

Order No. 117/17

**CENTRA GAS MANITOBA INC.:
PRIMARY GAS RATE APPLICATION, EFFECTIVE NOVEMBER 1, 2017**

October 26, 2017

BEFORE: Larry Ring, Q.C., Panel Chair
Robert T. Gabor, Q.C., Board Chair
Carol Hainsworth, C.B.A., Member
Marilyn Kapitany, B.Sc.(Hon), M.Sc., Member
Susan Nemec, FCPA, FCA, Member

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1.0 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 \$0.0831/m³ effective November 1, 2017. The current rate is \$0.0921/m³ for Primary Gas consumed on or after August 1, 2017. For a typical residential customer, the effect of the Primary Gas rate change is an annual bill decrease of 2.7% (or \$19 per year).

Primary Gas is a pass-through cost for Centra, meaning that Centra charges customers what 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.

Primary Gas rates are reviewed quarterly. The next quarterly rate adjustment will be for Primary Gas consumed on or after February 1, 2018.

2.0 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 that is sourced by Centra under its Western Canadian gas supply contract, which is priced quarterly by Centra, or gas purchased by consumers 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. 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) - is the cost of transporting natural gas to Manitoba, including charges for pipelines not owned by Centra and the cost of gas storage facilities, and is applicable to the majority of Centra's customers;
- Distribution (to Customer) – is the cost of delivering natural gas to a customer's home or business, including the cost of facilities and pipelines owned by Centra, as well as the operation and maintenance costs for the distribution system and a small cost component related to unaccounted-for gas;
- Basic Monthly Charge - is the cost 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 quarterly amendment (February 1, May 1, August 1, and November 1). 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 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 79/17, dated July 28, 2017, is the most recent Order setting Centra's Primary Gas rate. Order 108/15, dated October 29, 2015, approved new Supplemental Gas, Transportation, and Distribution base rates. Order 89/13, dated August 2, 2013 and arising out of Centra's 2013/14 General Rate Application, approved new Basic Monthly Charges. Order 79/17 is the most recent Order to adjust non-Primary Gas rates as it reverted the non-gas components of rates per Order 108/15 Directive 5 for all customer classes, except for the Special Contract and Power Station customer classes.

3.0 Centra's Application for Primary Gas Rate

On October 11, 2017, Centra applied to the Board for approval of the Primary Gas rate effective November 1, 2017. 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 Primary Gas rate is based on futures prices at AECO, a major gas trading hub in Alberta. Table 1 reflects the 12 month futures price strip¹ for natural gas taken by Centra on October 2, 2017 and used in the calculation of the proposed November 1, 2017 Primary Gas rate. The futures strip prices for April and July 2017 from previous quarterly rate applications are also shown in Table 1. As can be seen from the table, the October 2017 futures prices have decreased compared to the July futures prices.

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

(\$/GJ)	Nov/17	Dec/17	Jan/18	Feb/18	Mar/18	Apr/18	May/18	Jun/18	Jul/18	Aug/18	Sep/18	Oct/18
Apr Strip	2.7861	2.9621	3.0407	3.0335	2.9303	2.3132						
Jul Strip	2.3971	2.5735	2.6535	2.6552	2.5951	2.2327	2.2174	2.2479	2.2692			
Oct Strip	2.0410	2.2984	2.4168	2.4268	2.3415	2.0300	1.9779	1.9678	1.9601	1.9560	1.9401	2.0225

¹ A price strip is a gas price forecast for a specific period or "strip" of time based on the market prices of gas as traded on an exchange.

Table 2 summarizes Centra's Application for the quarterly Primary Gas rate effective November 1, 2017. 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 Nov 1/16	Costs and Proposed Rates Feb 1/17	Costs and Proposed Rates May 1/17	Costs and Proposed Rates Aug 1/17	Costs and Proposed Rates Nov 1/17
1	Date of Forward Price Strip	October 3, 2016	January 3, 2017	April 3, 2017	July 4, 2017	October 2, 2017
2	Weighted Primary Gas Cost (mix of Gas Supply & Storage Gas costs)	\$2.810	\$3.047	\$2.845	\$2.569	\$2.416
3	Rate per Cubic Metre	\$0.1062	\$0.1152	\$0.1076	\$0.0971	\$0.0913
4	¹ Base Primary Rate, adding Fuel and Overhead cost component per cubic metre	\$0.1087	\$0.1178	\$0.1101	\$0.1001	\$0.0942
5	Plus (Less) Rate Rider per cubic metre	(\$0.0113)	(\$0.0051)	(\$0.0084)	(\$0.0080)	(\$0.0111)
6	Total Billed Rate (\$/m ³)	\$0.0974	\$0.1127	\$0.1017	\$0.0921	\$0.0831

