

**M A N I T O B A** ) **Order No. 12/15**  
)  
**THE PUBLIC UTILITIES BOARD ACT** ) **January 29, 2015**

**BEFORE:** Régis Gosselin, B ès Arts, M.B.A., C.G.A., Chair  
Neil Duboff, BA (Hons), L.L.B., T.E.P., Member  
Marilyn Kapitany, B.Sc. (Hon), M.Sc., Member

**INTERIM ORDER IN RESPECT OF CENTRA GAS MANITOBA INC.'S  
PRIMARY GAS RATES AND SUPPLEMENTAL GAS RATE RIDERS  
EFFECTIVE FEBRUARY 1, 2015**

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves Centra Gas Manitoba Inc.'s (Centra) January 15, 2015 interim *ex-parte* Application for a new lower Primary Gas rate. The Board also approves increased Supplemental Gas Rate Riders that are recovering, from consumers, natural gas costs that were incurred last winter.

For a typical residential customer, the combined effect of these two rate adjustments is an annual bill decrease of 5.5% (or \$50 per year).

Annual bill impacts for customers in other classes (except Power Stations and Special Contract classes and T-service customers) range from decreases of 6.2% to 14.5%, depending on customer class and annual consumption.

Customers who purchase Primary Gas from marketers or from Centra under fixed-rate, fixed-term contracts will not see their Primary Gas rate adjusted by this Order and will experience an overall bill increase as a result of the accelerated recovery of amounts accrued in Centra's Non-Primary Gas Purchased Gas Variance Accounts.

Specifically, in respect of Centra's Application and by this Order:

- The Board grants Centra's interim *ex-parte* Application for a new February 1, 2015 Primary Gas rate, resulting in a Primary Gas billed rate of \$0.1252/m<sup>3</sup> compared to an existing Primary Gas rate of \$0.1665/m<sup>3</sup>. On its own, this represents an annual bill decrease of approximately 9.7% (or \$87 per year) for a typical residential consumer.
- The Board varies Centra's interim *ex-parte* Application for additional Supplemental Gas Rate Riders and approves, effective February 1, 2015, new Supplemental Gas rate riders sufficient to recover the remaining portion of the \$23.3 million approved for recovery by the Board in Order 123/14 over a period of nine months (to October 31, 2015).

Primary Gas and Supplemental Gas are pass-through costs for Centra, meaning that Centra charges customers the costs that it pays for Primary Gas and Supplemental Gas and does not make a profit on their sale. The costs of Primary Gas and Supplemental Gas are predominantly determined by the market price of natural gas in Western Canada and the mid-western United States.

This is an interim Order of the Board which will be further reviewed at an oral public hearing to be held in the Fall of 2015. At that time, and based on all of the evidence, the rates approved in this Order may be finalized or varied, as determined by the Board.

## **2.0 Procedural History**

### **Centra's Applications**

#### ***Interim Application for Non-Primary Gas Rate Riders Effective November 1, 2014 and Board Order 123/14***

On July 31, 2014, Centra applied to the Board for an interim order pursuant to section 47(2) of *The Public Utilities Board Act* for approval of changes to its Transportation (to Centra) and Distribution (to Customers) sales and transportation rates to reflect the implementation of new Non-Primary Gas rate riders, effective November 1, 2014.

In that Application, Centra sought Board approval to add "rate riders" to existing rates for the specific purpose of recovering an estimated net balance in the Non-Primary Gas Purchased Gas Variance Accounts (PGVA) of \$45.7 million owing to Centra, from its customers, as of October 31, 2014. The balance consisted of \$46.7 million owing to Centra which accumulated in Centra's Supplemental Gas PGVAs and a collective net balance of \$1.0 million owing by Centra to consumers in Centra's other Non-Primary Gas deferral accounts.

In Order 123/14, the Board approved, on an interim basis:

- the refund to customers of \$1.0 million in Non-Primary Gas deferral accounts over a period of 12 months; and
- the recovery from customers of 50% of the \$46.7 million Supplemental Gas PGVA, or \$23.3 million, over a period of 24 months.

The 24-month period for recovery of the Supplemental Gas PGVA is longer than the typical 12 month recovery period. The longer recovery period was approved given the size of the Supplemental Gas PGVA and the significant impact that recovery over 12 months would have had on consumers' bills.

The Board also directed Centra to file a Cost of Gas application by January 16, 2015 in order determine whether and over what timeframe the remainder of the Supplemental Gas PGVA balance should be recovered.

***Interim Ex Parte Application for Primary Gas Rate and Supplemental Gas Rate Riders Effective February 1, 2015***

On January 15, 2015, Centra applied to the Board for a new quarterly Primary Gas rate effective February 1, 2015, according to the formulaic, Board-approved Rate Setting Methodology.

Centra also applied for additional Supplemental Gas Rate Riders to recover the approximately \$23 million remaining in the Supplemental Gas PGVA over the period commencing February 1, 2015 to October 31, 2016 that were not approved for recovery by the Board in Order 123/14.

## **Interveners**

As Centra made its January 15, 2015 Application on an *ex-parte* basis, interveners would not typically be involved in this Application. However, because of the additional rate riders being sought, the Board requested comments from previous Interveners on the Application. In response, the Board received comments from the Consumers Association of Canada (Manitoba) Inc. (CAC), Just Energy Manitoba Inc. (Just Energy), and Shell Energy North America (Canada) Inc. (Shell).

Shell and Just Energy reserved their comments for the Cost of Gas proceeding that is to be conducted later this year. CAC agreed with the approach taken by Centra in tempering the present reduction of Primary Gas costs by implementing the proposed additional Supplemental Gas Rate Rider of 1.1¢/m<sup>3</sup>. However, CAC did not specifically endorse the proposed interim rates; instead CAC looks forward to reviewing the issues at the next Cost of Gas proceeding.

