Gas Commodity billed rate, a Gas Commodity rate rider will be determined in quarterly Gas Commodity rate applications to the Board in essentially the same way the Primary Gas rate rider is determined today. A new Gas Commodity PGVA will track monthly AECO supply inflows and outflows (i.e. actual and outlook AECO supply costs vs. actual and outlook cost recovery through rates), and the net balance will be used to calculate the rider to be applied to the Gas Commodity base rate. The distinct Primary Gas and Supplemental Gas PGVAs will be eliminated.

Commodity Cost Balancing Deferral Account

Centra will continue to procure and supply non-AECO gas supply to its system supply and fixed-rate supply customers, as well as to marketer customers. This is akin to the current practice of providing Supplemental Gas to all Sales Service customers[1]. Non-AECO supply is required as Centra is unable to meet the requirements of its customers solely through gas sourced from AECO and delivered on its contracted TCPL capacity. As the cost of AECO sourced gas and the cost of non-AECO sourced gas will differ, Centra proposes to establish a new Commodity Cost Balancing Deferral account that will track the differences in these two supply costs. This deferral account will allow for the determination of a rate rider that will ensure customers pay only the exact cost of gas commodity purchased by Centra.

Centra proposes to implement a process that will mechanistically adjust the Commodity Cost Billing Deferral account rate rider on a quarterly basis. Adjusting the rate rider on a quarterly basis will help minimize the balance in the CCBD account, compared to the current practice of disposing of the balance in the Supplemental Gas PGVA at Cost of Gas or General Rate Application proceedings which happen less frequently.

[1] Sales Service customers are those for which Centra arranges for the delivery of gas to the customer. Sales Service differs from Transportation Service where customers arrange for their own supply and delivery of gas to Centra's system.

Centra submits adjusting the Commodity Cost Billing Deferral account rate rider quarterly would be consistent with the approach currently employed with Centra's quarterly variable Primary Gas rate and proposed quarterly variable Gas Commodity rate (which will account for AECO supply costs). As such, all of Centra's gas commodity costs will be reviewable by the Board quarterly for interim ex-parte approval. Final approval of both AECO and non-AECO supply costs would be sought by Centra in its periodic Cost of Gas Applications or General Rate Applications to the Board.

Primary and Supplemental Billing Percentages Eliminated

The Gas Commodity billed rate will be applied to all gas volumes consumed by Centra system supply customers (i.e. customers not buying gas from WTS marketers or under Centra's Fixed Rate Primary Gas Service). In addition, the gas rates charged by WTS marketers will be applied to all gas volumes consumed by their respective gas customers. Accordingly, billing percentages currently required for Primary Gas and Supplemental Gas will be eliminated for Centra's Sales Service customers, which are system supply customers, WTS marketers' customers, and Centra's Fixed Rate Primary Gas Service customers.

Disposition of Primary Gas and Supplemental Gas Deferral Account Balances

With the proposed implementation of the single Gas Commodity rate on November 1, 2022, Primary Gas and Supplemental Gas PGVA balances will exist to October 31, 2022. Centra proposes to dispose of these balances as follows:

- Any residual balance in the Primary Gas deferral account as of October 31, 2022, be transferred into the new Gas Commodity deferral account for continuous quarterly disposition, and the Primary Gas deferral account will be closed;
- In a subsequent proceeding before the Board, Centra will propose to establish a Supplemental Gas rate rider to take effect November 1, 2022, designed to dispose of the Supplemental Gas deferral account amount and prior period balances over a 12-month period. Consistent with current practice, this rider would be applied to Centra's Distribution to Customer rate. Following the 12-month amortization

period, any residual balance will become a prior period deferral, set aside for future amortization following a subsequent Cost of Gas Application.

Cost Allocation Issues

Centra's approach to cost allocation in this Application is consistent with past studies and the Board's approved methodology, with only minor adjustments required to account for the single Gas Commodity rate and the change of the WTS marketers' delivery point from Empress to AECO.

In Centra's Cost of Service Study, "Functions" represent broadly defined groups of costs that describe the purpose or function of costs and are used in the first step of the cost allocation process. Centra proposes to update the definitions for two of its upstream functions "Production" and "Pipeline" to be reflective of the change in the gas delivery point from Empress to the AECO hub.