Notes:

1. Compressor fuel costs are \$0.0013/m³ and overhead costs are \$0.00164/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 Manitoba consumers. This weighted price 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 volumes that Centra withdraws from its storage facility, and is shown in row 2 of Table 2 as the Weighted Primary Gas Cost (mix of Gas

Supply & Storage Gas costs).² The Weighted Primary Gas Cost per gigajoule is then converted to units of dollars per cubic metre (\$/m³) and is shown in row 3 of Table 2.

Centra incurs compressor fuel costs, which relate to fuel used by pipeline compressors in order to transport 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 4 of Table 2.

Centra tracks differences between the previously approved Primary Gas rate (and its underlying gas costs) and the actual cost of purchases it incurs. The previously approved Primary Gas rate is based on a forecast of natural gas market prices, and the prices Centra actually 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 what was forecasted, a positive balance accrues in the PGVA, which is then collected from customers. When the actual cost of gas is less than what was forecasted, a negative balance accrues in the PGVA and this is refunded to customers. A Primary Gas rate rider is used to account for these differences between forecasted and actual costs of Primary Gas.

A Primary Gas rate rider recovers from or repays to customers the balance in the PGVA, with interest.³ Utilization of the PGVA and rate rider ensures that customers' costs are adjusted so that customers are paying for the actual cost of gas 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

² Due to significant seasonal and daily weather and resulting demand swings in Manitoba, Centra makes use of seasonal gas storage facilities in order to optimize its gas supply portfolio costs and reliability. This includes relying partially on storing gas in the summer months and retrieving it from storage during the winter months.

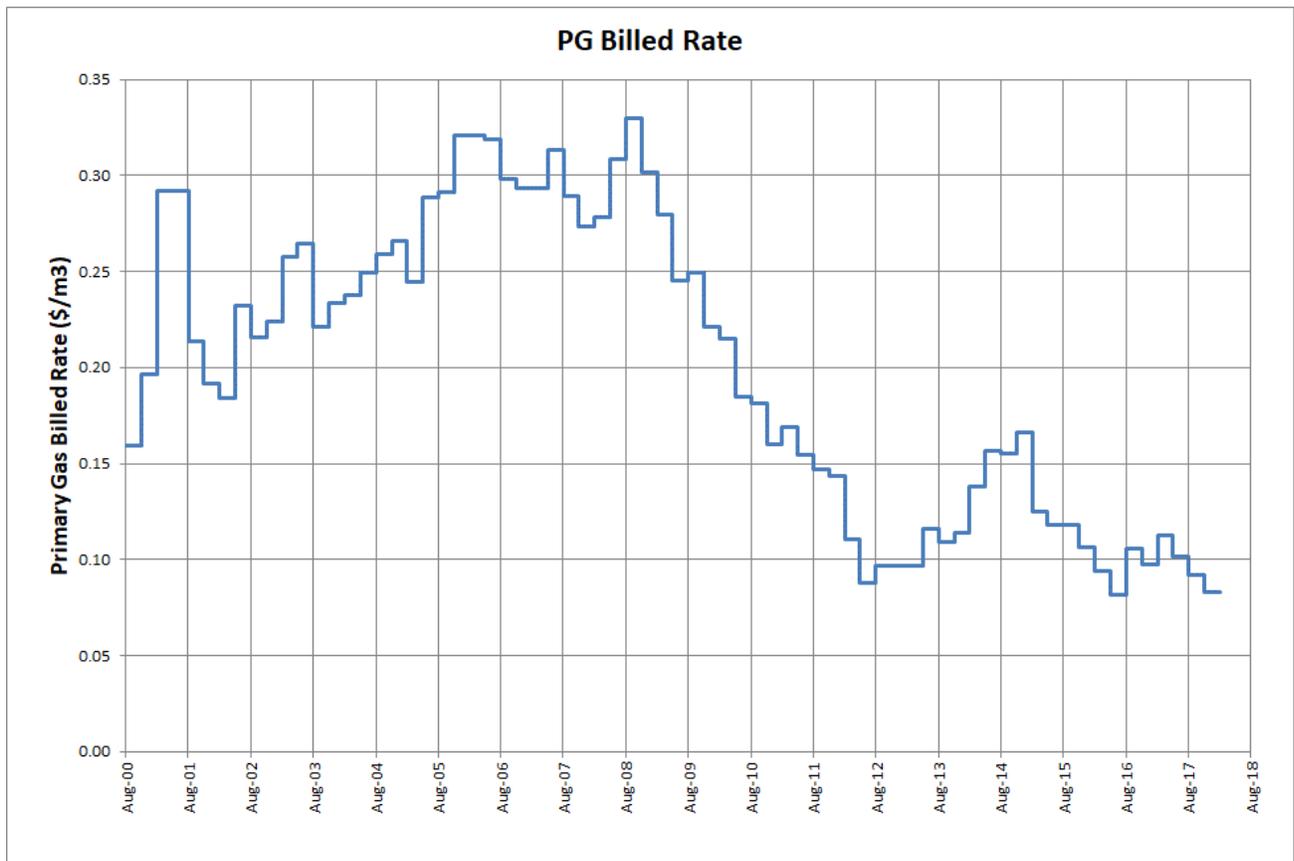
³ Interest is determined based on Centra's actual cost of borrowing, which reflects the carrying cost, to Centra, of the PGVA balance.

