Tab 5

Index

November 30, 2018

CENTRA GAS MANITOBA INC.

2019/20 GENERAL RATE APPLICATION

STATEMENT OF INCOME ANALYSIS – ACTUAL AND FORECAST

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CENTRA GAS MANITOBA INC.

2019/20 GENERAL RATE APPLICATION

STATEMENT OF INCOME ANALYSIS – ACTUAL AND FORECAST

5.0 OVERVIEW

Tab 5 provides an overview of the actual and forecast revenues and expenses for Centra for 2011/12 to 2019/20. Section 5.1 provides a summary of Centra's Statement of Income from 2011/12 to 2019/20, and Section 5.2 discusses the revenue and cost components and outlines the significant year over year changes. Actual results are provided for 2011/12 to 2017/18, and forecast figures are provided for 2018/19 and 2019/20 based on CGM18 as discussed in Tab 3. Section 5.3 details the adjustments resulting from the transition from Canadian Generally Accepted Accounting Principles ("CGAAP") to International Financial Reporting Standards ("IFRS"). Section 5.4 introduces the Cost of Service Appendix.

5.1 STATEMENT OF INCOME SUMMARY FOR GAS OPERATIONS FOR 2011/12 TO 2019/20

Figure 5.1 provides a summary of actual and forecast net income for Centra and Figure 5.2 provides a breakdown of the Statement of Income, for the years 2011/12 through 2019/20.

Figure 5.1: Net Income

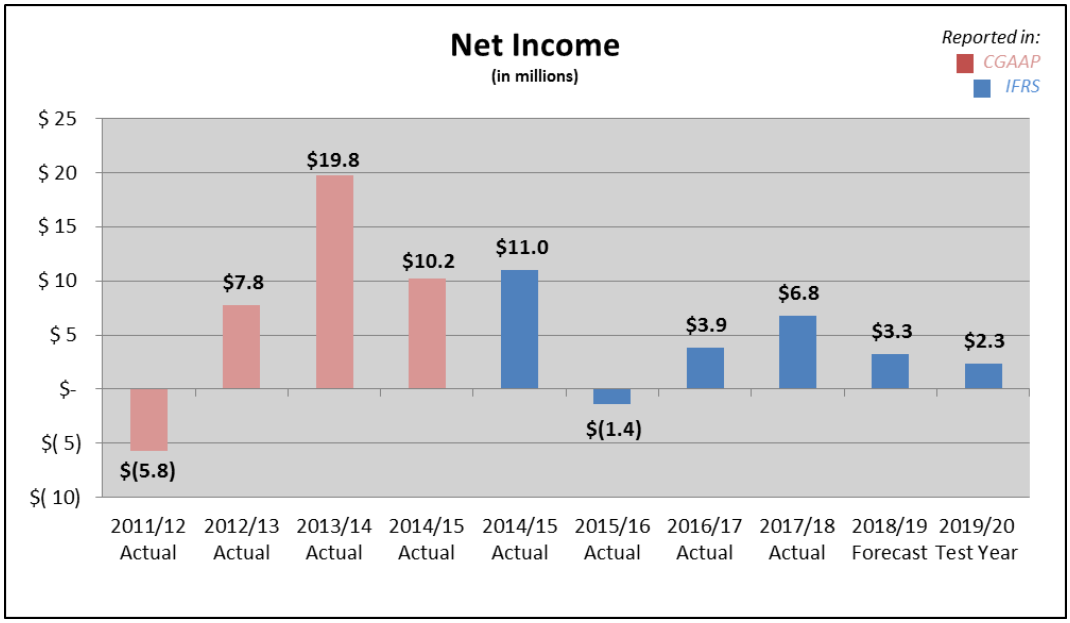

Figure 5.2: Statement of Income

CENTRA GAS MANITOBA INC.
Statement of Income
($000'S)

	CGAAP				IFRS					
	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year
Revenues										
Revenue at Approved Rates	327 713	327 723	412 674	426 701	427 832	353 544	342 976	343 575	307 632	308 069
Additional Revenue Required									-	-
	327 713	327 723	412 674	426 701	427 832	353 544	342 976	343 575	307 632	308 069
Cost of Gas*	197 099	181 638	251 733	273 904	273 904	214 500	199 221	193 185	158 699	158 414
Gross Margin	130 615	146 085	160 941	152 797	153 928	139 044	143 755	150 390	148 933	149 655
Other Income	990	1 296	1 599	1 543	1 486	1 510	1 637	1 751	1 690	1 727
	131 605	147 381	162 540	154 340	155 414	140 554	145 392	152 141	150 623	151 382
Expenses										
Operating & Administrative	62 117	63 735	66 810	67 458	70 355	66 607	65 384	63 113	63 315	61 250
Finance Expense	18 464	17 952	16 120	16 188	19 217	19 847	18 930	20 580	21 699	23 474
Depreciation & Amortization	25 501	27 624	28 060	29 027	22 097	22 808	22 810	23 907	24 052	25 474
Capital & Other Taxes	19 274	18 263	19 755	19 461	15 538	15 824	15 488	15 731	16 886	17 407
Other Expenses	-	-	-	-	10 480	10 791	11 566	14 507	12 052	12 799
Corporate Allocation	12 000	12 000	12 000	12 000	12 000	12 000	12 000	12 000	12 000	12 000
	137 356	139 573	142 745	144 133	149 687	147 877	146 178	149 838	150 004	152 404
Net Income before Net Movement in Regulatory Balance	(5 751)	7 808	19 794	10 207	5 727	(7 323)	(785)	2 303	619	(1 022)
Net Movement in Regulatory Balances*	-	-	-	-	5 315	5 895	4 661	4 460	2 649	3 340
Net Income	(5 751)	7 808	19 794	10 207	11 042	(1 428)	3 876	6 763	3 268	2 318

* Restated to reflect Cost of Gas at approved rates.

