

4 **CENTRA GAS MANITOBA INC.**  
5 **2019/20 GENERAL RATE APPLICATION**

6  
7 **OVERVIEW OF THE APPLICATION**

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1        **2.1.4 Centra’s Vision and Mandate**

2        Centra is integrated operationally within Manitoba Hydro. In 2016, the organization  
3        adopted a strategic framework made up of a mission statement, a set of  
4        foundational principles and strategic priorities to guide the organization as shown in  
5        Figure 2.1 below.

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**Figure 2.1: Corporate Strategic Framework**



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10        All of Centra’s activities are completed in support of the Corporation’s Mission: *“We*  
11        *create value for Manitobans by meeting our customers' expectations for the delivery*  
12        *of safe, reliable energy services at a fair price.”*

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These activities include asset management, integrity management, damage prevention, customer service initiatives and planning, contracting and operating the gas supply portfolio to meet the needs of the province of Manitoba. The following sections provide further detail on some of the activities that Centra undertakes to

1 deliver value and meet customer expectations and to prepare its business for  
2 emerging regulatory requirements.

3

4 As set out in *The Crown Corporations Governance and Accountability Act*, Manitoba  
5 Hydro is required to produce and submit annually an Annual Business Plan to the  
6 Minister of Crown Services. Manitoba Hydro's Annual Business Plan for activities  
7 during the 2018/19 year is included as Appendix 2.3 to this Tab.

8

9 Centra is committed to the safety of people, the environment, and property in all of  
10 its operations with respect to Manitoba's natural gas system. On a continuous basis,  
11 Centra tracks and benchmarks a variety of safety measures including damage  
12 prevention, odorization and equipment testing, leak surveys, and corrosion  
13 prevention through key performance indicators (KPIs). These gas safety KPIs are  
14 communicated to and reviewed by the PUB during ongoing Quarterly  
15 Communication Meetings.

16

### 17 **Gas Supply**

18 As the primary and default supplier of natural gas to Manitobans, and the supplier of  
19 transportation services to the vast majority of its customers, Centra must be  
20 positioned to supply the needs of Manitoba consumers regardless of weather or  
21 market conditions. Manitoba's climate, as well as its customer mix, which is more  
22 predominantly residential than most other North American service territories,  
23 requires Centra to serve the daily and monthly demand of a market that is highly  
24 variable from day to day and year to year. Furthermore, the extreme winter climate  
25 in Manitoba also means Centra's customers are truly dependent on Centra for  
26 supplying and delivering natural gas without fail. As a result, Centra focuses on  
27 planning and contracting a diverse portfolio of upstream commodity, transportation  
28 and storage contracts that are both highly reliable and flexible. Managing these  
29 functions responsibly creates value for customers by keeping their rates reasonable  
30 while ensuring reliable and flexible gas supply and mitigating a number of market  
31 risks.

1        **Safety and Reliability**

2        Installation of the current natural gas infrastructure in Manitoba started in 1955  
3        which means that elements of the distribution system are now more than 60 years  
4        old. Centra is dedicating resources to ensure it has a comprehensive understanding  
5        of the condition of its system and all of its components so that any required  
6        mitigation, upgrade or replacement can be prioritized according to need. As  
7        discussed in Tab 4 of the Application, Centra has performed a natural gas system  
8        asset condition assessment to quantify assets within three categories: stations and  
9        control points, pipelines, and services. This assessment indicated that the current  
10       station renewal program for replacement and upgrading of pressure regulating  
11       stations is adequate. Gaps were identified in the available condition information for  
12       the pipeline and services classes and work has been initiated to obtain this  
13       information.

14  
15       Centra prepares a multi-year natural gas asset management capital investment plan  
16       to define and schedule the programs and projects needed to maintain safe and  
17       reliable operation, maintain regulatory compliance and meet the needs of  
18       customers. Centra also maintains an extensive pipeline integrity program that  
19       consists of 24 pipeline integrity activities. These include cathodic protection system  
20       monitoring, depth of cover surveys, geotechnical monitoring of pipeline slopes,  
21       valve inspection and maintenance, and leak surveys, among others. The program  
22       also includes completion of remedial work when unacceptable conditions are found.

23  
24       Centra continues to monitor the industry and engage with other utilities to seek new  
25       ways of extending the life and integrity of its natural gas distribution system. A  
26       recent enhancement to Centra's pipeline integrity program is the addition of  
27       pipeline in-line inspections. This involves the insertion of an instrumentation  
28       package that can detect dents, measure wall thickness, and identify areas of  
29       corrosion and pipe wall loss. The volume and nature of the information being  
30       collected is giving Centra a more thorough and complete picture of the state of its  
31       aging distribution system than was previously available. While this program has  
32       identified issues requiring mitigation and maintenance work, it is also providing  
33       assurance that the life of many aging components of the distribution system can be  
34       safely extended, in some cases avoiding or delaying re-investment costs.

