

MANITOBA) **Order No. 43/15**
)
THE PUBLIC UTILITIES BOARD ACT) **April 23, 2015**

BEFORE: Régis Gosselin, B ès Arts, MBA, CGA, Chair
Neil Duboff, BA (Hons), LLB, TEP, Member
Marilyn Kapitany, BSc (Hon), MSc, Member

CENTRA GAS MANITOBA INC.:
PRIMARY GAS RATE APPLICATION, EFFECTIVE MAY 1, 2015

Table of Contents

	Page
1. SUMMARY.....	3
2. INTRODUCTION	3
3. CENTRA GAS MANITOBA INC.'S APPLICATION FOR PRIMARY GAS RATE.....	5
4. CUSTOMER IMPACT.....	8
5. BOARD FINDINGS.....	9
6. IT IS THEREFORE ORDERED THAT:	11
 SCHEDULES OF RATES.....	 APPENDIX "A"

1. Summary

By this Order the Public Utilities Board (Board) approves, on an interim ex parte basis, Centra Gas Manitoba Inc.'s (Centra) application to decrease the current Primary Gas rate to \$0.1183/m³ effective May 1, 2015 and to continue unless changed by Order of the Board. For a typical residential customer, the impact of the Primary Gas rate decrease is an annual bill decrease of 1.7% (or \$14 per year). The Primary Gas billed rate approved by the Board for February 1, 2015 was \$0.1252/m³.

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

2. Introduction

Centra is a wholly-owned subsidiary of Manitoba Hydro. Centra's quarterly rates are subject to the approval of the Board pursuant to provisions of *The Public Utilities Board Act*.

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 amended quarterly, on the first day of February, May, August, and November. These regularly scheduled quarterly Primary Gas rate reviews are based on 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 in keeping with the objective of least-cost regulation. Public reviews 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, which also provides for the finalization of past interim quarterly Primary Gas rate changes, or in the context of a General Rate Application.

Order 12/15, dated January 29, 2015, is the most recent Order setting Centra's Primary Gas rate. Order 89/13, dated August 2, 2013 and arising out of Centra's 2013/14 General Rate Application, approved the current non-Primary Gas Base rates (Basic

Monthly Charge, Supplemental Gas, Transportation, and Distribution rates). On July 24, 2014, in Order 85/14, the Board approved the removal of the non-Primary Gas rate riders originally approved in Order 89/13. In Orders 123/14 and 140/14, the Board approved new non-Primary Gas rate riders. In Order 12/15, the Board amended the Supplemental Gas rate riders. Order 12/15 is the most recent Order to adjust non-Primary Gas rates.

3. Centra Gas Manitoba Inc.'s Application for Primary Gas Rate

On April 15, 2015 Centra applied to the Board for approval of the Primary Gas rate effective February 1, 2015. The Application was filed in accordance with the Board-approved Rate Setting Methodology. The Rate Setting Methodology determines a Primary Gas rate based on the forecast of natural gas prices and includes several factors that reflect the costs Centra incurs in providing Primary Gas to its customers.

Centra's proposed Primary Gas rate is based on futures prices at the AECO trading hub in Alberta. Table 1 reflects the 12 month futures price strip for natural gas taken by Centra on April 2, 2015 and used in the calculation of the May 1, 2015 Primary Gas rate. The futures prices for October 2014 and January 2015, from previous quarterly rate applications, are also shown in Table 1. As can be seen from the table, the April 2015 futures prices have increased compared to the January futures prices.

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

(\$/GJ)	May/15	Jun/15	Jul/15	Aug/15	Sep/15	Oct/15	Nov/15	Dec/15	Jan/16	Feb/16	Mar/16	Apr/16
Oct/14 Strip	3.5100	3.5125	3.5375	3.5450	3.5625	3.6350	-	-	-	-	-	-
Jan/15 Strip	2.450	2.470	2.4925	2.5125	2.5075	2.5575	2.8575	2.9475	3.0925	-	-	-
Apr/15 Strip	2.4501	2.5644	2.5726	2.5830	2.5972	2.6581	2.8299	2.9918	3.0737	3.0522	2.9723	2.7826

Table 2 summarizes Centra's Application for quarterly Primary Gas rates effective May 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