Additionally, the proposed consolidation of Primary Gas and Supplemental Gas rates necessitates the elimination of the separate Primary Gas and Supplemental Gas customer classes as currently used in the cost allocation study. Centra is proposing to establish a new single Commodity Overhead Rate and then combine the separate customer classes into one customer class called Gas Commodity.

Fixed Rate Gas Commodity Service

With AECO becoming the common commodity pricing point for Centra's quarterly variable Gas Commodity rate and the delivery point for WTS marketer offerings, Centra's Fixed Rate Primary Gas Service will also become an AECO-based service offering. With the elimination of Primary Gas, Centra proposes to rename the service as Fixed Rate Gas Commodity Service ("FRGCS"). The service will be unchanged from the current offering with the exception of the calculation of the forecast weighted average cost of gas ("WACOG") for the offered contract terms. As FRGCS will have AECO-based rates rather than Empress-based rates, Centra will no longer include transportation costs from AECO to Empress and TCPL compressor fuel costs at Empress in the WACOG calculation.

These changes are anticipated to take effect in August 2022 to enable Centra to commence offering FRGCS for a November 1, 2022 flow date.

WTS Impacts

With the WTS marketers' delivery point shifting from Empress to AECO, these gas marketers will be able to manage their supply at AECO without any requirement to hold pipeline transportation capacity to Empress on the Nova Gas Transmission Limited system ("NGTL"). According to Centra, the AECO hub is the most liquid gas hub in the Western Canadian Sedimentary Basin and this liquidity better facilitates the adjustment of gas volumes in response to changes in Manitoba gas demand.

The elimination of Primary Gas, Supplemental Gas, and associated billing percentages means that WTS marketers will be able to supply 100% of their customers' gas volume requirements. This means that marketers' daily gas quantities provided to Centra will rise modestly relative to the status quo.

Single Delivery Rate

In addition to replacing Primary Gas and Supplemental Gas rates with a single Gas Commodity rate, Centra is also proposing to replace the Transportation to Centra and Distribution to Customer rates with a single Delivery rate on the customer's bill. This change would further simplify how charges are displayed on the customer's bill.

As part of this proposed change and in response to the findings of the independent market research firm, Centra proposes to provide information on its external website showing the Delivery rate broken down into its Transportation and Distribution components. This allows those customers who may be interested in availing themselves to such information to review these details without sacrificing the simplicity of the bill which Centra says is preferred by the majority of its customers.

Centra expects that combining the Primary Gas and Supplemental Gas rates into a single Gas Commodity rate, along with combining the Transportation and Distribution rates into a single Delivery rate will simplify the bill, as shown in the following bill excerpts. The current bill with five rate components is shown first, followed by the restructured bill with three rate components.

Current Indicative Bill:

Basic Charge / Redevance de base						$ 14.00
Primary Gas (Centra) / Gas d'inventaire (Centra)	94 %	x	400 m³	x	$ 0.0938	35.27
Supplemental Gas / Gas de reserve	6	x	400 m³	x	0.1247	2.99
Transportation to Centra / Transport jusqu'à Centra			400 m³	x	0.0483	19.32
Distribution to Customer / Distribution aux clients			400 m³	x	0.0744	29.76
Subtotal / Total partiel						**101.34**

Restructured Indicative Bill:

Basic Charge / Redevance de base				$ 14.00
Gas Consumption / Gaz Consumption	400 m³	x	$ 0.09564	38.26
Delivery Charge / Frais de Libraison	400 m³	x	0.1227	49.08
Subtotal / Total partiel				**101.34**

Indicative Customer Bill Impacts

Centra's Application demonstrates the annual bill for most customer classes under Centra's proposed rate restructuring remains consistent with the annual bill for customers under Centra's current rate structure. With the exception of the Interruptible class as demonstrated in table below, there will not be a bill impact for customer classes due to the transition to the new proposed rate structure.

