

M A N I T O B A) **Order No. 42/14**
)
THE PUBLIC UTILITIES BOARD ACT) **April 23, 2014**

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

CENTRA GAS MANITOBA INC.: PRIMARY GAS RATE EFFECTIVE MAY 1, 2014

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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 increase the current Primary Gas rate to \$0.1567/m³ effective May 1, 2014. The Primary Gas billed rate approved by the Board for February 1, 2014 was \$0.1382/m³. The interim approved rate of \$0.1567/m³ rate will continue until further Order of the Board. No other components of Centra's rates are changed by this Order.

2. Introduction

Centra is a wholly-owned subsidiary of Manitoba Hydro, and is Manitoba's largest natural gas distributor. 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 - quarterly-priced system gas from Centra or gas purchased by fixed-price contract customers from either Centra or independent gas marketers and brokers;
- Supplemental Gas - applicable to the majority of customers, whether provided quarterly-priced Primary Gas by Centra or through fixed-price 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 is the cost of delivering natural gas to a customer's home or business, including the cost of pipe 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.

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 through the deferral of a public review of rates to the annual Cost of Gas hearing or General Rate Application.

Non-Primary Gas components of Centra's rates, for all customers including those receiving natural gas through fixed-price contracts, are also periodically reviewed and approved by the Board. These non-Primary Gas rate reviews occur either through the annual Cost of Gas hearing, which also provides for the finalization of past interim quarterly Primary Gas rate changes, or in the context of a General Rate Application.

Order 6/14, dated January 23, 2014, 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 non-Primary Gas rates (Basic Monthly Charge, Supplemental Gas, Transportation, and Distribution rates).

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

On April 9, 2014 Centra applied to the Board for approval of the Primary Gas rate effective May 1, 2014. 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 the AECO trading hub in Alberta. Table 1 reflects the 12 month futures price strip for natural gas taken by Centra on April 1, 2014 and used in the calculation of the May 1, 2014 Primary Gas rate. The futures strip prices from October 2013 and January 2014 from previous quarterly rate applications are also shown in Table 1. As can be seen from the table, the April 2014 futures prices have increased compared to the October and January futures prices.

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

	May/14	Jun/14	Jul/14	Aug/14	Sep/14	Oct/14	Nov/14	Dec/14	Jan/15	Feb/15	Mar/15	Apr/15
Oct Strip	3.34	3.335	3.335	3.36	3.365	3.435	-	-	-	-	-	-
Jan Strip	3.7675	3.7525	3.745	3.7525	3.750	3.790	3.8425	3.9375	3.970	-	-	-
Apr Strip	4.3011	4.2675	4.2700	4.2850	4.3125	4.3725	4.4850	4.5400	4.5900	4.5775	4.5375	3.7250

Table 2 summarizes Centra's Application for quarterly Primary Gas rates effective May 1, 2014. 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 1/13	Costs and Proposed Rates Aug 1/13	Costs and Proposed Rates Nov 1/13	Costs and Proposed Rates Feb 1/14	Costs and Proposed Rates May 1/14
1	Date of Forward Price Strip	Apr 2, 2013	Jul 2, 2013	Oct 1, 2013	Jan 6, 2014	Apr 1, 2014
2	12 Month Forward Price per GJ	\$3.564	\$3.277	\$3.353	\$3.926	\$4.493
3	¹ Cost of Gas drawn from Storage	\$2.813	\$2.813	\$2.884	\$2.87	\$2.87
4	Weighted Primary Gas Cost (mix of Gas Supply & Storage Gas costs)	\$3.407	\$3.180	\$3.255	\$3.699	\$4.144
5	Rate per Cubic Metre	\$0.1288	\$0.1202	\$0.1230	\$0.1398	\$0.1566
6	² Base Primary Rate, adding Fuel and Overhead cost component per cubic metre	\$0.13114	\$0.12178	\$0.12457	\$0.14187	\$0.1588
7	Plus (Less) Rate Rider per cubic metre	(\$0.0154)	(\$0.0126)	(\$0.0104)	(\$0.0037)	(\$0.0021)
8	Total Billed Rate (\$/m ³)	\$0.1157	\$0.1092	\$0.1142	\$0.1382	\$0.1567

Notes:

1. The most recent cost of gas drawn from storage reflects the actual cost of gas in storage as of October 31, 2013 following the April to October 2013 injection season.
2. Compressor fuel costs are \$0.0013/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 ($\$/m^3$) 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 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.