	Component	Costs and Proposed Rates May 1/14	Costs and Proposed Rates August 1/14	Costs and Proposed Rates Nov 1/14	Costs and Proposed Rates Feb 1/15	Costs and Proposed Rates May 1/15
1	Date of Forward Price Strip	April 1, 2014	July 2, 2014	October 1, 2014	January 5, 2015	April 2, 2014
2	12 Month Forward Price per GJ	\$4.493	\$4.137	\$3.928	\$2.833	\$2.982
3	¹ Cost of Gas drawn from Storage	\$2.87	\$2.87	\$4.014	\$3.992	\$3.992
4	Weighted Primary Gas Cost (mix of Gas Supply & Storage Gas costs)	\$4.144	\$3.865	\$3.946	\$3.058	\$3.178
5	Rate per Cubic Metre	\$0.1566	\$0.1461	\$0.1491	\$0.1156	\$0.1201
6	² Base Primary Rate, adding Fuel and Overhead cost component per cubic metre	\$0.1588	\$0.1482	\$0.1513	\$0.1179	\$0.12237
7	Plus (Less) Rate Rider per cubic metre	(\$0.0021)	\$0.0069	\$0.0152	\$0.0073	(\$0.0041)
8	Total Billed Rate (\$/m ³)	\$0.1567	\$0.1551	\$0.1665	\$0.1252	\$0.1183

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/m³ and overhead costs are \$0.00087/m³.

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 (\$/m³) 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.

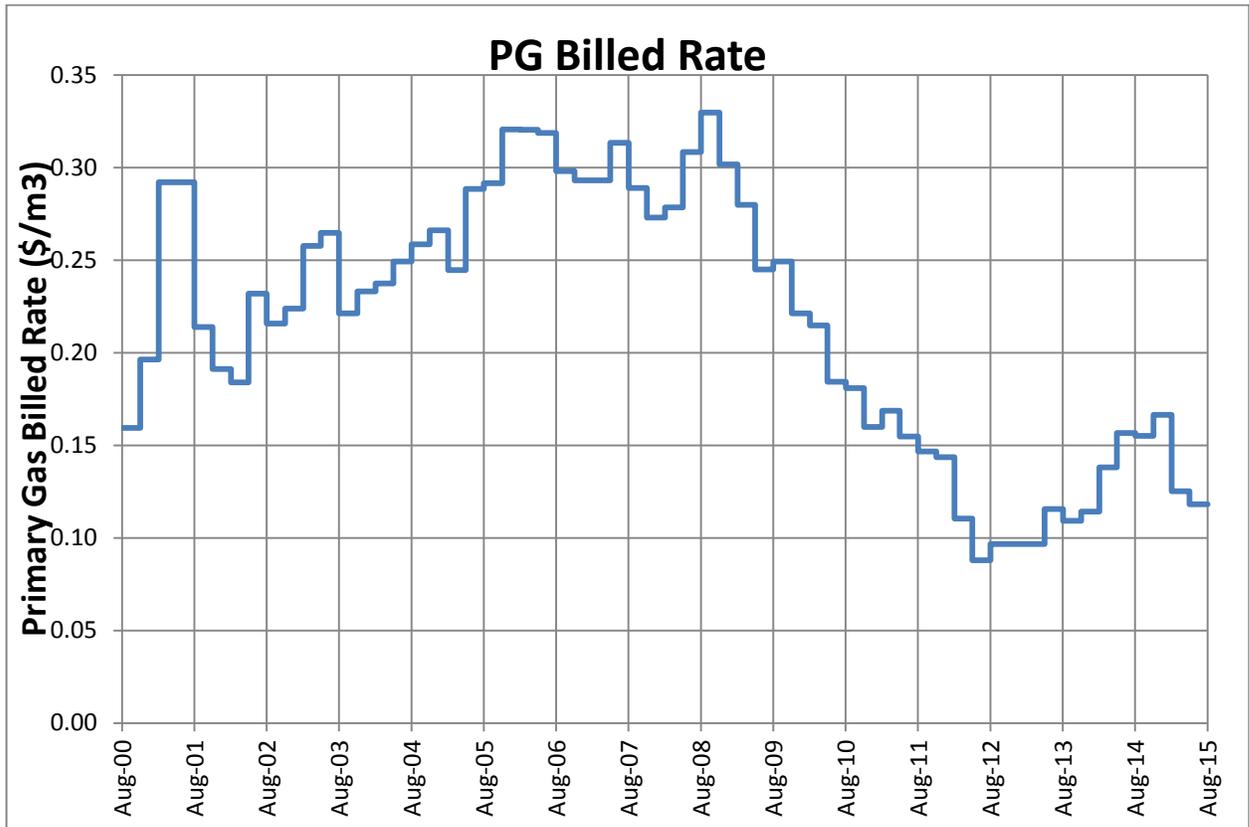
Centra tracks differences between the previously approved Primary Gas rate (and its underlying gas costs) and the actual cost of Primary Gas purchases it incurs. The previously approved Primary Gas rate is based on a forecast of natural gas market prices, and the actual prices Centra pays usually differ 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, money is owed by customers and the amount owing is then collected from customers. When the actual cost of gas is less than was forecasted, money is owed to customers and must be refunded to them.