### **3.0 Primary Gas Rates effective February 1, 2015**

#### **Introduction**

Centra is a wholly-owned subsidiary of Manitoba Hydro, and is Manitoba's largest natural gas distributor. Centra's rates are subject to the approval of the Board pursuant to provisions of *The Public Utilities Board Act*.

## Centra's Rates

The five components of natural gas rates billed to Centra's customers are:

- Primary Gas – gas received from Western Canada which is priced quarterly by Centra, or gas purchased from either Centra or independent gas marketers and brokers under contracts, usually for a fixed rate and a fixed term;
- Supplemental Gas - gas that is required to meet the needs of Centra's customers during periods of peak load or other seasonal requirements, and includes gas sourced from locations other than Western Canada. Supplemental Gas is applicable to the majority of customers, whether they purchase quarterly-priced Primary Gas from Centra or fixed-rate gas through contracts;
- Transportation (to Centra) - applicable to the majority of customers and is the cost of transporting natural gas to Manitoba, including pipeline charges and the cost of gas storage facilities;
- Distribution (to Customer) - applicable to all customers and recovers the cost of delivering natural gas to a customer's home or business, including the cost of pipelines and facilities, as well as the operation and maintenance costs for the distribution system and a small cost component related to unaccounted-for gas; and
- Basic Monthly Charge - applicable to all customers and recovers costs related to customer service including meter reading and billing, as well as the cost of the service line and the meter.

Centra's Primary Gas rate is subject to amendment quarterly, on the first day of February, May, August, and November. These regularly scheduled quarterly Primary Gas rate reviews occur in accordance with the Board-approved Rate Setting Methodology, which is formula-driven and relies on established accounting and rate setting conventions. Quarterly Primary Gas rate setting does not involve a public hearing, reflecting the formulaic nature of the Rate Setting Methodology and furthering the objective of least-cost regulation. Public review of Primary Gas rates are conducted at periodic Cost of Gas or General Rate Application hearings.

Non-Primary Gas components of Centra's rates, for all customers including those receiving natural gas through fixed-rate contracts, are also periodically reviewed and approved by the Board. These Non-Primary Gas rate reviews occur either through periodic Cost of Gas hearings or in the context of a General Rate Application.

Order 123/14, dated October 30, 2014, is the most recent Order setting Centra's Primary Gas rate and non-Primary Gas Rate Riders. Order 89/13, dated August 2, 2013 and arising out of Centra's 2013/14 General Rate Application, approved Non-Primary Gas Base rates (Basic Monthly Charge, Supplemental Gas, Transportation, and Distribution rates).

### Centra's Application for a Primary Gas Rate

Centra's proposed Primary Gas rate to commence on February 1, 2015 is based on futures prices at the AECO trading hub in Alberta. Table 1 reflects the 12 month futures natural gas price strip taken by Centra on January 5, 2015 and used in the calculation of the February 1, 2015 Primary Gas rate. The futures prices for July and October 2014, from previous quarterly rate applications, are also shown in Table 1. As can be seen from the table, the January 2015 futures prices have dramatically decreased compared to the October futures prices. This decrease in AECO futures prices is the dominant factor in the proposed Primary Gas rate decrease.

**Table 1: AECO Futures Price (Cdn\$/GJ)**

	Feb/15	Mar/15	Apr/15	May/15	Jun/15	Jul/15	Aug/15	Sep/15	Oct/15	Nov/15	Dec/15	Jan/16
July Strip	4.3450	4.2650	3.6500	3.6300	3.6025	3.6225	-	-	-	-	-	-
Oct. Strip	4.1350	3.9900	3.5775	3.5100	3.5125	3.5375	3.5450	3.5625	3.6350	-	-	-
Jan. Strip	2.7123	2.5225	2.455	2.450	2.470	2.4925	2.5125	2.5075	2.5575	2.8575	2.9475	3.0925

Table 2 summarizes Centra's Application for quarterly Primary Gas rates effective February 1, 2015. The table shows Primary Gas costs and rate calculations for the last year. In calculating Primary Gas rates, Centra used the Board-approved Rate Setting Methodology.

**Table 2: Current and Historical Primary Gas Rate Calculations**

	<b>Component</b>	<b>Costs and Proposed Rates Feb 1/14</b>	<b>Costs and Proposed Rates May 1/14</b>	<b>Costs and Proposed Rates August 1/14</b>	<b>Costs and Proposed Rates Nov 1/14</b>	<b>Costs and Proposed Rates Feb 1/15</b>
1	Date of Forward Price Strip	January 6, 2014	April 1, 2014	July 2, 2014	October 1, 2014	January 5, 2015
2	12 Month Forward Price per GJ	\$3.926	\$4.493	\$4.137	\$3.928	\$2.833
3	<sup>1</sup> Cost of Gas drawn from Storage	\$2.87	\$2.87	\$2.87	\$4.014	\$3.992
4	Weighted Primary Gas Cost (mix of Gas Supply & Storage Gas costs)	\$3.699	\$4.144	\$3.865	\$3.946	\$3.058
5	Rate per Cubic Metre	\$0.1398	\$0.1566	\$0.1461	\$0.1491	\$0.1156
6	<sup>2</sup> Base Primary Rate, adding Fuel and Overhead cost component per cubic metre	\$0.14187	\$0.1588	\$0.1482	\$0.1513	\$0.1179
7	Plus (Less) Rate Rider per cubic metre	(\$0.0037)	(\$0.0021)	\$0.0069	\$0.0152	\$0.0073
8	Total Billed Rate (\$/m <sup>3</sup> )	\$0.1382	\$0.1567	\$0.1551	\$0.1665	<b>\$0.1252</b>

Notes:

1. The most recent cost of gas drawn from storage reflects the actual cost of gas in storage as of October 31, 2014 following the April to October 2014 injection season.
2. Compressor fuel costs are \$0.0014/m<sup>3</sup> and overhead costs are \$0.00087/m<sup>3</sup>.