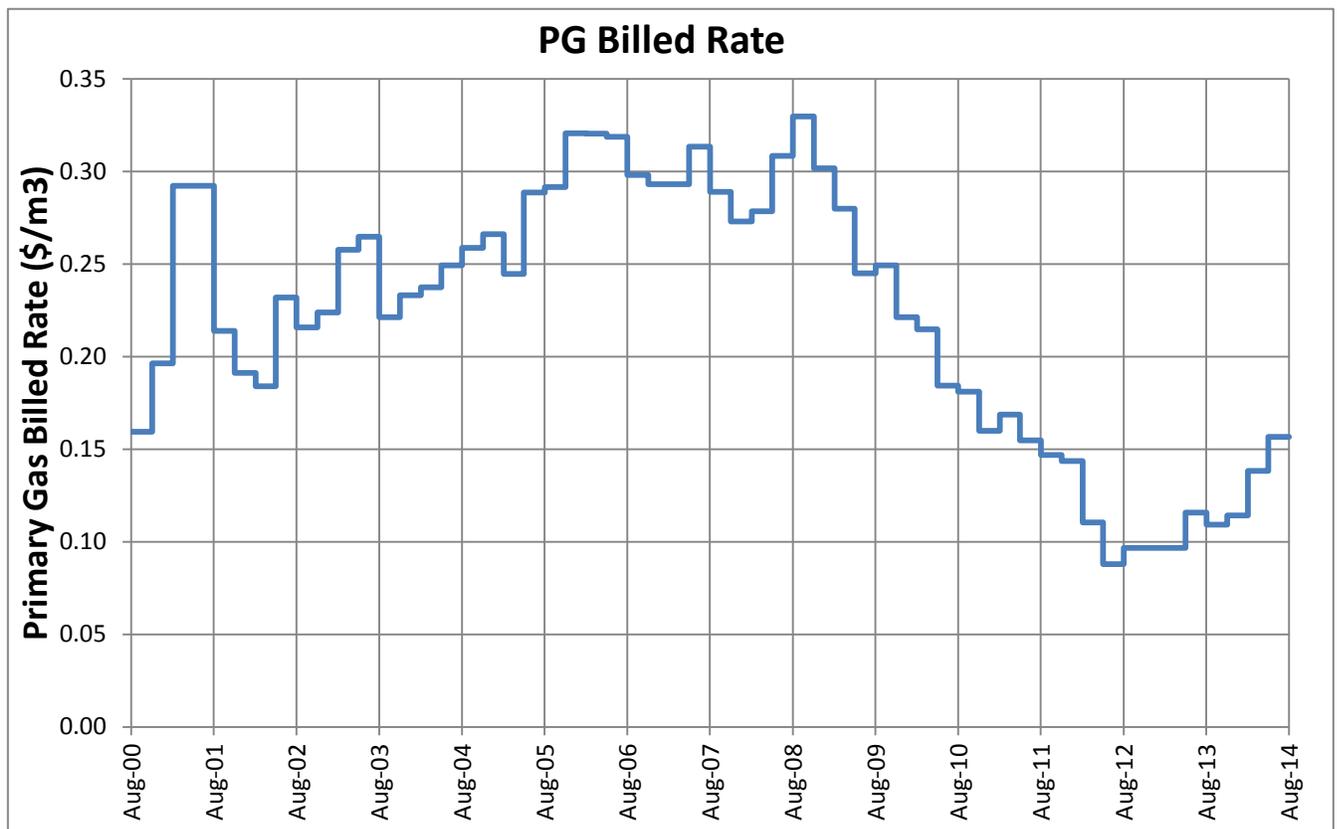
Centra tracks differences between the previously approved Primary Gas rate (and its underlying gas costs) and the actual cost of purchases it incurs. The previously approved Primary Gas rate is based on a forecast of natural gas market prices, and the actual prices Centra pays usually differ from that forecast. These differences are tracked in a Purchased Gas Variance Account. When the actual cost of gas is greater than was forecasted, a positive balance accrues in the Purchased Gas Variance Account which is then collected from customers. When the actual cost of gas is less than was forecasted, a negative balance accrues in the Purchased Gas Variance Account and this is refunded to customers. Rate riders recover from or repay to customers these balances in the Purchased Gas Variance Account, with interest. Utilization of the Purchased Gas Variance Account and rate riders 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 Purchased Gas Variance Account by the volumes Centra forecasts to flow in the upcoming twelve months, and is shown in row 7 of Table 2.