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 ensure 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 Purchased Gas Variance Account balance for April 30, 2015 is \$4.7 million. The \$4.7 million balance owed to customers will be refunded to customers by way of a rate rider of \$0.0041/m³. The rate rider decreases the Primary Gas Base Rate of \$0.1224/m³ resulting in a Primary Gas Billed Rate of \$0.1183/m³.

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



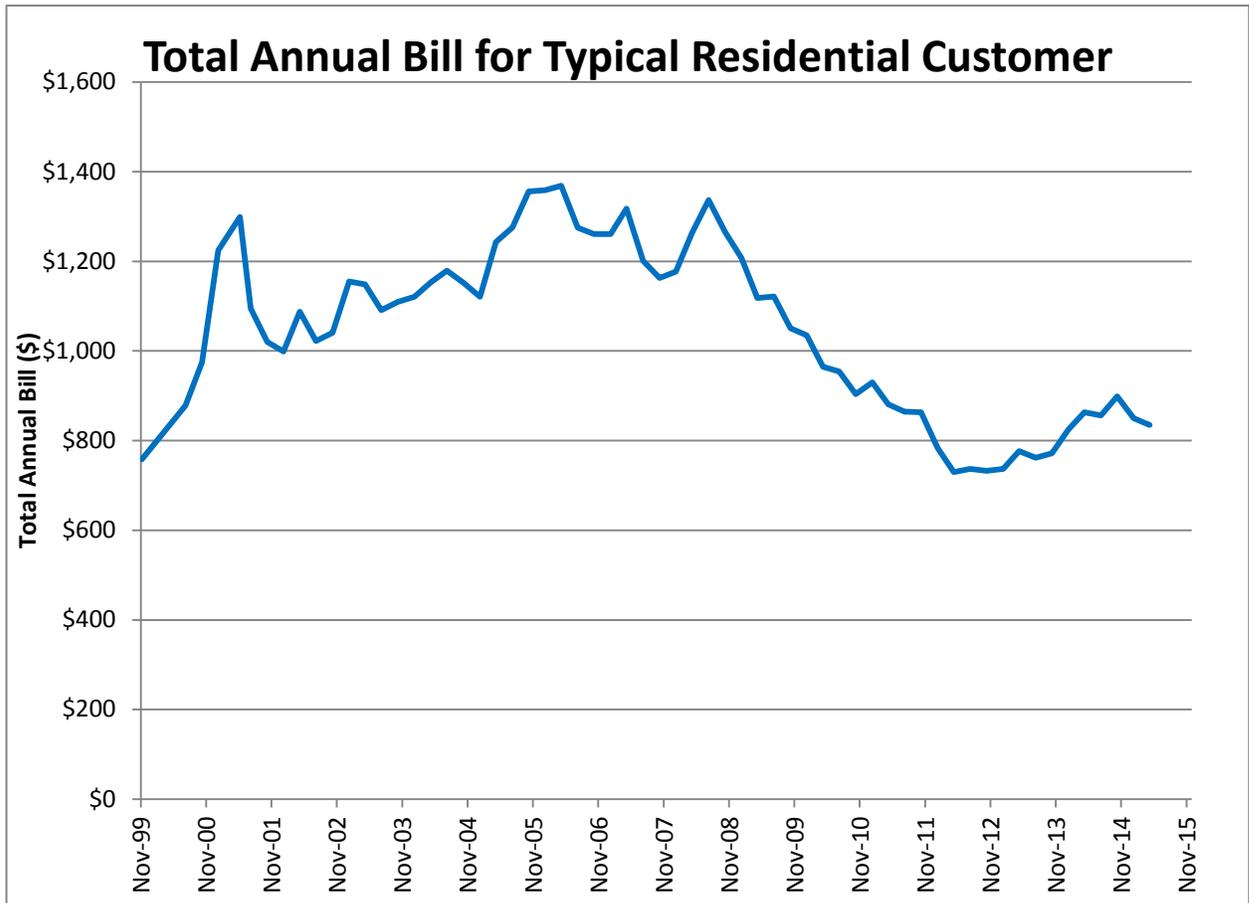
4. Customer Impact

The annualized bill impacts effective May 1, 2015 on the various customer classes resulting from the change in the Primary Gas rate are as follows:

Customer Class	Annualized Rate Decrease (Illustrative)
Small General Service	(1.3%) – (2.0%)
Large General Service	(1.9%) – (2.6%)
High Volume Firm	(2.3%) – (3.1%)
Mainline	(2.8%) – (3.2%)
Interruptible	(2.7%) – (3.2%)

The projected annualized bill impact for a typical residential customer, based on average annual consumption of 2,374 m³ of gas, is a decrease of \$14/year or 1.7% from February 1, 2015 rates.