2012/13 Actual vs. 2011/12 Actual (CGAAP)

Centra's net income was higher in 2012/13 compared to the previous fiscal year primarily as a result of increased demand due to colder weather during the winter of 2012/13 compared to warmer weather experienced in the winter of 2011/12. Please

see Appendix 5.1 for Centra's audited financial statements for the year ending March 31, 2013.

2013/14 Actual vs. 2012/13 Actual (CGAAP)

Centra's net income was higher in 2013/14 over the previous year primarily as a result of increased demand due to weather during the winter of 2013/14 being colder compared to the winter of 2012/13, as well as a general revenue increase of approximately 1% approved by the PUB in Order 85/13. Please see Appendix 5.2 for Centra's audited financial statements for the year ending March 31, 2014.

2014/15 Actual vs. 2013/14 Actual (CGAAP)

Centra's net income was lower in 2014/15 compared to the previous fiscal year primarily due to lower demand due to warmer weather during the winter of 2014/15 compared to the winter of 2013/14. Please see Appendix 5.3 Centra's audited financial statements for the year ending March 31, 2015.

2014/15 Actual (IFRS) vs. 2014/15 Actual (CGAAP)

The increase in 2014/15 net income under IFRS compared to net income in 2014/15 under CGAAP was a result of changes in accounting policies from transitioning to IFRS from CGAAP. These adjustments include changes to pensions and benefits expense, change in depreciation methodology for financial reporting purposes, overhead previously capitalized that is now expensed, and new regulatory deferrals. For details regarding the CGAAP to IFRS differences, please refer to Section 5.3 below.

2015/16 Actual vs. 2014/15 Actual (IFRS)

Centra's net income was lower in 2015/16 compared to 2014/15 under IFRS primarily as a result of lower demand due to milder weather during the winter of 2015/16 compared to the winter of 2014/15 and lower customer usage (excluding weather impact) partially offset by a decrease in operating and administrative expenses. Please see Appendix 5.4 for Centra's audited financial statements for the year ending March 31, 2016.

2016/17 Actual vs. 2015/16 Actual (IFRS)

Centra's net income was higher in 2016/17 compared to the previous year primarily as a result of increased customer usage (excluding weather impact), the colder winter weather compared to 2015/16 and an increase in the total number of customers. Please see Appendix 5.5 for Centra's audited financial statements for the year ending March 31, 2017.

2017/18 Actual vs. 2016/17 Actual (IFRS)

Centra's net income was higher in 2017/18 compared to the previous year primarily as a result of colder winter weather partially offset by the reversion of the non-gas components of Centra's rates to 2010 levels, as directed by the PUB and restructuring costs. Please see Appendix 5.6 for Centra's audited financial statements for the year ending March 31, 2018.

2018/19 Forecast vs. 2017/18 Actual (IFRS)

Centra's net income for 2018/19 is forecasted to be lower compared to 2017/18. This is primarily the result of the anticipated return to normal usage levels in 2018/19, higher financing charges due to a higher amount of long and short term debt and higher property and capital tax expense. Please see Appendix 5.7 for the Manitoba Hydro-Electric Board quarterly reports for the quarters ending June 30, 2018 and September 30, 2018.

2019/20 Forecast vs. 2018/19 Forecast (IFRS)

Centra's net income for the 2019/20 test year is forecast to be lower than 2018/19. Gross Margin increases primarily on account of customer growth. Expenses are forecasted to be higher in 2019/20 primarily due to higher finance expense and depreciation and amortization expense, partially offset by a decrease in operating and administrative costs.

Appendix 5.8 provides financial ratios for gas operations for 2011/12 to 2019/20, including the debt to equity ratio calculated based on the PUB's approved methodology. While financial ratios have been calculated for gas operations, please note that Manitoba Hydro's financial targets apply to consolidated operations only.

5.2 STATEMENT OF INCOME LINE ITEM ANALYSIS

The following sections review each component of the Statement of Income. A description of each component, the explanation of the year-over-year changes and a detailed schedule for each component is also provided.

5.2.1 Gas Revenue

Gas revenue is comprised of gas sales to Centra's customers. Customers are aggregated in the following customer classes: Small General Service ("SGS") Residential, SGS Commercial, Large General Service ("LGS"), High Volume Firm ("HVF"), Mainline Firm, Interruptible Sales, Power Stations and Special Contract.

Revenues from gas operations for the years 2011/12 through to the 2019/20 test year are provided in Figure 5.3 below.