The favourable bill impact for the Interruptible class is due to the elimination of the distinct Supplemental Gas rates for Firm and Interruptible customers because the same Commodity Cost Balancing Deferral rate rider will be applied to all Sales Service customers. First, because billing percentages are eliminated, the Interruptible class will no longer be billed a greater proportion of gas supply at the Supplemental Gas rate compared to Centra's Firm customer classes. Currently, the Interruptible billing percentage is 87% (meaning 87% of the gas supply is Primary Gas and 13% is Supplemental Gas), and the indicative Primary Gas rate used in Centra's Application is lower than the indicative Supplemental Gas rate. After rate restructuring, the Interruptible class will be billed the same proportion of AECO supply (akin to Primary Gas) as the rest of Centra's customer classes. As AECO supply is usually less expensive than non-AECO supply (akin to Supplemental Gas), this results in the favourable impact for Interruptible customers. The actual bill impact to Interruptible customers will be different depending upon the actual rates in effect at the time of restructuring. Second, Interruptible customers currently pay a different (currently higher) rate for Supplemental Gas than Firm customers and may see more of a (favourable) bill impact from moving to a common Gas Commodity rate and CCBD rate rider.

Customer Class	Consumption (10^3m^3)	Load Factor	Annual Indicative Bill (Current Rate Structure)	Annual Indicative Bill (Restructured)	CCBD Rate Rider	Annual Indicative Bill (Restructured with CCBD Rider)	Difference	Difference (%)
Small General Service (residential)	1.0 2.2 11.3		$386 $652 $2,640	$384 $648 $2,621	$2 $4 $19	$386 $652 $2,640	$0 $0 $0	0.0% 0.0% 0.0%
Large General Service	11.3 679.9		$3,021 $126,768	$3,002 $125,612	$19 $1,156	$3,021 $126,768	$0 $0	0.0% 0.0%
High Volume Firm	850 12,600	25% 75%	$166,377 $1,791,367	$164,932 $1,769,947	$1,445 $21,420	$166,377 $1,791,367	$0 $0	0.0% 0.0%
Main Line	2,833 41,000	40% 75%	$444,010 $5,268,720	$439,194 $5,199,020	$4,816 $69,700	$444,010 $5,268,720	$0 $0	0.0% 0.0%
Interruptible	850 14,164	25% 75%	$134,685 $1,765,857	$131,115 $1,706,369	$1,445 $24,079	$132,560 $1,730,447	($2,125) ($35,410)	-1.6% -2.0%

Table Note: Transportation Service customer classes (HVF-T, ML-T, Special Contract, Power Station) do not pay the Gas Commodity rate nor the CCBD rate rider. Their bill impact from combining the Transportation and Distribution rates is 0.0%.

4.0 Intervener Submissions

The Consumers' Association of Canada (Manitoba) Inc. ("CAC Manitoba")

CAC Manitoba was the only Intervener to file expert evidence and the only Intervener to file final written submissions. CAC Manitoba's positions on Centra's proposed rate restructuring proposals and CAC Manitoba's recommendations to the Board are summarized as follows:

1. CAC Manitoba's position is that, on balance, the evidence does not support Centra's rate restructuring proposals, including the combining of Primary and Supplemental Gas rates and the combining of Transportation and Distribution rates, due to the lack of compelling customer research to demonstrate that the rate restructuring proposals represent significant customer-centric improvements.

   CAC Manitoba's submits that Centra's analysis of the Customer Research (Customer Phone Survey and Focus Groups) are subjective and open to interpretation. Additionally, that despite two of the three listed drivers of Centra's Application being reduced administrative complexity and a fair and level competitive playing field, Centra has failed to consider and quantify administrative cost savings and it is not clear if the rate re-bundling proposals provide WTS marketers with greater market access and whether their customers are provided with greater ability to fix the cost of their gas commodity.

   CAC Manitoba submits that in the absence of policy context and information from other jurisdictions for Centra's Application, it is difficult to assess if there are any significant changes in circumstances since Order 19/00 to justify the proposed changes and whether it is a step backwards to return to a gas rate structure that is similar to that which existed prior to 2000.