A graph of the historical annual bill for typical residential customers as a result of all of Centra's rate changes is shown below:



5. Board Findings

Approval

The Board approves Centra's April 15, 2015 Application to amend the Primary Gas Rate. The Primary Gas rate will decrease to \$0.1183/m³ effective May 1, 2015.

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

Notification

Centra is to advise its customers of the change in the Primary Gas rate.

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

6. It Is Therefore Ordered That:

1. The Schedules of Rates attached to this Order as Appendix "A", effective for all gas consumed on and after May 1, 2015, BE AND ARE HEREBY APPROVED on an interim basis.
2. This Interim Order shall be in effect until confirmed or otherwise dealt with by a further Order of the Board.

THE PUBLIC UTILITIES BOARD

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

"Kurt Simonsen"
Acting Secretary

Certified a true copy of Order No. 43/15
issued by The Public Utilities Board

Acting Secretary

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

1	Territory:	Entire natural gas service area of Company, including all zones				
2						
3	Availability:					
4	SGC:	For gas supplied through one domestic-sized meter.				
5	LGC:	For gas delivered through one meter at annual volumes less than 680,000 m ³				
6	HVF:	For gas delivered through one meter at annual volumes greater than 680,000 m ³				
7	CO-OP:	For gas delivered to natural gas distribution cooperatives				
8	MLC:	For gas delivered through one meter to customers served from the Transmission system				
9	Special Contract:	For gas delivered under the terms of a Special Contract with the Company				
10	Power Station:	For gas delivered under the terms of a Special Contract with the Company				
11						
12	Rates:	<u>Distribution to Customers</u>				
		<u>Transportation</u>				<u>Supplemental</u>
		<u>to</u>			<u>Primary Gas</u>	<u>Gas</u>
		<u>Centra</u>	<u>Sales Service</u>	<u>T-Service</u>	<u>Supply</u>	<u>Supply¹</u>
13						
14	Basic Monthly Charge: (\$/month)					
15	Small General Class (SGC)	N/A	\$14.00	N/A	N/A	N/A
16	Large General Class (LGC)	N/A	\$77.00	\$77.00	N/A	N/A
17	High Volume Firm (HVF)	N/A	\$1,221.42	\$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	Monthly Demand Charge (\$/m³/month)					
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	Commodity Volumetric Charge: (\$/m³)					
31	Small General Class (SGC)	\$0.0398	\$0.0943	N/A	\$0.1224	\$0.1605
32	Large General Class (LGC)	\$0.0390	\$0.0416	N/A	\$0.1224	\$0.1605
33	High Volume Firm (HVF)	\$0.0156	\$0.0094	\$0.0094	\$0.1224	\$0.1605
34	Cooperative (CO-OP)	\$0.0045	\$0.0001	\$0.0001	\$0.1224	\$0.1605
35	Main Line Class (MLC)	\$0.0049	\$0.0045	\$0.0045	\$0.1224	\$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		¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.				
40						
41	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
42						
43	Effective:	Rates to be charged for all billings based on gas consumed on and after May 1, 2015.				