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Centra’s system has proven to be highly reliable with customer outages being exceedingly rare and normally confined to a single customer or a small group of customers in a localized area. However, a major loss of supply from TransCanada PipeLines (“TCPL”) in January 2014 due to a ruptured pipeline on the Emerson lateral of the TCPL Mainline demonstrated that Centra needed to enhance its capability for responding to emergencies. This outage occurred during a period of below normal January temperatures and coincided with blizzard like conditions in Southwestern Manitoba and Southeastern Saskatchewan, which threatened the ability to bring in Compressed Natural Gas (CNG) from Saskatchewan and maintain regular refueling runs.

Centra has since developed its own, local, CNG compression facility with two CNG tube trailers and a pressure reducing decant system to permit the use of CNG to supply a limited number of customers during an outage. The facility has been integrated into Centra’s planning processes, travel time between a CNG compression facility and the outage location is a significant consideration in the load and the number of customers that can be supported. Having a central, Manitoba based, compression facility can make the difference between supplying a single critical load and supplying a full community.

**Customer Service**

Customer expectations are changing in all industries, and natural gas utilities are no exception. Customers expect to be able to complete transactions with their service providers smoothly, and not just during regular business hours. A large and growing number of customers prefer to transact business through self-service channels such as websites. When service providers need access to the customers home, customers often prefer for these appointments to happen on weekends, or during the evening, and if they have to happen during a workday, customers want a small service window so they can minimize the time that they may have to miss work. Centra recognizes this evolution and continues to undertake initiatives to meet these changing expectations and deliver an excellent customer experience.

1 Natural gas customers in Manitoba have long had the convenience of having all their  
2 energy utilities consolidated onto a single bill and online access to their bills and  
3 their accounts, through Manitoba Hydro's MyBill service. However, the range of  
4 transactions customers have been able to execute through MyBill has been fairly  
5 limited as the service was not designed for use on mobile devices. Manitoba Hydro is  
6 moving towards providing customers with greater access to information about their  
7 own accounts and providing them with control over more of that information as  
8 well. Through a customer portal, customers will be able to define their preferences  
9 for the different ways they want to receive information from Centra and Manitoba  
10 Hydro. For example, one customer may prefer to receive a notice that their bill is  
11 ready by email, get a payment reminder by way of text message and receive a phone  
12 call when they need to schedule a service appointment. Other customers will have  
13 their own preferences, but each customer should be able to choose the service  
14 options that best fit their needs.

15

16 Service appointments can be a multi-stage, multi-contact process for many  
17 customers. Some service appointments, such as meter exchanges, are mandated by  
18 Federal or Provincial regulations and need to be completed within a defined time  
19 frame. Through the customer portal, customers will be notified of the need for a  
20 service appointment. They will then be able to link directly to a scheduling calendar  
21 within the portal where they will be able to schedule an appointment, based on  
22 available appointment windows, at a time that is convenient to them.

23

## 24 **2.2 OVERVIEW OF APPLICATION**

25

### 26 **2.2.1 Background**

27 Centra last requested a general revenue increase in its 2013/14 General Rate  
28 Application ("GRA") filed on January 25, 2013. The Public Utilities Board of Manitoba  
29 ("PUB") issued Order 85/13 on July 26, 2013, which granted Centra a general  
30 revenue increase of approximately 1.0% and directed Centra to include in its  
31 revenue requirement a net income of \$3 million on an annualized basis.

32

33 Centra filed its 2015/16 Cost of Gas Application with the PUB on May 25, 2015  
34 seeking approval of changes to its Supplemental Gas, Transportation (to Centra) and

1 Distribution (to Customers) rates to be effective November 1, 2015. These changes  
2 reflected the forecast of gas costs for the 2015/16 Gas Year and the disposition of a  
3 variety of gas cost deferral account balances for the 2012/13, 2013/14 and 2014/15  
4 Gas Years, some of which were final actual balances while others were based on  
5 outlooked figures, to the end of October 2015.

6  
7 On October 29, 2015, the PUB issued Order 108/15, providing interim approval of  
8 changes to Supplemental Gas, Transportation (to Centra) and Distribution (to  
9 customer) Sales & Transportation rates that reflect the implementation of new base  
10 rates to include a forecast of non-Primary Gas costs for the period of November 1,  
11 2015 to October 31, 2016, and rate riders to recover the net forecast balance in the  
12 prior period non-Primary Gas cost deferral accounts as of October 31, 2015.