2. CAC Manitoba takes no position on the migration of the WTS marketers' delivery point from Empress to AECO as Centra declined to provide CAC Manitoba representatives and independent experts with access to confidential information that was necessary to assess this aspect of the Application.

3. As part of the pending Cost of Service Methodology Review regulatory process**,** CAC Manitoba recommends that the Board direct Centra to address the primary thrust of the directive from Order 65/11 that the current rate structure reasonably reflects the nature of and commensurate costs of the underlying services.

   CAC Manitoba states that Centra has addressed both the specific Delivered Service issue that gave rise to the directive as well as bill simplification. However, there is no evidence to conclude whether the current rate structure reasonably conforms with the intent of the underlying services to ensure that rates reasonably reflect the nature of and commensurate costs of the services either in this Application or in the pending Cost of Service Methodology Review Application.

4. CAC Manitoba recommends the Board provide Centra with further direction or findings with respect to the expectation of stakeholder engagement (including those that participate in the Board's regulatory processes) in advance of the filing of applications proposing customer-centric improvements.

   CAC Manitoba is of the view that there was a missed opportunity for further engagement in the 12 month period between the original engagement and the filing of the Application.

5. In the event that the Board approves Centra's Application, CAC Manitoba recommends that the Board provide specific direction to Centra on the scope and timing of the consequential approvals that are deferred to future regulatory processes.

CAC Manitoba's concerns are that several important proposed changes are tied to future applications by Centra, and it is unclear whether Board approval of this Application at this time will hinder the Board's decision-making authority in a future review.

5.0 Board Findings

The Board finds Centra’s proposed approach to the restructuring of its gas rate structure is intended to alleviate complexity inherent in the existing natural gas rates and customer bill presentation. As supported by Centra’s market research, customers prefer a simpler presentation of gas charges on their bills, provided they can continue to access more detailed information (through Manitoba Hydro’s website) should they wish to do so.

As indicative bill impacts demonstrate, the Board finds that customers will not experience any or very minor bill impacts resulting from the restructuring of their rates. The Board further finds that Centra’s Application reduces the complexity of administering gas rates through the elimination of Primary Gas and Supplemental Gas billing percentages and ensures that retail gas commodity competition remains on a fair basis in Manitoba.

The costs that underpin the new Gas Commodity and Delivery rates will continue to be provided by Centra to the Board in the same level of detail as under the prior rate structure when the Board analyzes and adjudicates Centra’s rate applications. While customer bills will be simplified, the review process will continue to be rigorous and thorough.

Specific Board Approvals

New Gas Commodity Rate Structure and Bill Format and Related Approvals

The Board finds that combining the Primary Gas rate and the Supplemental Gas rates into a new Gas Commodity rate is supported by Centra’s customer research and is therefore approved, to be effective November 1, 2022. With restructuring to a single Gas Commodity rate, the Board also approves the revision to the customer bill to reflect the restructured rate.

As a consequence of approving the new Gas Commodity rate structure, the Board also approves:

- Centra’s planned phase-out of the Supplemental Gas Purchased Gas Variance Account,

- the phase-out of the Primary Gas PGVA and the rolling of the Primary Gas PGVA balance at October 31, 2022 into a new Gas Commodity PGVA,
- the creation and use of a Commodity Cost Balancing Deferral account, and
- the amendment of the current Rate-Setting Methodology to include a Commodity Cost Balancing Deferral rate rider.

Using Centra's existing reporting methodology and quarterly rate-setting process, Centra will be required to report the balances in the Commodity Cost Balancing Deferral account and the Board will determine whether any special disposition is required.

In terms of Rate Schedule presentation to the Board, the first column should be the Gas Commodity rate.

New Single Delivery Rate

The Board finds that combining the current Transportation to Centra rate and the Distribution to Customers rate into a new Delivery rate is also supported by Centra's customer research and is therefore approved, to be effective November 1, 2022.

Rather than just combining these two rates into one new Delivery Charge only for bill presentation purposes as proposed by Centra, the Board requires Centra to also revise its rate schedules submitted to the Board to include the newly restructured Delivery rate as a single rate. The Transportation to Centra rate and the Distribution to Customer rate that combined to form the Delivery rate will no longer form part of Centra's rate schedules but will continue to be submitted to the Board in Centra's rate applications. This change will align the restructured Delivery rate with the Delivery Charge on the customer's bill.