If the Purchased Gas Variance Account balance is not brought to zero with the rate riders, 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, 2014 is \$2.2 million. The \$2.2 million balance will be refunded to customers by way of a rate rider of \$0.0021/m³. The rate rider reduces the Primary Gas Base Rate of \$0.1588/m³ resulting in a Primary Gas Billed Rate of \$0.1567/m³.

The following chart graphically shows the Primary Gas Billed Rate from August 1, 2000 up to and including the proposed May 1, 2014 rate.



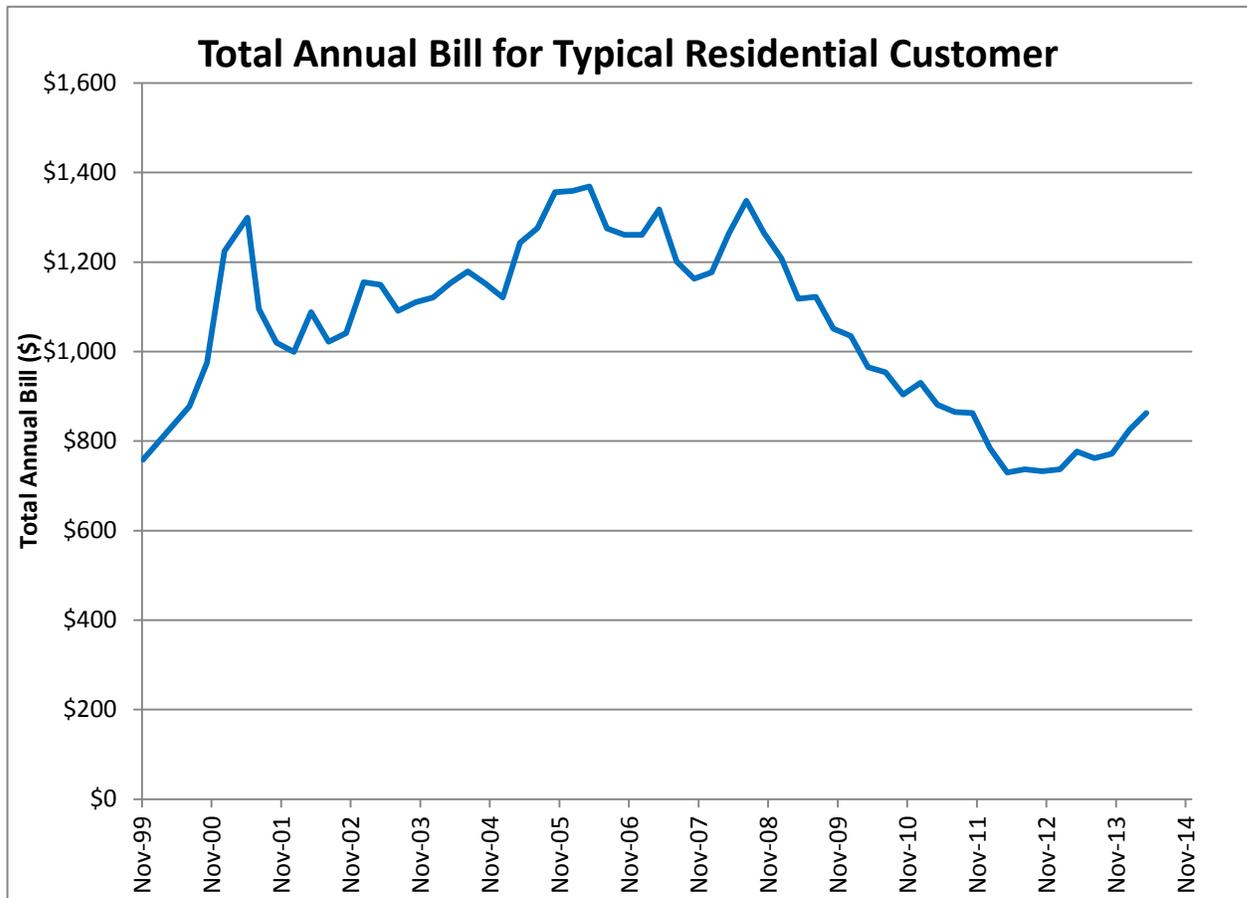
4. Customer Impact

The annualized bill impacts effective May 1, 2014 on the various customer classes are as follows:

Customer Class	Annualized Rate Increase (Illustrative)
Small General Service	3.6% - 5.5%
Large General Service	5.3% - 7.2%
High Volume Firm	6.7% - 9.1%
Mainline	8.4% - 9.4%
Interruptible	7.0% - 8.6%

The projected annualized bill impact for a typical residential customer, based on average annual consumption of 2,374 m³ of gas, is an increase of \$38/year (or 4.6%) from February 1, 2014 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

As Centra's April 9, 2014 Application properly reflects the Board-approved Rate Setting Methodology, the Board will approve Centra's Application to amend the Primary Gas rate. The Primary Gas rate will increase to \$0.1567/m³ effective May 1, 2014.

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, 2014.

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, 2014, 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, MBA, CGA"
Chair

"Kurt Simonsen, P.Eng."

Acting Secretary

Certified a true copy of Order No. 42/14
issued by The Public Utilities Board

Acting Secretary

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

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

Availability:

SGC: For gas supplied through one domestic-sized meter.
LGC: For gas delivered through one meter at annual volumes less than 680,000 m³
HVF: For gas delivered through one meter at annual volumes greater than 680,000 m³
CO-OP: For gas delivered to natural gas distribution cooperatives
MLC: For gas delivered through one meter to customers served from the Transmission system
Special Contract: For gas delivered under the terms of a Special Contract with the Company
Power Station: For gas delivered under the terms of a Special Contract with the Company

Rates:

	<u>Distribution to Customers</u>				
	Transportation to				Supplemental Gas Supply ¹
	Centra	Sales Service	T-Service	Primary Gas Supply	
Basic Monthly Charge: (\$/month)					
Small General Class (SGC)	N/A	\$14.00	N/A	N/A	N/A
Large General Class (LGC)	N/A	\$77.00	\$77.00	N/A	N/A
High Volume Firm (HVF)	N/A	\$1,221.42	\$1,221.42	N/A	N/A
Cooperative (CO-OP)	N/A	\$318.21	\$318.21	N/A	N/A
Main Line Class (MLC)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
Special Contract	N/A	N/A	\$117,970.11	N/A	N/A
Power Station	N/A	N/A	\$8,026.07	N/A	N/A
Monthly Demand Charge (\$/m³/month)					
High Volume Firm Class (HVF)	\$0.2386	\$0.1666	\$0.1666	N/A	N/A
Cooperative (CO-OP)	\$0.3702	\$0.1310	\$0.1310	N/A	N/A
Main Line Class (MLC)	\$0.3782	\$0.1818	\$0.1818	N/A	N/A
Special Contract	N/A	N/A	N/A	N/A	N/A
Power Station	N/A	N/A	\$0.0045	N/A	N/A
Commodity Volumetric Charge: (\$/m³)					
Small General Class (SGC)	\$0.0398	\$0.0943	N/A	\$0.1588	\$0.1605
Large General Class (LGC)	\$0.0390	\$0.0416	N/A	\$0.1588	\$0.1605
High Volume Firm (HVF)	\$0.0156	\$0.0094	\$0.0094	\$0.1588	\$0.1605
Cooperative (CO-OP)	\$0.0045	\$0.0001	\$0.0001	\$0.1588	\$0.1605
Main Line Class (MLC)	\$0.0049	\$0.0045	\$0.0045	\$0.1588	\$0.1605
Special Contract	N/A	N/A	\$0.0001	N/A	N/A
Power Station	N/A	N/A	\$0.0080	N/A	N/A