is shown in row 5 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 6 of Table 2, and this is the rate that Centra uses to calculate the bills of its Primary Gas customers.

The forecasted PGVA balance for October 31, 2017 is \$13.6 million owing to customers. This will be refunded to customers by way of a rate rider of \$0.0111/m³ resulting in a Primary Gas Billed Rate of \$0.0831/m³ as shown in row 6 of Table 2.

The following chart graphically shows the Primary Gas Billed Rate from August 1, 2000 up to and including the proposed November 1, 2017 rate.



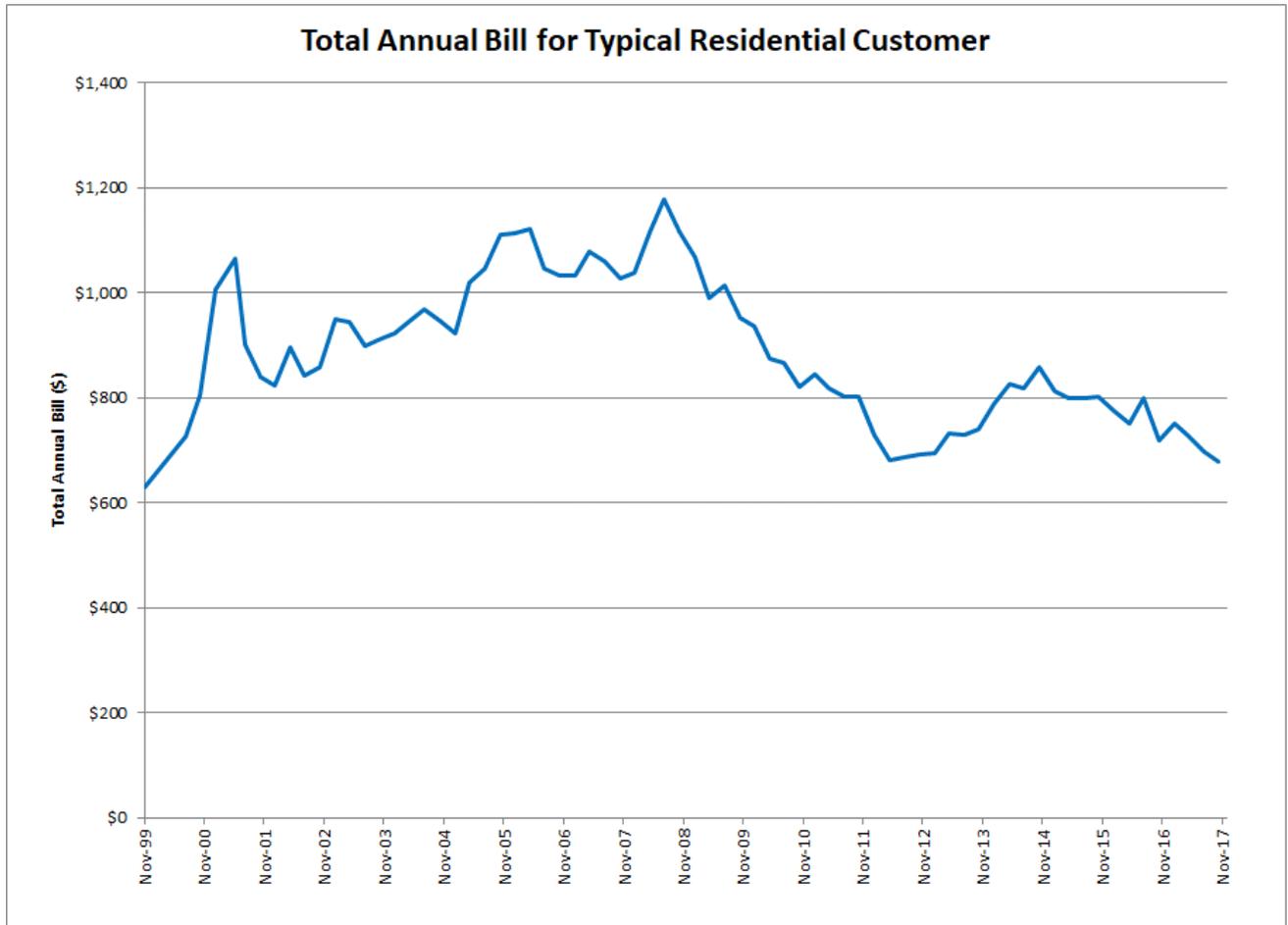
4.0 Customer Impact

The annualized bill impacts effective November 1, 2017 on the various customer classes resulting from the change in the Primary Gas rate are as follows:

Customer Class	Annualized Bill Change (Illustrative)
Small General Service	(2.1%) – (3.4%)
Large General Service	(3.2%) – (4.6%)
High Volume Firm	(4.3%) – (5.9%)
Mainline	(4.9%) – (6.2%)
Interruptible	(5.1%) – (6.4%)

The projected combined annualized bill impact for a typical residential customer, based on average annual consumption of 2,243 m³ of gas, is a decrease of \$19 per year or 2.7% from August 1, 2017 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:



5.0 Board Findings

The Board considers the information filed by Centra on October 11, 2017 to be Centra's evidence in support of its interim ex parte Application.

Approval

As Centra's October 11, 2017 Application and supporting evidence 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 \$0.0831/m³ effective November 1, 2017.