Figure 5.3: Gas Revenue

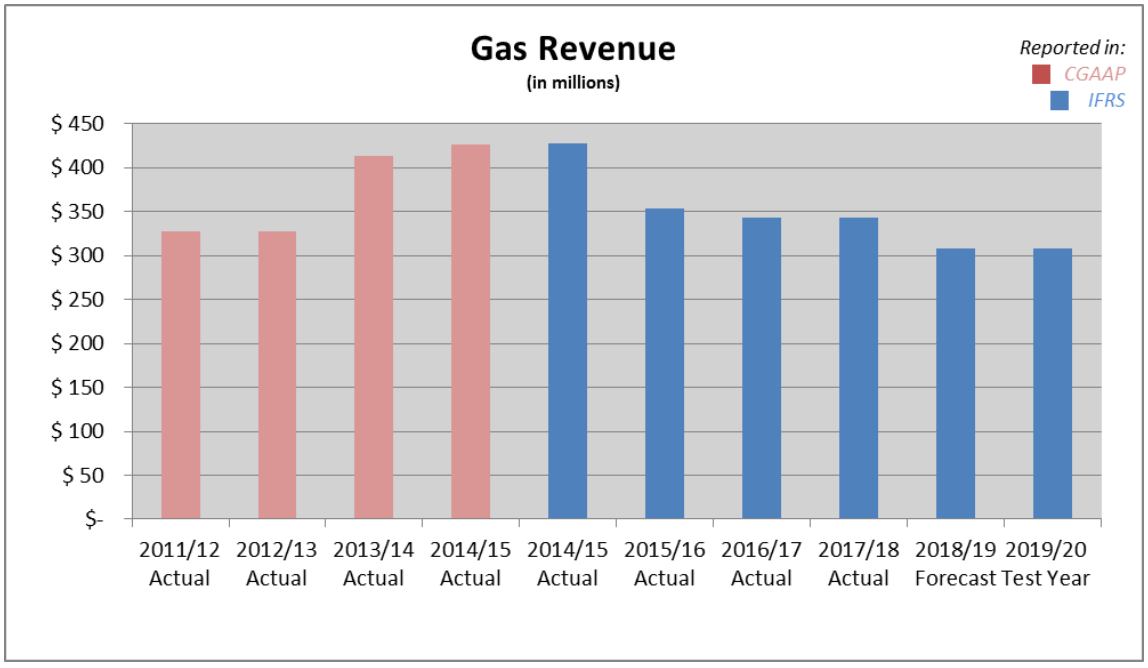

Figure 5.4 provides a break down gas revenue by customer class for the years 2011/12 to 2019/20.

Figure 5.4: Gas Revenue by Customer Class

CENTRA GAS MANITOBA INC.
Revenue by Class
($000'S)

	CGAAP				IFRS					
	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year
SGS Residential*	171 771	174 280	207 403	212 752	212 752	176 449	171 973	173 785	172 583	173 339
SGS Commercial*	23 567	24 930	31 029	34 255	34 255	26 342	26 345	27 196	27 146	27 422
LGS	96 047	94 580	123 521	131 941	131 941	108 648	105 976	103 804	99 726	98 492
High Volume Firm	19 323	17 336	22 620	31 769	31 769	29 150	27 005	27 671	27 788	27 582
Mainline Firm	2 250	2 392	2 929	3 231	3 231	2 788	2 745	2 333	2 140	2 123
Interruptible Sales	12 038	11 494	23 544	11 125	11 125	7 164	6 491	6 388	6 071	6 105
Power Stations	1 253	1 003	484	244	244	314	301	313	277	277
Special Contract	1 464	1 708	1 144	1 384	1 384	1 760	1 462	1 456	1 459	1 459
Total	327 713	327 723	412 674	426 701	426 701	352 615	342 298	342 946	337 190	336 799
Other:										
Late Payment Charge**					1 068	855	609	557	491	590
Broker Revenue**					50	46	38	28	25	24
Misc Revenue from Non Metered Gas**					13	27	32	44	-	-
Cost of Gas Adjustment									(21 954)	(21 954)
Rate Rider Amortization									(8 120)	(7 390)
Additional Revenue									-	-
Total Revenue	327 713	327 723	412 674	426 701	427 832	353 544	342 976	343 575	307 632	308 069

* The SGS Residental and Commercial revenue is net of amounts received for FRP funding.
** Moved from Other Income under IFRS

Please see the following for a description of Gas Revenue components:

SGS customers are residential or small commercial customers receiving service through one residential sized meter. Annual consumption for SGS customers is less than 680,000 cubic metres ("m^3").

LGS customers are commercial customers receiving service through one meter larger than a residential sized meter. Annual consumption for LGS customers is less than 680,000 m^3.

HVF customers receive gas through one meter, where annual consumption equals or exceeds 680,000 m^3. These customers may elect to receive either Firm Sales Service or Firm Transportation Service.

Mainline Firm customers receive gas through one meter where the customer is served directly from Centra's transmission system or through dedicated distribution facilities at pressures in excess of medium pressure and whose annual gas

requirements equal or exceed 680,000 m^3. These customers may elect to receive either Firm Sales Service or Firm Transportation Service.

Interruptible customers receive gas through one meter where the service may be interrupted by Centra from time to time upon notice to the customer. Interruptible Service is available to customers whose annual gas requirements equal or exceed 680,000 m^3. These customers may elect to receive either Sales Service or Transportation Service.

Power Station class is service provided to electrical generating stations which use natural gas through a written agreement between Centra and the customer.

Special Contract service is provided through a written agreement between Centra and the customer.

All customer classes pay a Basic Monthly Charge ("BMC") and a volumetric based Distribution (to customers) charge. SGS, LGS, HVF, Mainline Firm and Interruptible customers also pay a Primary Gas charge, a Supplemental Gas charge and a Transportation (to Centra) charge. In addition, HVF, Mainline and Interruptible customers pay a Monthly Demand charge. Power Station customers pay the BMC, a Distribution (to customers) charge and a Monthly Demand charge.

Late payment charges include revenue from customers whose accounts are in arrears.

Broker revenue is the revenue collected from natural gas Marketers for Agency Billing and Collection ("ABC") service provided by Centra on behalf of Marketers.

Miscellaneous revenue from non-metered gas is revenue attributable to recovery of lost gas costs associated with pipe damage collected from counter parties who caused damage.