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

1	Territory:	Entire natural gas service area of Company, including all zones.				
2						
3	Availability:	For any Consumer at one location whose annual natural gas requirements equal or exceed 680,000m ³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.				
4						
5	Rates:	<u>Distribution to Customers</u>				
6		<u>Transportation to Centra</u>	<u>Sales Service</u>	<u>T-Service</u>	<u>Primary Gas Supply</u>	<u>Supplemental Gas Supply¹</u>
7						
8	Basic Monthly Charge: (\$/month)					
9	Interruptible Service	N/A	\$1,254.45	\$1,254.45	N/A	N/A
10	Mainline Interruptible (with firm delivery)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
11						
12	Monthly Demand Charge (\$/m3/month)					
13	Interruptible Service	\$0.1122	\$0.0851	\$0.0851	N/A	N/A
14	Mainline Interruptible (with firm delivery)	\$0.1726	\$0.1818	\$0.1818	N/A	N/A
15						
16	Commodity Volumetric Charge: (\$/m3)					
17	Interruptible Service	\$0.0095	\$0.0071	\$0.0071	\$0.1224	\$0.1710
18	Mainline Interruptible (with firm delivery)	\$0.0050	\$0.0045	\$0.0045	\$0.1224	\$0.1710
19						
20	Alternate Supply Service:	Negotiated				
21	Gas Supply (Interruptible Sales and Mainline Interruptible)	Cost of Gas				
22	Delivery - Interruptible Class	\$0.0099				
23	Delivery - Mainline Interruptible Class	\$0.0105				
24						
25	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
26						
27	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
28						
29	Effective:	Rates to be charged for all billings based on gas consumed on and after May 1, 2015.				

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

1 **Territory:** Entire natural gas service area of Company, including all zones.
2
3 **Availability:**
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 m³.
6 HVF: For gas delivered through one meter at annual volumes greater than 680,000 m³.
7 Co-op: For gas delivered to natural gas distribution cooperatives.
8 MLC: For gas delivered through one meter to consumers served from the Transmission system.
9 Special Contract: For gas delivered under the terms of a Special Contract with the Company.
10 Power Station: For gas delivered under the terms of a Special Contract with the Company.
11

12 **Rates:**

	Distribution to Customers					
	Transportation to Centra	Sales Service			Primary Gas Supply	Supplemental Gas Supply ¹
		Sales Service	T-Service	T-Service		
13 Basic Monthly Charge: (\$/month)						
14						
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 Class (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						
24 Monthly Demand Charge (\$/m³/month)						
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) (Firm)	\$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 Commodity Volumetric Charge: (\$/m³)						
32 Small General Class (SGC)	\$0.0395	\$0.1185	N/A	\$0.1183	\$0.1605	
33 Large General Class (LGC)	\$0.0384	\$0.0657 ²	N/A	\$0.1183	\$0.1605	
34 High Volume Firm Class (HVF)	\$0.0049	\$0.0337 ³	\$0.0091 ⁴	\$0.1183	\$0.1605	
35 Cooperative (Co-op)	\$0.0045	\$0.0001	\$0.0001	\$0.1183	\$0.1605	
36 Main Line Class (MLC) (Firm)	\$0.0068	\$0.0291	\$0.0045 ⁴	\$0.1183	\$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 ¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.

41 ² LGC distribution commodity rate for former INT customers who migrate on or after May 1, 2014 is \$0.0482/m³

42 ³ HVF distribution commodity rate for former INT customers who migrate on or after May 1, 2014 is \$0.0161/m³

43 ⁴ 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 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.
46

47 **Effective:** Rates to be charged for all billings based on gas consumed on and after May 1, 2015.

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

1 **Territory:** Entire natural gas service area of Company, including all zones.

2

3 **Availability:** For any Consumer at one location whose annual natural gas requirements equal or exceed 680,000m³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.

4

5 **Rates:**

6

	Distribution to Customers				Primary Gas Supply	Supplemental Gas Supply ¹
	Transportation to Centra	Sales Service		T-Service		

7

8 **Basic Monthly Charge: (\$/month)**

9 Interruptible Service	N/A	\$1,254.45	\$1,254.45	N/A	N/A
10 Mainline Interruptible (with firm delivery)	N/A	\$1,247.13	\$1,247.13	N/A	N/A

11

12 **Monthly Demand Charge (\$/m³/month)**

13 Interruptible Service	\$0.1232	\$0.0855	\$0.0855	N/A	N/A
14 Mainline Interruptible (with firm delivery)	\$0.1896	\$0.1816	\$0.1816	N/A	N/A

15

16 **Commodity Volumetric Charge: (\$/m³)**

17 Interruptible Service	\$0.0037	\$0.0145	\$0.0074	\$0.1183	\$0.1710
19 Mainline Interruptible (with firm delivery)	-\$0.0011	\$0.0291	\$0.0045	\$0.1183	\$0.1710

20

21 **Alternate Supply Service:**

22 Gas Supply (Interruptible Sales and Mainline Interruptible)	Negotiated
23 Delivery Service - Interruptible Class	Cost of Gas \$0.0173
24 Delivery Service - Mainline Interruptible Class	\$0.0351

25

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

27

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

29

30 **Effective:** Rates to be charged for all billings based on gas consumed on and after May 1, 2015.