Migration of WTS Marketers' Delivery Point from Empress to AECO

In its Application, Centra requested Board approval to migrate the delivery point, effective November 1, 2022, for independent gas marketers from Empress to AECO. To provide Centra and independent gas marketers with 12 months advance notice of this change to facilitate contractual arrangements, the Board found, for the reasons contained in Order 116/21, that such delivery point migration was beneficial and approved Centra's request.

<u>Consequential Approval of Amendments to Centra's Rate Setting Methodology for Quarterly Filings to the Board</u>

Based on the Board's above approvals, the Board finds that additional consequential approvals are required for changes to the Rate-Setting Methodology for Centra's quarterly Gas Commodity rate filings to the Board, for gas consumed on and after November 1, 2022. The Board therefore approves:

- Centra no longer treating Nova Gas Transmission Line ("NGTL") transportation costs from AECO to Empress as gas commodity costs (currently necessary to facilitate an Empress-based Primary Gas rate and comparability to WTS marketer rate offerings that are based on delivery to Centra at Empress);
- Centra treating NGTL costs as transportation costs for ratemaking purposes and ultimate recovery from customers in the Delivery rate;

  The Board notes that this change in current practice may raise questions as to whether existing customers with a fixed contract are negatively affected. Centra does not agree with the characterization that customers would be charged extra for the same service. In Centra's view, customers fixed-rate gas commodity contracts with WTS marketers are not insulated from every changing circumstance in the supply of their gas. Centra highlights that this NGTL cost and other costs for WTS marketers may vary over the term of a fixed rate contract and those customers could in fact pay less or more than the cost incurred. Centra considers any perceived advantages or disadvantages from this change in practice would range from immaterial to minor;

  The Board finds this concern to be a timing issue and depends on the duration of the customer's contract with the WTS marketer. This concern does not exist for WTS customer contracts that are signed after November 1, 2022. In addition, the

Board also notes that Centra's advised that no WTS marketer opposed Centra's plan in this regard;

- Centra's recovering the cost of fuel on the TransCanada Pipelines Ltd.'s ("TCPL") Mainline from all Sales Service customers in the Delivery rate;

  Similar to NGTL transportation costs, Centra also currently treats the cost of compressor fuel on TCPL as a Primary Gas cost. Compressor fuel is required by TCPL at Empress to accommodate the transportation of gas to downstream markets including Manitoba. WTS marketers incur the cost of providing fuel to Centra at Empress for their customer volumes. With the move of the WTS delivery point to AECO on November 1, 2022, Centra will now provide fuel to TCPL at Empress sufficient for both Centra's system supply volumes and WTS marketers' volumes.

  The Board notes the similar concern and Centra's position related to TCPL fuel costs as expressed above related to NGTL costs. The Board finds this concern to also be a timing issue dependent on the duration of the customer's contract with the WTS marketer. This concern does not exist for new WTS customer contracts that are signed after November 1, 2022. The Board further notes that Centra advised the Board that no WTS marketers opposed Centra's plan in this regard;

- Centra's amending the quarterly rate-setting methodology to migrate the commodity reference point from Empress to AECO;

- Centra amending the Fixed Rate Primary Gas Service (FRPGS) rate-setting methodology for all offerings after the date of this Order to eliminate TCPL compressor fuel and AECO to Empress transportation costs for all gas consumed on and after November 1, 2022;

- Centra amending the Fixed Rate Gas Commodity Service (FRGCS) rate-setting methodology to exclude AECO to Empress transportation and TCPL compressor fuel costs;

Amendments to Centra's Cost of Service Methodology

To effect the Board-approved changes identified above, Centra's proposed new natural gas as rate structure will also require amendments to Centra's Cost of Service Study methodology. The Board is advised that it is Centra's intention is to seek approval from the Board for these consequential amendments to the Cost of Service Study as part of Centra's Cost of Service Methodology Review process which has been filed with the Board and which is expected to be heard in 2022.