AECO futures market prices, shown above in Table 1, are weighted according to the forecasted volumes Centra expects to purchase each month that flow directly to the Manitoba load. This weighted price is the 12 Month Forward Price per Gigajoule shown in row 2 of Table 2 which also includes the costs to deliver the gas from the AECO hub to Centra's receipt point at Empress, Alberta. The 12 Month Forward Price is then weighted for the average cost of gas of volumes that Centra withdraws from its storage facility, and is shown in row 4 of Table 2 as the Weighted Primary Gas Cost (mix of Gas Supply & Storage Gas costs). The Weighted Primary Gas Cost per gigajoule is then converted to units of dollars per cubic metre ( $\$/m^3$ ) and is shown in row 5 of Table 2.

Centra incurs compressor fuel costs which relate to fuel used by pipeline compressors in order to transport natural gas from Alberta to Manitoba. Centra also incurs overhead costs in the procurement and administration of Primary Gas supplies. The compressor fuel costs and overhead costs are added to the Weighted Primary Gas Cost to determine the Primary Gas Base Rate which is shown in row 6 of Table 2.

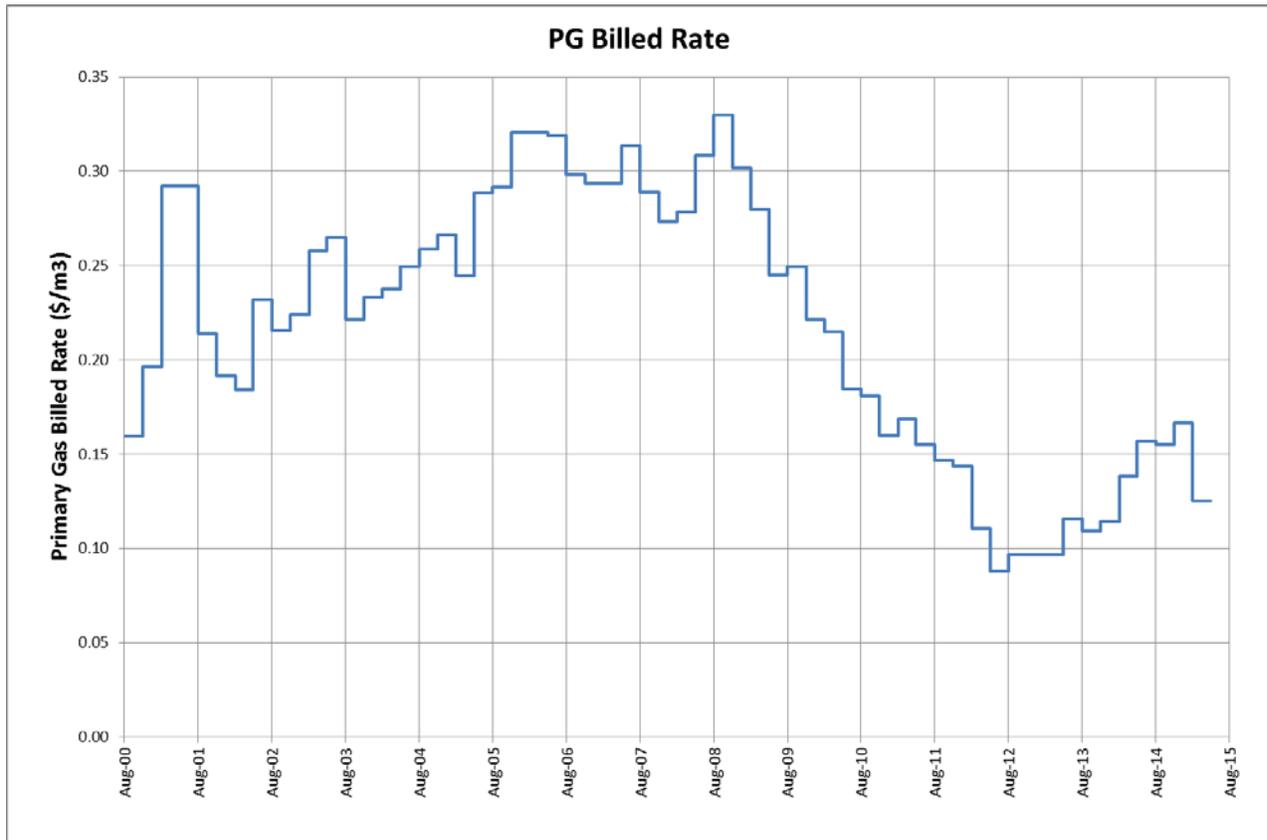
Centra tracks differences between the previously approved Primary Gas rate (and its underlying gas costs) and the actual cost of Primary Gas purchases it incurs. The previously approved Primary Gas rate is based on a forecast of natural gas market prices, and the actual prices Centra pays usually differ from those forecasted. These differences are tracked in a Purchased Gas Variance Account (PGVA). When the actual cost of gas is greater than was forecasted, a positive balance accrues in the PGVA which is then collected from customers. When the actual cost of gas is less than was forecasted, a negative balance accrues in the PGVA and this is refunded to customers. The Primary Gas PGVA is used to account for these differences between forecasted and actual costs of Primary Gas.

The Primary Gas rate rider recovers from or repays to customers the balance in the PGVA, with interest. Utilization of the PGVA and rate rider ensures that the cost of gas is charged to customers with no mark-up or discount. The Primary Gas rate rider is determined by dividing the accumulated balance in the PGVA by the volumes Centra forecasts to flow in the upcoming twelve months, and is shown in row 7 of Table 2. If the PGVA balance is not brought to zero with the rate rider, the remaining balance will be included in the calculation of future rate riders.