13  
14 Also in Order 108/15, the PUB directed that unless Centra filed its next GRA by  
15 January 20, 2017, the non-gas portion of Centra's rates would revert back to levels  
16 approved in 2010 flowing from the 2009/10 & 2010/11 GRA. In November 2016 and  
17 January 2017, Centra informed the PUB that it was not in a position to file a Gas GRA  
18 by January 20, 2017 and on July 28, 2017, the PUB issued Order 79/17 approving the  
19 reversion of the non-gas portion of rates effective August 1, 2017 for all customer  
20 classes except the Special Contract and Power Station classes.

21  
22 As discussed in Tab 3, Centra is not applying for a general revenue (i.e. non-gas  
23 costs) change in this Application. Centra is requesting approval to discontinue  
24 funding the Furnace Replacement Program (FRP) effective August 1, 2019 and to  
25 remove the associated costs from the rates, as the cumulative balance in the FRP  
26 fund is sufficient to replace all furnaces forecast under the program to 2027/28. By  
27 removing the FRP funding from rates, Centra will collect \$3.2 million less revenue in  
28 2019/20 (based on an August 1 implementation) and \$3.8 million less in 2020/21  
29 and beyond from the Small General Service (SGS) customer class.

30  
31 Centra is requesting approval of changes to its Supplemental Gas, Transportation (to  
32 Centra) and Distribution (to Customers) rates to be effective August 1, 2019 based  
33 on the Cost of Gas forecast for the 2018/19 Gas Year (November 1, 2018 to October  
34 31, 2019) discussed in Tab 8 of the Application, as well as the disposition of balances



1 in the non-Primary Gas Purchased Gas Variance Accounts (“PGVAs”) and other gas  
2 cost deferral accounts as at October 31, 2018, including estimated carrying costs to  
3 July 31, 2019. Further information on the rate changes proposed in this GRA are  
4 provided in the sections below.

5

6 Other approvals requested by Centra in this GRA include new depreciation rates and  
7 other accounting related matters (Tab 3, Appendix 3.4), approval of proposed  
8 transportation and storage services effective April 1, 2020 (as described in Tab 9),  
9 changes to Centra’s Terms & Conditions of Service (“Ts & Cs”) (Tab 12) and final  
10 approval of interim orders.

11

### 12 **2.2.2 Adjustments to Base Rates for 2018/19 Gas Year Gas Costs**

13 In this Application, Centra is requesting approval of changes to its Supplemental Gas,  
14 Transportation (to Centra) and Distribution (to Customers) rates to be effective  
15 August 1, 2019 based on the Cost of Gas forecast for the 2018/19 Gas Year  
16 (November 1, 2018 to October 31, 2019). Non-Primary Gas costs recoverable at  
17 existing base rates are \$83.1 million (based on the 2017 Load Forecast and Weighted  
18 Average Cost of Gas currently embedded in Centra’s non-Primary Gas base rates).  
19 Centra’s forecast of its non-Primary Gas costs for the 2018/19 Gas Year totals \$79.3  
20 million, resulting in a \$3.8 million net non-Primary Gas base rate reduction to be  
21 implemented effective August 1, 2019.

22

23 The forecast non-Primary Gas costs for the 2018/19 Gas Year are discussed in more  
24 detail in Section 8.9 of Tab 8 of the Application. Centra will provide an update to its  
25 2018/19 gas cost forecast based on more current information prior to the  
26 commencement of the oral hearing for this Application.

27

### 28 **2.2.3 Disposition of Deferral Account Balances through Rate Riders**

29 In this Application, Centra is requesting approval to implement new non-Primary Gas  
30 rate riders effective August 1, 2019 to dispose of all prior period PGVA balances  
31 accumulated through to the conclusion of the 2017/18 gas year over the 12-month  
32 period August 1, 2019 to July 31, 2020. The cumulative net total of all Non-Primary  
33 Gas PGVA balances for the period from November 1, 2014 to October 31, 2018 is a

1 refundable (to customers) amount of \$6.4 million, including associated carrying  
2 costs to July 31, 2019.

3  
4 Sections 8.5 through to 8.8 of Tab 8 provide the details of all gas costs and PGVA  
5 balances for the period from November 1, 2014 to October 31, 2018. Centra intends  
6 to provide an update to these amounts prior to the commencement of the oral  
7 hearing to review this Application.

8

9 **2.2.4 Summary of Customer Bill Impacts**

10 Figure 2.2 summarizes the bill impacts by customer class for both base and billed  
11 rates for Sales Service customers. The billed rates that Centra charges to its  
12 customers are made up of base rates and rate riders to dispose of prior period PGVA  
13 balances as discussed in Section 2.2.3 above.