The gas cost adjustment on Figure 5.4 reflects the difference between the cost of gas sold (based on the Weighted Average Cost of Gas or "WACOG") approved by the PUB and the forecast cost of gas sold at the time the financial forecast for gas operations was prepared. Changes in the cost of gas sold are passed-through to customers and Centra accordingly earns no mark-up on these costs.

Rate riders are added or subtracted from the base rates in order to recover or refund Purchased Gas Variance Account ("PGVA") balances.

There are no additional revenues included in Figure 5.4 as Centra is not seeking a general revenue increase for the 2018/19 forecast or 2019/20 test year.

The following sections highlight the year over year changes in gas revenue from 2011/12 through 2019/20:

2012/13 Actual vs. 2011/12 Actual (CGAAP)

Total revenues collected in 2012/13 were consistent with the previous year. Revenue increased due to colder winter weather which increased consumption of natural gas relative to the previous year, offset with a decrease in Primary Gas costs.

2013/14 Actual vs. 2012/13 Actual (CGAAP)

The increase in total revenue for 2013/14 compared to 2012/13 was largely due to colder weather and a general revenue increase of approximately 1% approved by the PUB in Order 85/13.

2014/15 Actual vs. 2013/14 Actual (CGAAP)

The increase in revenues in 2014/15 compared to 2013/14 is primarily as a result of higher rate riders collecting from customers and Primary Gas costs, offset by warmer weather.

2015/16 Actual (IFRS) vs. 2014/15 Actual (IFRS)

The decrease in revenues in 2015/16 compared to the previous year is primarily due to the impact of warmer winter weather, lower Primary Gas costs and lower customer usage (excluding weather impact).

2016/17 Actual vs. 2015/16 Actual (IFRS)

The decrease in revenues in 2016/17 compared to 2015/16 is primarily as a result lower rate riders, partially offset by higher customer usage, colder weather compared to the prior year and customer growth.

2017/18 Actual vs. 2016/17 Actual (IFRS)

The increase in 2017/18 revenues is primarily due to colder weather and customer growth partially offset by a decline in the price of Primary Gas and lower rate riders.

2018/19 Forecast vs. 2017/18 Actual (IFRS)

The decrease in 2018/19 revenues is primarily due to a decrease in gas costs charged to customers as forecast gas costs are lower than current gas costs embedded in rates, which is reflected in the Cost of Gas Adjustment shown in Figure 5.4.

2019/20 Forecast vs. 2018/19 Forecast (IFRS)

The increase in 2019/20 revenue is primarily due to the changes to rate rider amortization and customer growth, partially offset with lower gas costs and usage.

5.2.2 Cost of Gas Sold

The cost of gas sold is comprised of all upstream expenses, and a small amount of downstream costs incurred in the procurement and delivery of natural gas to the Manitoba marketplace. Commodity supply costs include both Primary Gas that is sourced from Western Canada, representing the majority of Centra's supply, and Supplemental Gas which includes supplies from U.S. and other Canadian sources. Transportation costs are incurred as gas is moved from both Alberta and the U.S to Manitoba, including deliveries to and from Michigan-based storage facilities. Lastly, downstream costs included in the cost of gas sold relate to Unaccounted for Gas costs on Centra's distribution system as well as Minell Pipeline charges.

With the exception of the Fixed Rate Primary Gas Service ("FRPGS") that was introduced in February 2009, the cost of gas sold is regulated on a pass-through basis. As such, customers face no mark-up on the cost of gas and Centra accordingly earns no profit on these costs. The pass-through mechanism is facilitated through the use of PGVAs that capture the differences between the WACOG embedded in rates charged to customers and the actual cost of gas that is incurred by Centra.

Non-Primary Gas PGVA balances are periodically refunded to or collected from customers through the use of rate riders, designed to clear the respective PGVAs over a subsequent period. The Primary Gas PGVA is distinct from the Supplemental Gas, Transportation and Distribution PGVAs in that the Primary Gas base WACOG rate and associated PGVA rate rider is adjusted quarterly in accordance with the PUB approved rate setting methodology. By comparison, non-Primary Gas base WACOG rates and rate riders are adjusted on a periodic basis through either a Cost of Gas or General Rate Application.

For the purposes of Tab 5, Cost of Gas is the WACOG. As a result, Cost of Gas and Net Movement have been adjusted from IFRS audited statements to remove differences between purchased gas costs and WACOG (PGVA impact). With IFRS financial statements, purchase gas costs are recorded in the Cost of Gas expense line with the PGVA impact flowing through net movement. PGVA balances are deferred on the balance sheet to be collected/refunded to customers at a later date. Details with respect to the PGVAs are provided in Tab 8.

Cost of Gas Sold for the years 2011/12 through to the 2019/20 test year are provided in Figure 5.5 below.