The Primary Gas Rate Rider is combined with the Primary Gas Base Rate to arrive at the Primary Gas Billed Rate, as shown in row 8 of Table 2, and this is the rate that Centra uses to calculate the bills of its Primary Gas customers.

The forecasted Primary Gas PGVA balance for January 31, 2015 is \$8.2 million. The \$8.2 million balance owed to Centra will be collected from customers by way of a rate rider of \$0.0073/m<sup>3</sup>. The rate rider increases the Primary Gas Base Rate of \$0.1179/m<sup>3</sup> resulting in a Primary Gas Billed Rate of \$0.1252/m<sup>3</sup>.

The following chart graphically shows the Primary Gas Billed Rate from August 1, 2000 up to and including the proposed February 1, 2015 rate.



## Board Findings

As Centra's January 15, 2015 Primary Gas Rate Application properly reflects the Board-approved Rate Setting Methodology, the Board approves Centra's Application to amend the Primary Gas rate. The Primary Gas rate will decrease to \$0.1252/m<sup>3</sup> effective February 1, 2015.

Primary Gas rate changes affect only those customers receiving quarterly-priced Primary Gas from Centra. Customers on fixed-rate contracts with either gas marketers or Centra are not affected. The next review of the Primary Gas rate will take place as of May 1, 2015.

#### **4.0 Supplemental Gas Rate Riders effective February 1, 2015**

##### **Introduction and Background**

Supplemental Gas is required to meet the needs of Centra's customers during periods of peak load or other seasonal requirements. Since Supplemental Gas is used to meet daily peaks or seasonal volume requirements for exceptionally cold winters, Centra's Supplemental Gas cost and revenue forecasts are affected by weather.

Like Primary Gas, Supplemental Gas is subject to the market pricing experienced by Centra at the time such natural gas is purchased by Centra.

Centra operates a Supplemental Gas Purchased Gas Variance Account (PGVA) that records the differences between the revenues billed to customers, which are based on the forecasted costs of Supplemental Gas, and the actual costs of Supplemental Gas. If the cost of Supplemental Gas is greater than was previously forecasted, or if customers use more Supplemental Gas than Centra forecasted, or both, then the Supplemental Gas PGVA will record a monetary balance owing to Centra.

During the exceptionally cold winter of 2013/14, Centra accrued a Supplemental Gas PGVA balance that peaked at \$62.8 million owing by consumers to Centra. Centra attributed this exceptionally high Supplemental Gas PGVA balance to extreme weather conditions and unusual market circumstances experienced during the 2013/14 winter heating season.

This PGVA balance was reduced to approximately \$42 million as customers paid for Supplemental Gas through monthly billings. When added to the accrued (but not yet recovered) balance of \$3.2 million from the 2012/13 gas year and including carrying costs, plus a further \$1.2 million balance remaining owing from previous years, Centra expected the Supplemental Gas PGVA balance to total \$46.7 million at October 31, 2014. This is the amount that Centra applied to the Board to recover from customers through rate riders in its July 31, 2014 interim rate rider application.

In Order 123/14, the Board approved, on an interim basis, Supplemental Gas Rate Riders to recover 50% of this balance, or \$23.3 million. The rate riders were set to expire October 31, 2015. At that time, the rate riders are expected to have recovered approximately 25% of the \$46.7 million Supplemental Gas PGVA balance.

### **Centra's Application for Additional Supplemental Gas Rate Riders**

In addition to its *ex parte* application to amend the Primary Gas rate, Centra requested new Distribution (to Customers) rates for February 1, 2015 which incorporate additional Supplemental Gas Rate Riders. The additional rate riders are to recover the remaining balances in the Supplemental Gas PGVA which the Board did not approve for recovery in Order 123/14.

The Supplemental Gas PGVA balance at October 31, 2014 was previously forecasted to be \$46.7 million; the Board approved recovery of 50% of this amount, or \$23.3 million. The actual Supplemental Gas PGVA balance at October 31, 2014 was \$46.1 million. Thus, the residual Supplemental Gas PGVA balance that has not been approved for recovery is \$22.8 million. This is the amount that Centra is now requesting additional Supplemental Gas Rate Riders to recover.

The specific rate riders Centra proposes are \$0.0110/m<sup>3</sup> for firm service customers and \$0.0036/m<sup>3</sup> for interruptible service customers for a period of 21 months. These rate riders are to be applied to the Distribution (to Customers) Base rates for all customer classes except Power Stations and Special Contract, and for sales service and Western Transportation Service but not T-Service. The latter customer classes and T-service do not use Supplemental Gas and thus did not contribute to the Supplemental Gas PGVA. As the PGVA balance is owing to Centra, the rate riders increase the Distribution rates. Centra proposes specific exceptions to the rate riders for customers that switch to or from T-service or interruptible service.

Centra is requesting amended Distribution (to Customers) Billed rates as the Supplemental Gas Rate Riders are applied to the Distribution (to Customers) Base rates, consistent with past practice and previous Board direction.

Centra notes that the additional rate riders will still result in a significant bill decrease for most customers. The proposed combined bill decrease, for a typical residential customer is \$61 or 6.8%.

Without implementing the additional rate riders proposed in this application, Centra anticipates that new Supplemental Gas Rate Riders will be required commencing November 1, 2015 to recover the remaining 50% of the Supplemental Gas PGVA that was not approved for recovery in Order 123/14. These new rate riders will cause bills to increase later this year. Centra proposes to introduce the additional rate riders now, so that while it will reduce the magnitude of the February 1, 2015 bill decrease, it will also reduce the bill increase required later this year if and when the remaining Supplemental Gas PGVA begins to be recovered. Accordingly, Centra states, accelerating the recovery now will provide customers with greater bill stability.