Centra should ensure that it makes and circulates its proposed revisions to the Cost of Service Study Methodology to the Board and Parties involved following the issuance of this Order.

Future Stakeholder Engagements

CAC Manitoba's request for the Board to now provide Centra with direction on future stakeholder engagements is denied. The Panel finds it premature to provide directions on possible future stakeholder engagements at this time. Prior to embarking on stakeholder consultations for future regulatory matters, it would be appropriate for Centra or any other Party to request additional direction from the Board based on the facts of the regulatory matter being studied.

Rate Structure Review

CAC Manitoba's request for the Board to direct Centra to include a review of its overall rate structure as part of the upcoming Cost of Service Methodology Review is denied because the Board finds the request premature. The Board will determine the scope of the Cost of Service Methodology Review at the pre-hearing conference stage.

In this Order, the Board finds that the approved rate restructuring results in customer bill simplification, however there may be more that can be done. Regardless of the scope of the Cost of Service Methodology Review, the Board is receptive to applications and supporting evidence for rate structure reviews and improvements as part of General Rate Applications. In the context of the current rate restructuring and customer bill simplification, the Board encourages Centra to continue to research and present improvements.

Future Consequential Amendments

As a consequence of the decisions made in this Order, the Board finds that the following items still need to be addressed by Centra:

- Disposition of the remaining balance in the Supplemental Gas PGVA;
- Changes to the Cost of Service Study methodology;
- Changes to the Schedule of Sales and Transportation Services and Rates (Terms and Conditions of Service); and
- Changes to the Fixed Rate Primary Gas Service Standard of Conduct.

Furthermore, the Board will approve amendments to the Code of Conduct for Direct Purchase of Natural Gas Transactions which was approved in Order 65/15.

6.0 IT IS THEREFORE ORDERED THAT:

1. Centra's Application to restructure and replace the current Primary Gas rate and the current Supplemental Gas rate with a new Gas Commodity rate, effective November 1, 2022 **BE AND IS HEREBY APPROVED**;

2. Centra's Application to replace the current Primary Gas and Supplemental Gas charges on customer bills with a new Gas Commodity charge effective November 1, 2022 **BE AND IS HEREBY APPROVED;**

3. Centra's Application to phase out the Supplemental Gas Purchased Gas Variance Account; the rolling of the current Primary Gas Purchased Gas Variance Account into a new Gas Commodity Purchased Gas Variance Account; the creation and use of a Commodity Cost Balancing Deferral account; and the amendment of the current Rate-Setting Methodology to include a Commodity Cost Balancing Deferral rate rider **BE AND IS HEREBY APPROVED**;

4. Centra is to replace the current Transportation to Centra rate and the Distribution to Customers rate with a new Delivery rate, effective November 1, 2022. Centra is to revise its rate schedules submitted to the Board to include the newly restructured Delivery rate as a separate rate;

5. Centra's Application to replace the current Transportation to Centra and Distribution to Customer charges on customer bills with a new Delivery charge effective November 1, 2022 **BE AND IS HEREBY APPROVED**;

6. Centra's Application to recover AECO to Empress transportation costs and TransCanada Pipelines Ltd. compressor fuel costs in the Delivery rate **BE AND IS HEREBY APPROVED**;

7. Centra is to eliminate TransCanada Pipelines Ltd.'s compressor fuel costs and the AECO to Empress transportation costs from the calculation of Centra's Fixed Rate Gas Commodity Service rates for all gas expected to be consumed on and after November 1, 2022;

8. Centra is to eliminate TransCanada Pipelines Ltd.'s compressor fuel costs and the AECO to Empress transportation costs from the calculation of Centra's Fixed Rate Primary Gas Service for all gas consumed on and after November 1, 2022 for all new contracted offerings that extend beyond November 1, 2022; and

9. Centra is to amend its quarterly rate-setting methodology to migrate the commodity delivery reference point from Empress to AECO:

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Larry Ring, Q.C."
Panel Chair

"Rachel McMillin, B.Sc."
A/Associate Secretary

Certified a true copy of Order No. 131/21 issued by The Public Utilities Board

R McMillin
A/Associate Secretary