Figure 5.5: Cost of Gas Sold

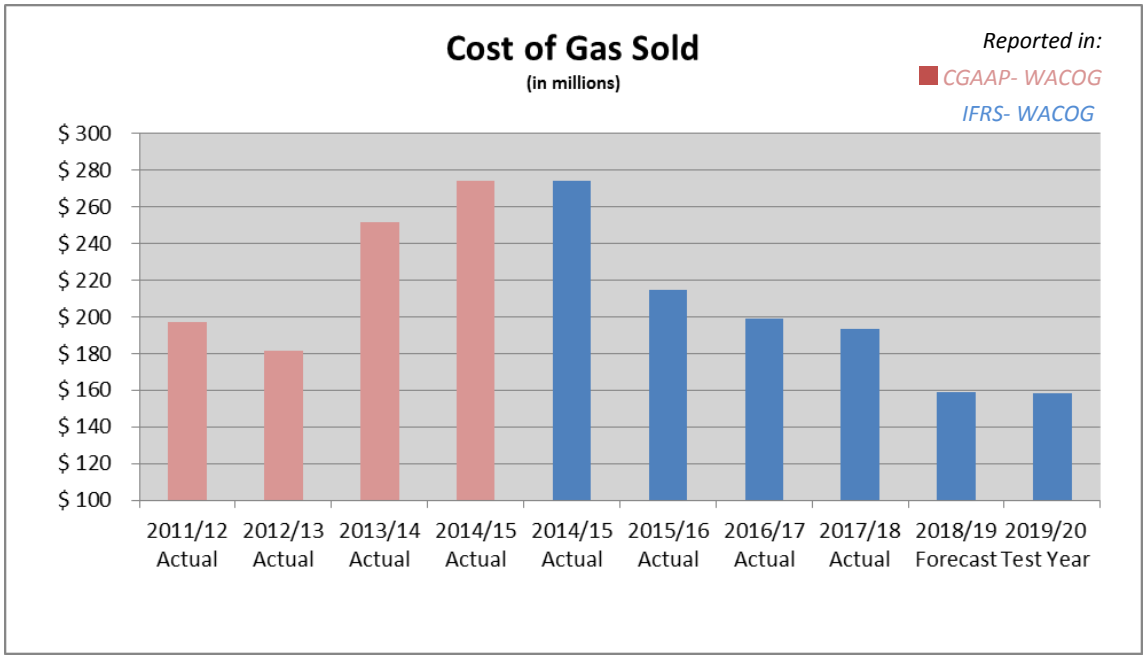

Figure 5.6 provides a breakdown of the Cost of Gas Sold to each of the customer classes for 2011/12 to 2019/20.

Figure 5.6: Cost of Gas Sold by Customer Class

CENTRA GAS MANITOBA INC.
Cost of Gas Sold
($000'S)

	CGAAP - WACOG				IFRS - WACOG					
	2011/12 Total	2012/13 Total	2013/14 Actual	2014/15 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year
SGS Residential	87 189	80 520	105 269	115 819	115 819	88 626	81 534	78 964	77 831	77 834
SGS Commercial	13 763	13 328	17 840	21 206	21 206	15 431	14 719	14 593	14 500	14 625
LGS	69 945	64 795	89 459	100 346	100 346	80 174	75 900	72 229	69 207	68 250
High Volume Firm	14 652	12 593	17 228	25 420	25 420	22 590	20 516	21 086	21 283	21 077
Mainline Firm	909	1 072	1 280	1 465	1 465	1 076	886	728	692	686
Interruptible Sales	10 152	9 541	21 437	9 689	9 689	6 194	5 542	5 461	5 147	5 174
Power Stations	197	237	(202)	(26)	(26)	88	48	53	39	39
Special Contract	(130)	113	(311)	(1)	(1)	375	77	71	74	74
FRPGS - FV Change in Commodity Derivatives	420	(561)	(267)	(14)	(14)	(54)	(1)	-		
Total	197 099	181 638	251 733	273 904	273 904	214 500	199 221	193 185	188 773	187 758
Other:										
Cost of Gas Adjustment									(21 954)	(21 954)
Rate Rider Amortization									(8 120)	(7 390)
Total Cost of Gas Sold									158 699	158 414

Please see the following for a description of the Cost of Gas components:

The fair value change in commodity derivatives indicated on Line 14 of Figure 5.6 for the years 2011/12 to 2016/17 represents the change in the mark-to-market position of the derivatives in place for FRPGS. The mark-to-market position is the net gain/loss that Centra would incur if all outstanding derivatives were realized at the end of the fiscal year. The 2016/17 fiscal year is the last year where mark-to-market unsettled hedges are present in the financial results because the last fixed rate contract that utilized hedging concluded as of July 31, 2016.

The Cost of Gas adjustment indicated on Line 19 of Figure 5.6 reflects the difference between the cost of gas sold (based on the WACOG) approved by the PUB and the forecasted cost of gas sold at the time the financial forecast for gas operations was prepared.

Rate riders are added or subtracted from the base rates in order to recover or refund the PGVA balances.

The following sections highlight the year over year changes in Cost of Gas Sold from 2011/12 through 2019/20:

2012/13 Actual vs. 2011/12 Actual (CGAAP - WACOG)

The 2012/13 decrease is primarily due to a decrease in rate riders, lower cost of Primary and Supplemental Gas and a decrease in normal customer usage partially offset by colder weather in 2012/13 compared to 2011/12.

2013/14 Actual vs. 2012/13 Actual (CGAAP - WACOG)

The 2013/14 increase in Cost of Gas compared to 2012/13 is primarily due to colder weather, higher cost of Primary and Supplemental Gas, higher rate riders and an increase in customer usage.

2014/15 Actual vs. 2013/14 Actual (CGAAP - WACOG)

The 2014/15 increase in Cost of Gas compared to 2013/14 is primarily due to higher rate riders and higher cost of Primary and Supplemental Gas, partially offset by warmer weather in 2013/14 compared to the previous year.

2015/16 Actual vs. 2014/15 Actual (IFRS - WACOG)

The 2015/16 decrease in Cost of Gas compared to 2014/15 is primarily due to lower cost of Primary and Supplemental Gas, warmer weather compared to the previous year and a decrease in customer usage.