### **Board Findings**

In Order 123/14, the Board approved partial recovery of the then-forecasted \$46.7 million Supplemental Gas PGVA. In the Board's view, Centra demonstrated, on a *prima facie* basis, that its Supplemental Gas costs incurred during the winter of 2013/14 were incurred for the ratepayers in Manitoba. However, Board was not prepared to approve recovery of the full \$46.7 million PGVA balance, even on an interim basis, until the evidence had been fully tested, and only approved recovery of 50% of the PGVA balance on an interim basis.

The Board has not changed its view of the recovery of the Supplemental Gas PGVA balance. In Order 123/14, the Board stated that it would decide whether and over what timeframe the remainder of the Supplemental Gas PGVA balance should be recovered, based on a full hearing of evidence at Centra's next Cost of Gas Application. Centra has yet to file its Cost of Gas application. Accordingly, the Board denies Centra's application to recover the remaining 50% of the Supplemental Gas PGVA through additional rate riders beginning February 1, 2015.

Instead, the Board approves recovery of the same 50% PGVA balance which it approved for recovery in Order 123/14, or \$23.3 million, but over an accelerated timeframe. The \$23.3 million are to be recovered with Supplemental Gas rate riders beginning February 1, 2015 and ending October 31, 2015, a period of nine months. This shortens the remaining recovery period from 21 months to nine months, which results in the rate riders increasing now, but expiring 12 months earlier than originally ordered.

The new rate riders are to take into consideration the amounts amortized from the Supplemental Gas rate riders implemented on November 1, 2014, based on forecasted volumes. The variance between the previously forecasted Supplemental Gas PGVA balance and the actual balance at October 31, 2014 will be addressed in the future Cost of Gas application proceeding. The new Supplemental Gas rate riders are \$0.0246/m<sup>3</sup> for firm service customers and \$0.0071/m<sup>3</sup> for interruptible service customers.

The Board previously approved recovery of \$23.3 million of the Supplemental Gas PGVA over a 24 month period. The 24 month recovery period is longer than the historical normal recovery period of 12 months and was implemented in order to limit "rate shock" to customers. With the decline in Western Canadian natural gas prices and the corresponding decrease in the Primary Gas rate, a portion of the Supplemental Gas PGVA can now be recovered over the typical 12 month period without causing rate shock to customers. Implementing new Supplemental Gas rate riders over a nine month period will recover the 50% PGVA balance, yet still result in significant bill decreases for most customers.

A summary of the requested and approved Supplemental Gas rate riders effective November 1, 2014 and February 1, 2015 is provided in the table below:

	November 1, 2014		February 1, 2015	
	Requested to Recover	Approved	Requested to Recover <sup>1</sup>	Approved
Supplemental Gas PGVA balance as of October 31, 2014	\$46.7 million <sup>2</sup>	\$23.3 million	Originally approved \$23.3 million + additional \$22.8 million	Originally approved \$23.3 million only
Supplemental Gas Rate Rider - Firm Service	\$0.0174/m <sup>3</sup>	\$0.0087/m <sup>3</sup>	\$0.011/m <sup>3</sup>	\$0.0246/m <sup>3</sup>
Supplemental Gas Rate Rider - Interruptible Service	\$0.0052/m <sup>3</sup>	\$0.0026/m <sup>3</sup>	\$0.0036/m <sup>3</sup>	\$0.0071/m <sup>3</sup>
Rate Rider Duration	24 months	24 months	21 months	9 months

Note <sup>1</sup>: The requested rate riders are **in addition** to the November 1, 2014 approved rate riders

Note <sup>2</sup>: This was the October 31, 2014 balance forecasted at the time Order 123/14 was prepared.

Centra requested additional Supplemental Gas Rate Riders on top of the rate riders approved by the Board in 123/14. The Supplemental Gas Rate Riders approved by the Board in this Order replace the Supplemental Gas Rate Riders approved in Order 123/14 and are added to the Distribution (to Customers) rates.

There are advantages to recovering PGVA balances sooner rather than later:

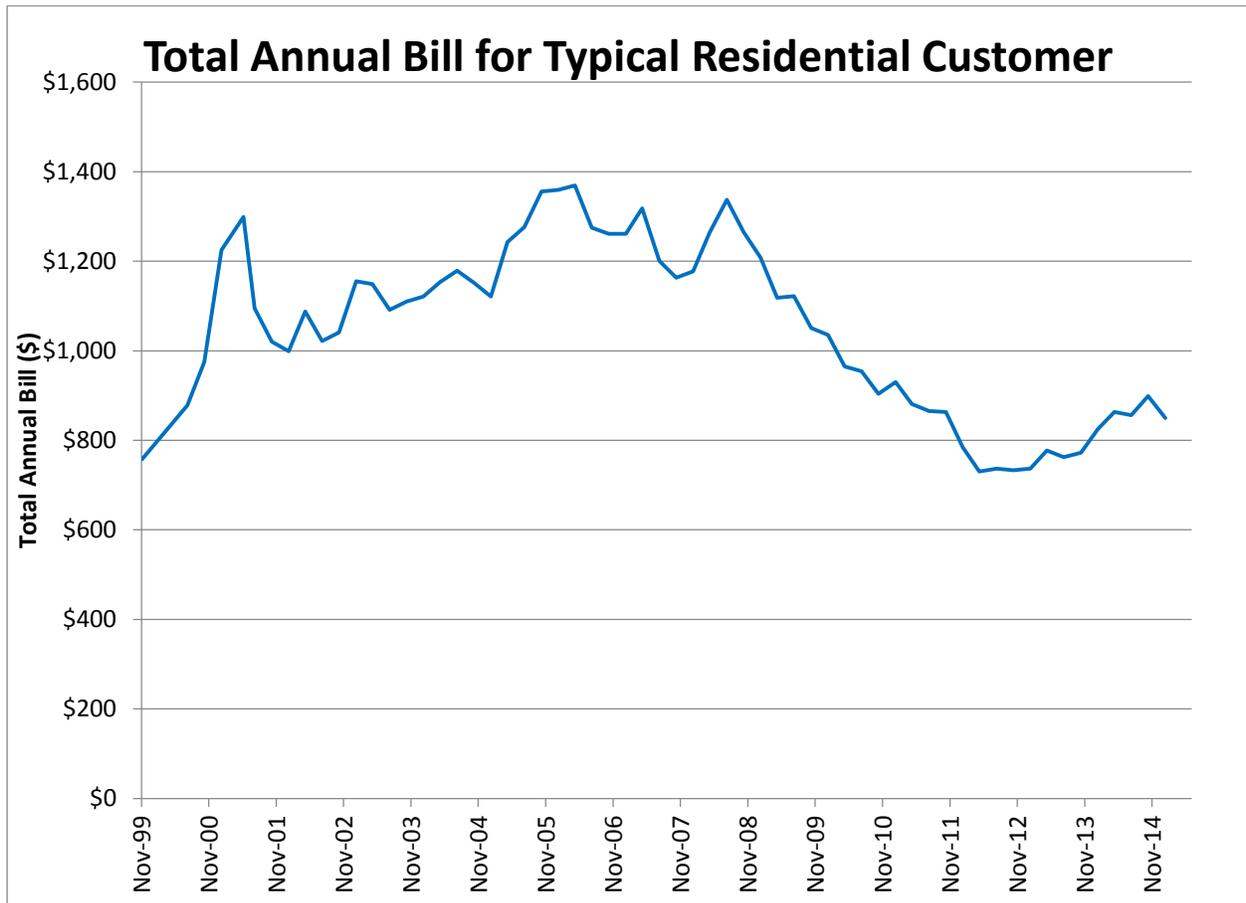
- The majority of the gas purchases that led to the Supplemental Gas PGVA balance occurred in the winter of 2013/14. There is a strong imperative to recover costs shortly after they were incurred in order to reduce intergenerational inequity. Intergenerational inequity results when customers are required to pay gas costs that they did not incur, or customers that incurred gas costs do not pay them. This occurs if new customers begin service or existing customers cease service, respectively, after the costs are incurred but before they are recovered.
- Deferred recovery of the PGVA balance obscures the true price of the gas used by consumers. The Board has long supported transparent pricing and appropriate price signals to consumers.
- The market and weather conditions that resulted in the extraordinarily high Supplemental Gas costs in the winter of 2013/14 could be repeated this winter if we get extremely cold conditions in the coming months. Recovering half of the outstanding PGVA balance potentially avoids compounding the existing PGVA balance with an excessive balance that accrues this winter.

By advancing recovery of the \$23.3 million through rate riders over the next 9 months, the Board will be in a better position to determine whether to allow Centra to recover the remaining \$22.8 million of the Supplemental Gas PGVA balance later this year. At that time, the rate riders approved in this Order may be replaced with rate riders that will recover some or all of the remaining \$22.8 million. Those new rate riders are expected to result in a bill decrease, assuming no significant change to the Primary Gas rate.

The annualized bill impacts resulting from the implementation of the revised Primary Gas rate and Supplemental Gas Rate Riders, applicable for customers who purchase quarterly-priced Primary Gas from Centra, are shown in the following table:

<b>Customer Class</b>	<b>Annualized Bill Decrease Combined Primary Gas Rate and Supplemental Gas Rate Riders</b>
Small General Service (including residential)	(4.4%) – (6.5%)
Large General Service	(6.2%) - (8.2%)
High Volume Firm	(7.4%) – (9.7%)
Mainline	(8.6%) – (9.8%)
Interruptible	(12.3%) – (14.5%)

As a result of these rate changes, the annual bill decrease for a typical residential customer consuming 2,374 m<sup>3</sup> of gas is \$50 or 5.5%. A graph of the historical annual bill for typical residential customers as a result of all of Centra's rate changes, including the approved Supplemental Gas rate riders, is shown below:



The Board reiterates its position articulated in Order 123/14:

*The Board will decide, based on a full hearing at Centra's next Cost of Gas Application, whether and over what timeframe, the remainder of the Supplemental Gas PGVA balance should be recovered.*

In the upcoming proceeding to review the Cost of Gas Application, the Board will expect Centra to provide evidence demonstrating the prudence of the gas purchases that led to the unprecedented \$46.1 million Supplemental Gas PGVA final balance. The Board also expects Centra to provide its plans for its gas supply, pipeline transportation, and storage portfolio such that future PGVA balances of this magnitude are avoided or minimized.

Finally, the Board has recently requested, but has yet to receive, the last two audited financial statements of Centra Gas Manitoba Inc. together with 'weather normal' Net Income. However, the Manitoba Hydro 2013/14 Annual Report shows that Centra earned \$20 million of Net Income in the fiscal year ending March 31, 2014 and its retained earnings totalled \$62 million. This compares to the Net Income approved by the Board following Centra's 2013/14 GRA (and approved in Orders 85/13 and 89/13) of \$2.5 million in 2013/14, which the Board expected Centra to earn in a normal weather year. The Board understands that the cold winter of 2013/14 is the predominant reason for the substantial increase in Net Income and the record levels of retained earnings. The cold winter of 2013/14 is also a major reason for the sizeable Supplemental Gas PGVA. In the upcoming Cost of Gas application, the Board expects Centra consider whether a portion of its retained earnings, which resulted from the cold weather, should be used to reduce the negative impact on customers from the further recovery of the Supplemental Gas PGVA.