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 February 1, 2018.

Notification

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

6.0 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 November 1, 2017, 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.

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

"Kurt Simonsen"
Associate Secretary

Certified a true copy of Order No. 117/17
issued by The Public Utilities Board



Associate 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>Supply</u> ¹
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	\$1,118.31	\$1,118.31	N/A	N/A
18	Cooperative (CO-OP)	N/A	\$274.06	\$274.06	N/A	N/A
19	Main Line Class (MLC)	N/A	\$2,353.33	\$2,353.33	N/A	N/A
20	Special Contract	N/A	N/A	\$117,914.17	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)	\$0.3074	\$0.1503	\$0.1503	N/A	N/A
25	Cooperative (CO-OP)	\$0.4681	\$0.1298	\$0.1298	N/A	N/A
26	Main Line Class (MLC)	\$0.5456	\$0.1576	\$0.1576	N/A	N/A
27	Special Contract	N/A	N/A	N/A	N/A	N/A
28	Power Station	N/A	N/A	\$0.0048	N/A	N/A
29						
30	Commodity Volumetric Charge: (\$/m³)					
31	Small General Class (SGC)	\$0.0538	\$0.0866	N/A	\$0.0942	\$0.1559
32	Large General Class (LGC)	\$0.0516	\$0.0357	N/A	\$0.0942	\$0.1559
33	High Volume Firm (HVF)	\$0.0196	\$0.0073	\$0.0073	\$0.0942	\$0.1559
34	Cooperative (CO-OP)	\$0.0057	\$0.0001	\$0.0001	\$0.0942	\$0.1559
35	Main Line Class (MLC)	\$0.0060	\$0.0012	\$0.0012	\$0.0942	\$0.1559
36	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
37	Power Station	N/A	N/A	\$0.0083	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 Nov 1, 2017.				