2016/17 Actual vs. 2015/16 Actual (IFRS - WACOG)

The 2016/17 decrease in Cost of Gas compared to 2015/16 is primarily on account of rate riders decreasing. The approved rate riders in 2016/17 were lower and collecting less from customers than the approved rate riders in 2015/16. Non-Primary Gas rate riders ceased as of October 31, 2016 and new rate riders were not implemented on November 1, 2016. This was partially offset due to an increase in customer usage and slightly cooler weather.

2017/18 Actual vs. 2016/17 Actual (IFRS - WACOG)

The 2017/18 decrease in Cost of Gas compared to 2016/17 is primarily on account of lower cost of Primary and Supplemental Gas and lower rate riders. This is partially offset by cooler weather experienced in 2017/18 compared to the previous year.

2018/19 Forecast vs. 2017/18 Actual (IFRS - WACOG)

The 2018/19 decrease in Cost of Gas compared to 2017/18 is primarily on account of the gas cost adjustment which anticipates a reduction to Centra's gas rates.

2019/20 Forecast vs. 2018/19 Forecast (IFRS - WACOG)

The 2019/20 forecast cost of gas is consistent with the 2018/19 forecast.

5.2.3 Other Income

Other Income consists mainly of late payment charges, administration charges to brokers for ABC Service, rental income from conversion burners, miscellaneous revenue from non-metered gas and amortization of customer contributions.

Other Income for the years 2011/12 through to the 2019/20 test year are provided in Figure 5.7 and 5.8 below.

Figure 5.7: Other Income

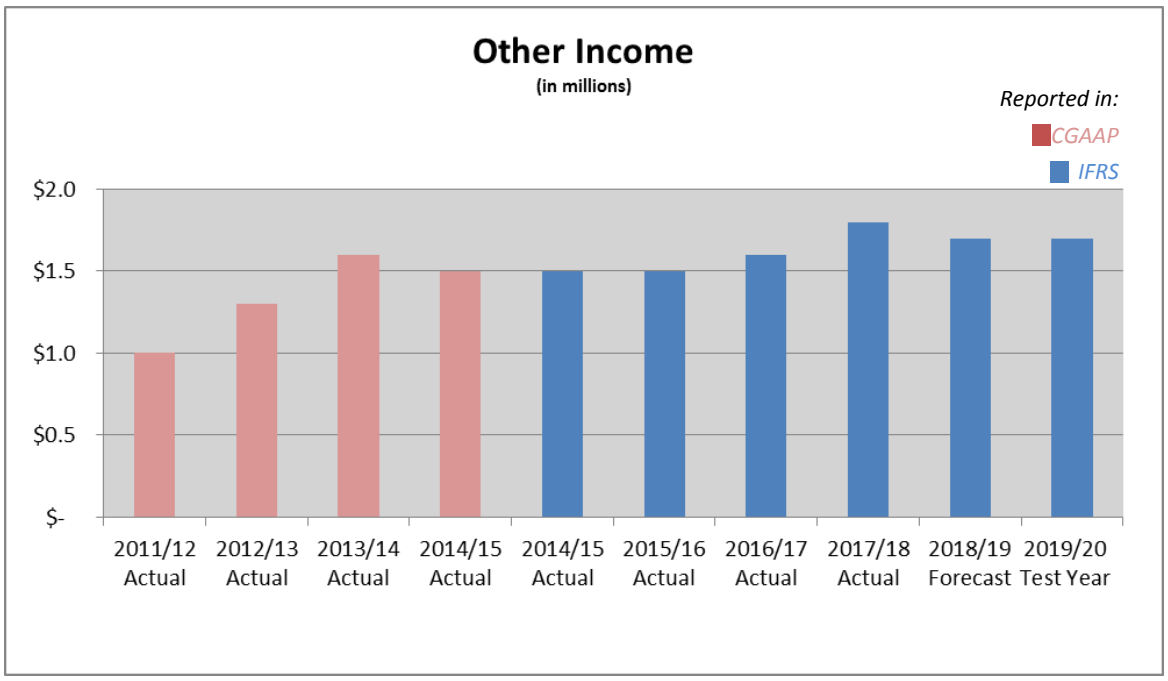

Figure 5.8: Other Income

CENTRA GAS MANITOBA INC.
Other Income
($000'S)

	CGAAP				IFRS					
	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year
Late Payment Charge*	1 018	809	912	1 068						
Broker Revenue*	69	55	52	50						
Misc Revenue from Non Metered Gas*		18	64	13						
Other Revenue	(97)	414	571	412	511	479	596	694	599	597
Amortization of Contributions**					975	1 031	1 041	1 057	1 091	1 130
Total Other Income	990	1 296	1 599	1 543	1 486	1 510	1 637	1 751	1 690	1 727
Year over year $ change		306	303	(56)	(57)	24	127	114	(61)	37
Year over year % change		30.9%	23.3%	-3.5%	-3.7%	1.6%	8.4%	7.0%	-3.5%	2.2%

* Reclassified from Other Income to Revenue under IFRS
** Reclassified from Depreciation and Amortization to Other Income under IFRS

Please see the following for a description of Other Income components:

Late payment charge includes revenue from customers whose accounts are in arrears.

Broker revenue is the revenue collected from natural gas brokers for billing services provided by Centra to broker customers.

Miscellaneous revenue from non-metered gas is revenue attributable to recovery of lost gas costs associated with pipe damage.

Other revenue includes miscellaneous revenue, such as the revenue from the rental of conversion burners, gains recorded on the sale of land, operating expense recoveries (e.g. recovery of costs for service requests such as reconnection fees and credit & collection recoveries) and external billable overhead charged to customers for work completed by Centra on customer owned assets.