14

15 **Figure 2.2 Bill Impacts for Sales Service Customers**

2019/20 General Rate Application	Annual Impact Base Rates	Annual Impact Billed Rates*
Customer Class	% Change	% Change
SGS	(3.6%) - (5.8%)	(4.7%) - (7.7%)
LGS	1.6% - 2.3%	0.5% - 0.8%
High Volume Firm (Sales Service)	(0.5%) - (2.2%)	0.5% - (13.8%)
Mainline (Sales Service)	(4.2%) - (7.6%)	(19.7%) - (13.2%)
Interruptible	(2.2%) - (4.5%)	(3.0%) - (14.3%)

16 \*Rate riders proposed to be in effect August 1, 2019 to July 31, 2020.

17  
18 A detailed explanation of the proposed rates and customer impacts for all classes is  
19 provided in Tab 11.

20  
21 The change in the billed rates proposed for August 1, 2019 results in a decrease for  
22 typical residential customer of approximately 6.2% or \$42 per year compared to the  
23 November 1, 2018 billed rates, based on an annual consumption of 2,246 m<sup>3</sup>.

24  
25 There are more significant bill impacts for Transportation Service customers (HVF  
26 and Mainline), as detailed in Tab 11 of the Application, which is primarily the effect

1 of reversing the bill decrease that these classes experienced as a result of Directive 5  
2 of Order 108/15 that directed the non-gas components of rates revert back to levels  
3 approved in 2010 effective August 1, 2017. The bill impact to the Special Contract  
4 customer is the result of a significant increase in non-gas costs allocated to this class  
5 driven by large transmission related investments since the last GRA, as discussed in  
6 Appendix 6.1 and Tab 10 of the Application.

7

8 Centra intends to provide updated proposed rates and customer impacts prior to  
9 the commencement of the oral hearing to review this Application.

10

### 11 **2.2.5 Organization of Centra's Application**

12 • Tab 3 discusses the key inputs and assumptions underlying Centra's 2018 Gas  
13 Operations Financial Forecast (CGM18) and Centra's debt portfolio and  
14 interest rate risk. This Tab also addresses some of the outstanding concerns  
15 of the PUB regarding the appropriate return on equity and the extent of  
16 historical earnings of Centra, as well as a discussion on the financial  
17 parameters used by the PUB to assess the adequacy of earnings.

18

19 • Tab 4 provides a summary of the Capital Expenditure & Demand Side  
20 Management Forecast (CEF18) and a summary of Centra's asset  
21 management framework and the resulting investments to maintain a safe  
22 and reliable natural gas system while considering economics and the  
23 environment.

24 • Tab 5 provides an overview of the actual and forecast revenues and expenses  
25 for Centra for 2011/12 to 2019/20 and details the adjustments resulting from  
26 the transition from Canadian Generally Accepted Accounting Principles to  
27 International Financial Reporting Standards.

28

29 • Tab 6 describes the components of revenue requirement using the rate  
30 base/rate of return methodology, and provides the calculations of rate base  
31 and the overall rate of return for the years 2011/12 to 2019/20.

32

- 1 • Tab 7 provides the forecast of gas sales volumes and customers for the years  
2 2011/12 to 2019/20 and provides an overview of Centra’s Demand Side  
3 Management initiatives, including the Affordable Energy Program.  
4
- 5 • Tab 8 discusses Centra’s gas supply, storage and transportation  
6 arrangements. Tab 8 also provides provide the details of all gas costs and  
7 PGVA balances for the period from November 1, 2014 to October 31, 2018,  
8 and details of the gas cost forecast for the 2018/19 Gas Year.  
9
- 10 • Tab 9 discusses Centra’s proposed storage and transportation arrangements  
11 to be effective April 1, 2020.  
12
- 13 • Tab 10 provides an explanation of the purpose of a Cost Allocation Study, the  
14 process used to allocate costs to customers, and the results of the 2019/20  
15 Cost Allocation Study.  
16
- 17 • Tab 11 provides the proposed rate schedules for which Centra is seeking  
18 approval to be implemented August 1, 2019. Tab 11 also provides an update  
19 on the status of Centra’s Fixed Rate Primary Gas Service Program.  
20
- 21 • Tab 12 provides material in support of requested changes to Centra Schedule  
22 of Sales and Transportation Services and Rates (the “Ts & Cs”).  
23
- 24 • Tab 13 outlines the interim Orders for which Centra is seeking final PUB  
25 approval, provides information of Centra’s main extensions over 500 metres  
26 for calendar years 2013 to 2017, and also provides a response to PUB filing  
27 requirements related to Centra’s liability insurance. Tab 13 also provides  
28 responses to, and the status of, open and completed PUB directives.