**5.0 IT IS THEREFORE ORDERED THAT:**

1. Centra's Application for an interim Primary Gas rate increase effective February 1, 2015 **BE AND HEREBY IS APPROVED** as filed.
2. Centra's Application for additional Supplemental Gas rate riders for Firm and Interruptible customers to dispose of the remaining 50% balance in the Supplemental Gas Purchased Gas Variance Account **BE AND HEREBY IS VARIED AS FOLLOWS:**
  - (a) Centra's Application for an interim Order allowing it to dispose of an approximate \$22.8 million balance owing to Centra in Centra's Supplemental Gas Purchased Gas Variance Account over a 21 month timeframe **BE AND HEREBY IS DENIED.**
  - (b) Notwithstanding Directive 2(a), the Board approves, on an interim basis, new Supplemental Gas rate riders to replace those previously approved in Order 123/14. The new Supplemental Gas rate riders shall recover remaining amounts of the previously approved \$23.3 million (50% of the then-forecasted Supplemental Gas PGVA balance) over a nine-month period beginning February 1, 2015 and ending October 31, 2015.
3. Centra shall file a Cost of Gas application with the Public Utilities Board no later than May 25, 2015.

4. The Schedules of Rates attached to this Order as Appendix "A", effective for all gas consumed on and after February 1, 2015, **BE AND ARE HEREBY APPROVED** on an interim basis until the earlier of:
- (a) A further Order of the Board with respect to the matters herein;
  - (b) A final Order of the Board with respect to Centra's next Cost of Gas Application;
  - (c) An interim Order with respect to Centra's next quarterly application for Primary Gas rates; or
  - (d) October 31, 2015.

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.pub.gov.mb.ca](http://www.pub.gov.mb.ca).

THE PUBLIC UTILITIES BOARD

"Régis Gosselin, B ès Arts., CGA, MBA"

Chair

"Kurt Simonsen"

Associate Secretary

Certified a true copy of Order No. 12/15  
issued by The Public Utilities Board

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

1	<i>Territory:</i>	Entire natural gas service area of Company, including all zones				
2						
3	<i>Availability:</i>					
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 <sup>3</sup>				
6	HVF:	For gas delivered through one meter at annual volumes greater than 680,000 m <sup>3</sup>				
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	<i>Rates:</i>					
		<u>Distribution to Customers</u>				
		Transportation to Centra	Sales Service	T-Service	Primary Gas Supply	Supplemental Gas Suppli
13						
14	<i>Basic Monthly Charge: {\$/month}</i>					
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	\$1,221.42	\$1,221.42	N/A	N/A
18	Cooperative (CO-OP)	N/A	\$318.21	\$318.21	N/A	N/A
19	Main Line Class (MLC)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
20	Special Contract	N/A	N/A	\$117,970.11	N/A	N/A
21	Power Station	N/A	N/A	\$8,026.07	N/A	N/A
22						
23	<i>Monthly Demand Charge (\$1m<sup>3</sup>/month)</i>					
24	High Volume Firm Class (HVF)	\$0.2386	\$0.1666	\$0.1666	N/A	N/A
25	Cooperative (CO-OP)	\$0.3702	\$0.1310	\$0.1310	N/A	N/A
26	Main Line Class (MLC)	\$0.3782	\$0.1818	\$0.1818	N/A	N/A
27	Special Contract	N/A	N/A	N/A	N/A	N/A
28	Power Station	N/A	N/A	\$0.0045	N/A	N/A
29						
30	<i>Commodity Volumetric Charge: (\$1m<sup>3</sup>)</i>					
31	Small General Class (SGC)	\$0.0398	\$0.0943	N/A	\$0.1179	\$0.1605
32	Large General Class (LGC)	\$0.0390	\$0.0416	N/A	\$0.1179	\$0.1605
33	High Volume Firm (HVF)	\$0.0156	\$0.0094	\$0.0094	\$0.1179	\$0.1605
34	Cooperative (CO-OP)	\$0.0045	\$0.0001	\$0.0001	\$0.1179	\$0.1605
35	Main Line Class (MLC)	\$0.0049	\$0.0045	\$0.0045	\$0.1179	\$0.1605
36	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
37	Power Station	N/A	N/A	\$0.0080	N/A	N/A
38						
39		<sup>1</sup> Supplemental Gas is mandatory for all Sales and Western T-Service Customers.				
40						
41	<i>Minimum Monthly Bill:</i>	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
42						
43	<i>Effective:</i>	Rates to be charged for all billings based on gas consumed on and after Feb 1, 2015				
44						

Approved by Board Order: 12/15  
Effective from: Feb 1, 2015  
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Supersedes Board Order: 140/14  
Supersedes: Nov 1, 2014 Rates

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

1	<i>Territory:</i>	Entire natural gas service area of Company , including all zones				
2						
3	<i>Availability:</i>	For any consumer at one location whose annual natural gas requirements equal or				
4		exceed 680,000 m <sup>3</sup> and who contracts for such service for a minimum of one year, or				
5		who received Interruptible Service continuously since December 31, 1996. Service				
6		under this rate shall be limited to the extent that the Company considers it has available				
7		natural gas supplies and/or capacity to provide delivery service.				
8						
9	<i>Rates:</i>		<u>Distribution to Customers</u>			
		Transportation to Centra	Sales Service	T-Service	Primary Gas Supply	Supplemental Gas Supply <sup>1</sup>
10		<hr/>				
11	<i>Basic Monthly Charge: (\$/month)</i>					
12	Interruptible Service	N/A	\$1,254.45	\$1,254.45	N/A	N/A
13	Mainline Interruptible (with firm delivery)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
14						
15	<i>Monthly Demand Charge (\$1m<sup>3</sup> /month)</i>					
16	Interruptible Service	\$0.1122	\$0.0851	\$0.0851	N/A	N/A
17	Mainline Interruptible (with firm delivery)	\$0.1726	\$0.1818	\$0.1818	N/A	N/A
18						
19	<i>Commodity Volumetric Charge: (\$1m<sup>3</sup> )</i>					
20	Interruptible Service	\$0.0095	\$0.0071	\$0.0071	\$0.1179	\$0.1710
21	Mainline Interruptible (with firm delivery)	\$0.0050	\$0.0045	\$0.0045	\$0.1179	\$0.1710
22						
23	<i>Alternate Supply Service:</i>			Negotiated		
24	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
25	Delivery - Interruptible Class			\$0.0099		
26	Delivery - Mainline Interruptible Class			\$0.0105		
27						
28	<sup>1</sup> Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
29						
30	<i>Minimum Monthly Bill:</i>	Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.				
31						
32	<i>Effective:</i>	Rates to be charged for all billings based on gas consumed on and after Feb 1, 2015				
33						