Amortization of contributions in aid of construction are initially recorded as deferred revenue and subsequently recognized in other revenue over the life of the related asset. Prior to IFRS accounting, these amounts were recorded in depreciation and amortization.

The following sections highlight the year over year changes in Other Income from 2011/12 through 2019/20:

2012/13 Actual vs. 2011/12 Actual (CGAAP)

The 2012/13 increase is primarily attributed to higher operating expense recoveries partially offset by lower late payment charges.

2013/14 Actual vs. 2012/13 Actual (CGAAP)

The 2013/14 increase is primarily attributed to higher late payment charges and higher operating expense recoveries.

2014/15 Actual vs. 2013/14 Actual (CGAAP)

No significant change.

2015/16 Actual vs. 2014/15 Actual (IFRS)

No significant change.

2016/17 Actual vs. 2015/16 Actual (IFRS)

The 2016/17 increase is primarily attributed to an increase in construction work on customer owned assets resulting in higher external billable overhead.

2017/18 Actual vs. 2016/17 Actual (IFRS)

The 2017/18 increase is primarily attributed to an increase in construction work on customer owned assets resulting in higher external billable overhead.

2018/19 Forecast vs. 2017/18 Actual (IFRS)

No significant change.

2019/20 Forecast vs. 2018/19 Forecast (IFRS)

No significant change.

5.2.4 Operating & Administrative Expense

Operating and administrative ("O&A") expenses are comprised primarily of labour and benefits, materials, contracted services and overhead costs associated with operating and maintaining facilities and providing services to customers. Overhead costs which are no longer eligible for capitalization upon the transition to IFRS have been included for 2014/15 through the 2019/20 Test Year and deferred as shown in section 5.2.10 Net Movement and Figure 5.20 Net Movement Breakdown.

Figure 5.9 provides Centra's O&A total costs from 2011/12 through 2019/20 and Figure 5.10 provides a breakdown of O&A by nature of work performed as well as the year over year change for the same period. The adjustment line includes the removal of depreciation and payroll taxes which are included in activity rates but reclassified to other line items in the statement of income. The year-end true up of benefit costs which are not allocated to specific programs is also reflected in the

adjustment line. The true up reflects Centra's portion of the difference between forecasted and actual employee benefit costs incurred.

Figure 5.9: Operating & Administrative Expense

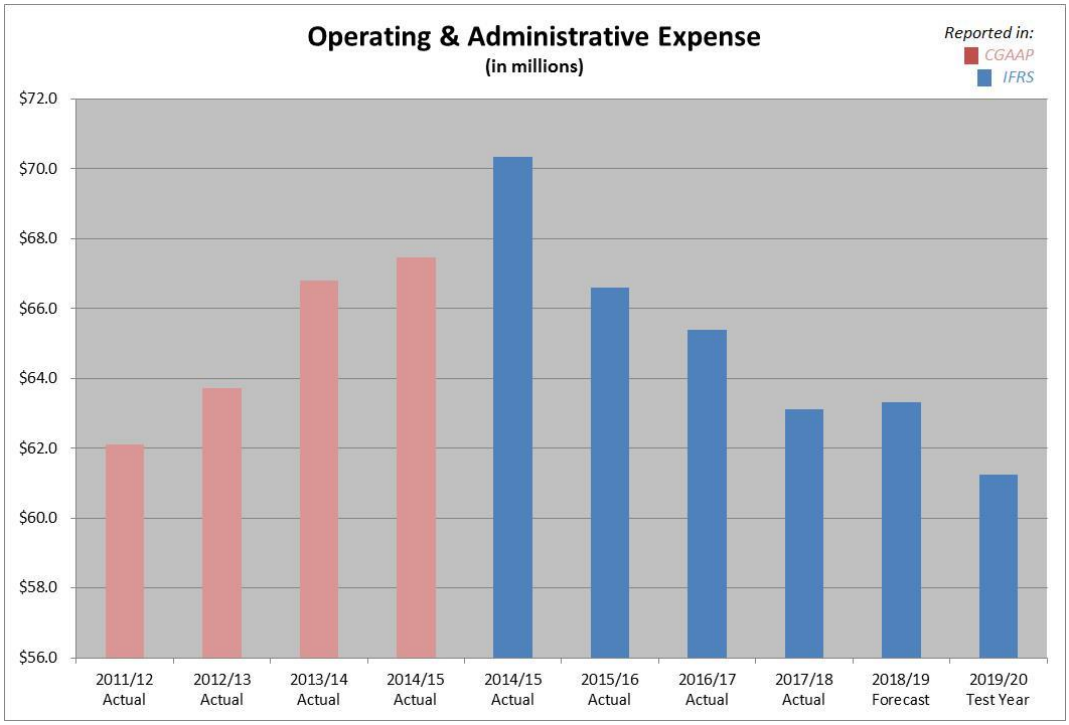

Figure 5.10: Operating & Administrative Expense – Program Costs

CENTRA GAS MANITOBA INC.
PROGRAM COSTS
($000's)