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

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

Effective: Rates to be charged for all billings based on gas consumed on and after May 1, 2014.

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:					
6		<u>Distribution to Customers</u>				
		<u>Transportation</u>			<u>Primary</u>	<u>Supplemental</u>
		<u>to</u>			<u>Gas</u>	<u>Gas</u>
		<u>Centra</u>	<u>Sales Service</u>	<u>T-Service</u>	<u>Supply</u>	<u>Supply</u> ¹
7		<hr/>				
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	\$0.1588	\$0.1710
18	Mainline Interruptible (with firm delivery)	\$0.0050	\$0.0045	\$0.0045	\$0.1588	\$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, 2014.				

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			Primary Gas	Supplemental Gas
		to			Supply	Supply¹
		Centra	Sales Service	T-Service		
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	\$1,221.42	\$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	Monthly Demand Charge (\$/m³/month)					
25	High Volume Firm Class (HVF)	\$0.3619	\$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)	\$0.2594	\$0.1815	\$0.1815	N/A	N/A
28	Special Contract	N/A	N/A	N/A	N/A	N/A
29	Power Station	N/A	N/A	\$0.0046	N/A	N/A
30						
31	Commodity Volumetric Charge: (\$/m³)					
32	Small General Class (SGC)	\$0.0508	\$0.0848	N/A	\$0.1567	\$0.1605
33	Large General Class (LGC)	\$0.0504	\$0.0320	N/A	\$0.1567	\$0.1605
34	High Volume Firm Class (HVF)	\$0.0125	\$0.0094	\$0.0074	\$0.1567	\$0.1605
35	High Volume Firm Class (HVF) Refund		-\$0.0096			
36	Cooperative (Co-op)	\$0.0045	\$0.0001	\$0.0001	\$0.1567	\$0.1605
37	Main Line Class (MLC) (Firm)	\$0.0147	\$0.0045	\$0.0029	\$0.1567	\$0.1605
38	Main Line Class (MLC) Refund		-\$0.0091			
39	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
40	Power Station	N/A	N/A	\$0.0080	N/A	N/A
41						
42						
43	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
44						
45	Effective:	Rates to be charged for all billings based on gas consumed on and after May 1, 2014.				

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				
	Transportation to Centra	Sales Service	T-Service	Primary Gas Supply	Supplemental Gas Supply¹
Basic Monthly Charge: (\$/month)					
Interruptible Service	N/A	\$1,254.45	\$1,254.45	N/A	N/A
Mainline Interruptible (with firm delivery)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
Monthly Demand Charge (\$/m³/month)					
Interruptible Service	\$0.1571	\$0.0855	\$0.0855	N/A	N/A
Mainline Interruptible (with firm delivery)	\$0.2417	\$0.1815	\$0.1815	N/A	N/A
Commodity Volumetric Charge: (\$/m³)					
Interruptible Service	\$0.0138	\$0.0071	\$0.0051	\$0.1567	\$0.1710
Interruptible Service Refund		-\$0.0128			
Mainline Interruptible (with firm delivery)	\$0.0082	\$0.0045	\$0.0029	\$0.1567	\$0.1710
Alternate Supply Service:					
Gas Supply (Interruptible Sales and Mainline Interruptible)			Negotiated Cost of Gas		
Delivery Service - Interruptible Class			\$0.0099		
Delivery Service - Mainline Interruptible Class			\$0.0105		

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 May 1, 2014.