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

1	<i>Territory:</i>	Entire natural gas service area of Company, including all zones				
2						
3	<i>Availability:</i>					
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'				
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'				
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	<i>Rates:</i>					
		<u>Distribution to Customers</u>				
		Transportation to Centra	Sales Service	T-Service	Primary Gas Supply	Supplemental Gas Supply <sup>1</sup>
13						
14						
15	<i>Basic Monthly Charge: (\$/month)</i>					
16	Small General Class (SGC)	N/A	\$14.00	N/A	N/A	N/A
17	Large General Class (LGC)	N/A	\$77.00	\$77.00	N/A	N/A
18	High Volume Firm (HVF)	N/A	\$1,221.42	\$1,221.42	N/A	N/A
19	Cooperative (CO-OP)	N/A	\$318.21	\$318.21	N/A	N/A
20	Main Line Class (MLC)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
21	Special Contract	N/A	N/A	\$117,970.11	N/A	N/A
22	Power Station	N/A	N/A	\$8,026.07	N/A	N/A
23						
24	<i>Monthly Demand Charge (\$1m<sup>3</sup>/month)</i>					
25	High Volume Firm Class (HVF)	\$0.4182	\$0.1671	\$0.1671	N/A	N/A
26	Cooperative (CO-OP)	\$0.3702	\$0.1310	\$0.1310	N/A	N/A
27	Main Line Class (MLC)	\$0.4237	\$0.1816	\$0.1816	N/A	N/A
28	Special Contract	N/A	N/A	N/A	N/A	N/A
29	Power Station	N/A	N/A	\$0.0045	N/A	N/A
30						
31	<i>Commodity Volumetric Charge: (\$1m<sup>3</sup>)</i>					
32	Small General Class (SGC)	\$0.0395	\$0.1185	N/A	\$0.1252	\$0.1605
33	Large General Class (LGC)	\$0.0384	\$0.0657 <sup>2</sup>	N/A	\$0.1252	\$0.1605
34	High Volume Firm (HVF)	\$0.0049	\$0.0337 <sup>3</sup>	\$0.0091 <sup>4</sup>	\$0.1252	\$0.1605
35	Cooperative (CO-OP)	\$0.0045	\$0.0001	\$0.0001	\$0.1252	\$0.1605
36	Main Line Class (MLC)	\$0.0068	\$0.0291	\$0.0045 <sup>4</sup>	\$0.1252	\$0.1605
37	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
38	Power Station	N/A	N/A	\$0.0080	N/A	N/A
39						
40	<sup>1</sup> Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
41	<sup>2</sup> LGC distribution commodity rate for former INT customers who migrate on or after May 1, 2014 is \$0.0482/m3					
42	<sup>3</sup> HVF distribution commodity rate for former INT customers who migrate on or after May 1, 2014 is \$0.0161/m3					
43	<sup>4</sup> Firm Supplemental Rider for customers electing T-service on or after May 1, 2014 is \$0.0246/m3, in addition to T-Service Distribution to Customer rate (as separate line item)					
44						
45						
46	<i>Minimum Monthly Bill:</i>	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
47						
48	<i>Effective:</i>	Rates to be charged for all billings based on gas consumed on and after Feb 1, 2015				

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

1	<i>Territory:</i>	Entire natural gas service area of Company, including all zones				
2						
3	<i>Availability:</i>	For any consumer at one location whose annual natural gas requirements equal or				
4		exceed 680,000 m <sup>3</sup> and who contracts for such service for a minimum of one year, or				
5		who received Interruptible Service continuously since December 31, 1996. Service				
6		under this rate shall be limited to the extent that the Company considers it has available				
7		natural gas supplies and/or capacity to provide delivery service.				
8						
9	<i>Rates:</i>		Distribution to Customers			
		Transportation			Primary Gas	Supplemental
		to			Supply	Gas
		Centra	Sales Service	T-Service		Supply <sup>1</sup>
10						
11	<i>Basic Monthly Charge: (\$/month)</i>					
12	Interruptible Service	N/A	\$1,254.45	\$1,254.45	N/A	N/A
13	Mainline Interruptible (with firm delivery)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
14						
15	<i>Monthly Demand Charge (\$1m<sup>3</sup>/month)</i>					
16	Interruptible Service	\$0.1232	\$0.0855	\$0.0855	N/A	N/A
17	Mainline Interruptible (with firm delivery)	\$0.1896	\$0.1816	\$0.1816	N/A	N/A
18						
19	<i>Commodity Volumetric Charge: (\$1m<sup>3</sup>)</i>					
20	Interruptible Service	\$0.0037	\$0.0145	\$0.0074	\$0.1252	\$0.1710
21	Mainline Interruptible (with firm delivery)	-\$0.0011	\$0.0291	\$0.0045	\$0.1252	\$0.1710
22						
23	<i>Alternate Supply Service:</i>			Negotiated		
24	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
25	Delivery •Interruptible Class			\$0.0173		
26	Delivery •Mainline Interruptible Class			\$0.0351		
27						
28	<sup>1</sup> Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
29						
30						
31	<i>Minimum Monthly Bill:</i>	Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.				
32						
33	<i>Effective:</i>	Rates to be charged for all billings based on gas consumed on and after Feb 1, 2015				
34						

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