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	\$1,042.72	\$1,042.72	N/A	N/A
10	Mainline Interruptible (with firm delivery)	N/A	\$2,353.33	\$2,353.33	N/A	N/A
11						
12	Monthly Demand Charge (\$/m3/month)					
13	Interruptible Service	\$0.1429	\$0.0772	\$0.0772	N/A	N/A
14	Mainline Interruptible (with firm delivery)	\$0.2199	\$0.1576	\$0.1576	N/A	N/A
15						
16	Commodity Volumetric Charge: (\$/m3)					
17	Interruptible Service	\$0.0115	\$0.0066	\$0.0066	\$0.0942	\$0.1560
18	Mainline Interruptible (with firm delivery)	\$0.0061	\$0.0012	\$0.0012	\$0.0942	\$0.1560
19						
20	Alternate Supply Service:					
21	Gas Supply (Interruptible Sales and Mainline Interruptible)				Negotiated	
22	Delivery - Interruptible Class				Cost of Gas	
23	Delivery - Mainline Interruptible Class				\$0.0092	
24					\$0.0064	
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 Nov 1, 2017.				

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 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 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			Primary	Supplemental
		Centra	Sales Service	T-Service	Gas	Gas
					Supply	Supply¹
13						
14						
15	Basic Monthly Charge: (\$/month)					
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 Class (HVF)	N/A	\$1,118.31	\$1,118.31	N/A	N/A
19	Cooperative (Co-op)	N/A	\$274.06	\$274.06	N/A	N/A
20	Main Line Class (MLC)	N/A	\$2,353.33	\$2,353.33	N/A	N/A
21	Special Contract	N/A	N/A	\$117,914.17	N/A	N/A
22	Power Station	N/A	N/A	\$8,026.07	N/A	N/A
23						
24	Monthly Demand Charge (\$/m³/month)					
25	High Volume Firm Class (HVF)	\$0.3074	\$0.1503	\$0.1503	N/A	N/A
26	Cooperative (Co-op)	\$0.4681	\$0.1298	\$0.1298	N/A	N/A
27	Main Line Class (MLC) (Firm)	\$0.5456	\$0.1576	\$0.1576	N/A	N/A
28	Special Contract	N/A	N/A	N/A	N/A	N/A
29	Power Station	N/A	N/A	\$0.0048	N/A	N/A
30						
31	Commodity Volumetric Charge: (\$/m³)					
32	Small General Class (SGC)	\$0.0538	\$0.0866	N/A	\$0.0831	\$0.1559
33	Large General Class (LGC)	\$0.0516	\$0.0357	N/A	\$0.0831	\$0.1559
34	High Volume Firm Class (HVF)	\$0.0196	\$0.0073	\$0.0073	\$0.0831	\$0.1559
35	Cooperative (Co-op)	\$0.0057	\$0.0001	\$0.0001	\$0.0831	\$0.1559
36	Main Line Class (MLC) (Firm)	\$0.0060	\$0.0012	\$0.0012	\$0.0831	\$0.1559
37	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
38	Power Station	N/A	N/A	\$0.0083	N/A	N/A
39						
40	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
41						
42						
43						
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 Nov 1, 2017.				

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

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

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.

Rates:	Distribution to Customers				Primary Gas Supply	Supplemental Gas Supply¹
	Transportation to Centra	Sales Service	T-Service			
Basic Monthly Charge: (\$/month)						
Interruptible Service	N/A	\$1,042.72	\$1,042.72		N/A	N/A
Mainline Interruptible (with firm delivery)	N/A	\$2,353.33	\$2,353.33		N/A	N/A
Monthly Demand Charge (\$/m³/month)						
Interruptible Service	\$0.1429	\$0.0772	\$0.0772		N/A	N/A
Mainline Interruptible (with firm delivery)	\$0.2199	\$0.1576	\$0.1576		N/A	N/A
Commodity Volumetric Charge: (\$/m³)						
Interruptible Service	\$0.0115	\$0.0066	\$0.0066		\$0.0831	\$0.1560
Mainline Interruptible (with firm delivery)	\$0.0061	\$0.0012	\$0.0012		\$0.0831	\$0.1560
Alternate Supply Service:						
Gas Supply (Interruptible Sales and Mainline Interruptible)			Negotiated Cost of Gas			
Delivery Service - Interruptible Class			\$0.0092			
Delivery Service - Mainline Interruptible Class			\$0.0064			

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

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

Effective: Rates to be charged for all billings based on gas consumed on and after Nov 1, 2017.