	CGAAP				IFRS					
	2011/12 Actual	**2012/13 Actual**	**2013/14 Actual**	**2014/15 Actual**	**2014/15 Actual**	**2015/16 Actual**	**2016/17 Actual**	**2017/18 Actual**	**2018/19 Forecast**	**2019/20 Test Year**
Customer Service & Corporate Relations	$ 36 659	$ 31 161	$ 32 458	$ 31 789	$ 31 789	$ 30 514	$ 29 701	$ 29 183	$ 28 918	$ 30 008
Operations and Maintenance	19 889	16 845	18 439	20 490	20 490	20 001	19 621	19 266	18 841	16 165
Organizational Support	10 823	16 858	17 250	17 405	17 405	18 386	17 818	16 757	16 012	16 408
Total Program Costs	**67 371**	**64 863**	**68 147**	**69 684**	**69 684**	**68 901**	**67 140**	**65 206**	**63 770**	**62 581**
Adjustments	(5 255)	(1 128)	(1 337)	(2 226)	671	(2 294)	(1 756)	(2 093)	(455)	(1 331)
Operating & Administrative	**62 117**	**63 735**	**66 810**	**67 458**	**70 355**	**66 607**	**65 384**	**63 113**	**63 315**	**61 250**
Year over Year $ Change		1 618	3 075	648	2 897	(3 747)	(1 223)	(2 272)	203	(2 065)
Year over Year % Change		2.6%	4.8%	1.0%	4.3%	(5.3)%	(1.8)%	(3.5)%	0.3%	(3.3)%

With the transition to IFRS in 2015/16, gas programs were reorganized by the nature of the work performed rather than by the organizational unit responsible to manage the work. In addition, overhead was removed from Customer Service & Corporate Relations and Operations and Maintenance Programs, and reported separately as Organizational Support Programs to provide a greater transparency in the nature of the costs incurred. All years in Figure 5.10 have been restated in this format to provide reporting consistency and continuity.

The following sections highlight the year over year changes in O&A Expense from 2011/12 through 2019/20:

2012/13 Actual vs. 2011/12 Actual (CGAAP)

The increase in O&A of $1.6 million in 2012/13 is mainly related to higher benefit costs due to the revaluation of pension, retiree health spending, sick leave vesting, severance, long-term disability and vacation liabilities as a result of lowering the discount rate.

2013/14 Actual vs. 2012/13 Actual (CGAAP)

The increase of $3.1 million in 2013/14 is primarily related to higher labour and overhead expenditures due to time spent on distribution maintenance for a greater level of above and below grade maintenance and cathodic protection work, as well as on billing & collections as a result of a greater focus on allocating time directly to the program. In addition, there were higher costs resulting from the recognition of a liability for the Centra Extended Health plan (a retiree plan for Centra employees who retired prior to or within 5 years of acquisition), partially offset by increased benefit expenditures in the prior year as a result of a lower discount rate.

2014/15 Actual vs. 2013/14 Actual (CGAAP)

The increase of $0.6 million from the prior year is mainly related to an increase in labour hours included in programs such as meter changes due to increased Measurement Canada requirements, distribution maintenance as more work was required on above and below grade maintenance and station maintenance due to an increase in gas system monitoring and maintenance work requirements. These increases were partly offset by lower benefit costs due to the recognition of the

Centra Extended Health plan costs in the previous year, a decrease in labour in the rates & regulatory affairs program relative to 2013/14 which included a general rate application, as well as a decrease in labour in the customer & public relations program.

2015/16 Actual vs. 2014/15 Actual (IFRS)

The decrease of $3.7 million is primarily related to a reduction in time spent in programs such as customer relations, information systems and system integrity partly due to fewer customer requests, a focus on IT Banner enhancements (capital project), vacancies as well as lower environmental monitoring costs at 35 Sutherland, which are cyclical in nature.

2016/17 Actual vs. 2015/16 Actual (IFRS)

The decrease of $1.2 million is mainly due to lower requirements for gas meter sampling and refurbishment work as established by Measurement Canada as well as lower bad debt expense due to enhanced collections efforts. There were also lower requirements in property tax assessment review and appeal work, less IT and building maintenance activities. The decreases are partly offset by an increase number of depth of cover investigations, welding procedures, general system support as well as an adjustment to activity rates.

2017/18 Actual vs. 2016/17 Actual (IFRS)

The decrease of $2.3 million is primarily due to a reduction in management positions, lower billing and collection costs due to a reduction in uncollectible accounts as well as reduced staffing levels and associated expenditures related to the Voluntary Departure Program ("VDP"), and a decrease in meter program activities as a result of lower requirements to meet Measurement Canada standards.

2018/19 Forecast vs. 2017/18 Actual (IFRS)

A nominal increase of 0.3% or $0.2 million is forecast for 2018/19 compared to 2017/18 actual expenditures. The forecast reflects additional funds to assist management in the restructuring process as well as increases in distribution maintenance which are offset by decreases in various programs such as metering, customer inspections, billing & collections and corporate infrastructure.

2019/20 Forecast vs. 2018/19 Forecast

The decrease of $2.1 million is primarily due to the proposed capitalization of costs related to the sampling, testing, and exchange of natural gas meters partially offset by escalation and a proposed increase in fees paid to Manitoba Hydro Utility Services (MHUS) for meter reading costs. Appendix 5.11 contains additional information regarding the proposed changes for capitalization of metering activities as well as the increased costs for meter reading services.

Appendix 5.9 also provides additional information and analysis of O&A expenditures on an actual and forecast basis for each year 2011/12 to 2019/20.

5.2.5 Finance Expense

Finance expense consists of costs associated with the Centra's financing activities. The largest component of finance expense is gross interest expense on Centra's portfolio of short and long term debt, as well as the Provincial Debt Guarantee Fee. Finance expense is also affected or partially offset by a number of other components including the amortization of debt discounts, interest on common assets and interest capitalized for capital projects under construction.

Finance Expense for the years 2011/12 through to the 2019/20 test year are provided in Figures 5.11 and 5.12 below.

Figure 5.11: Finance Expense

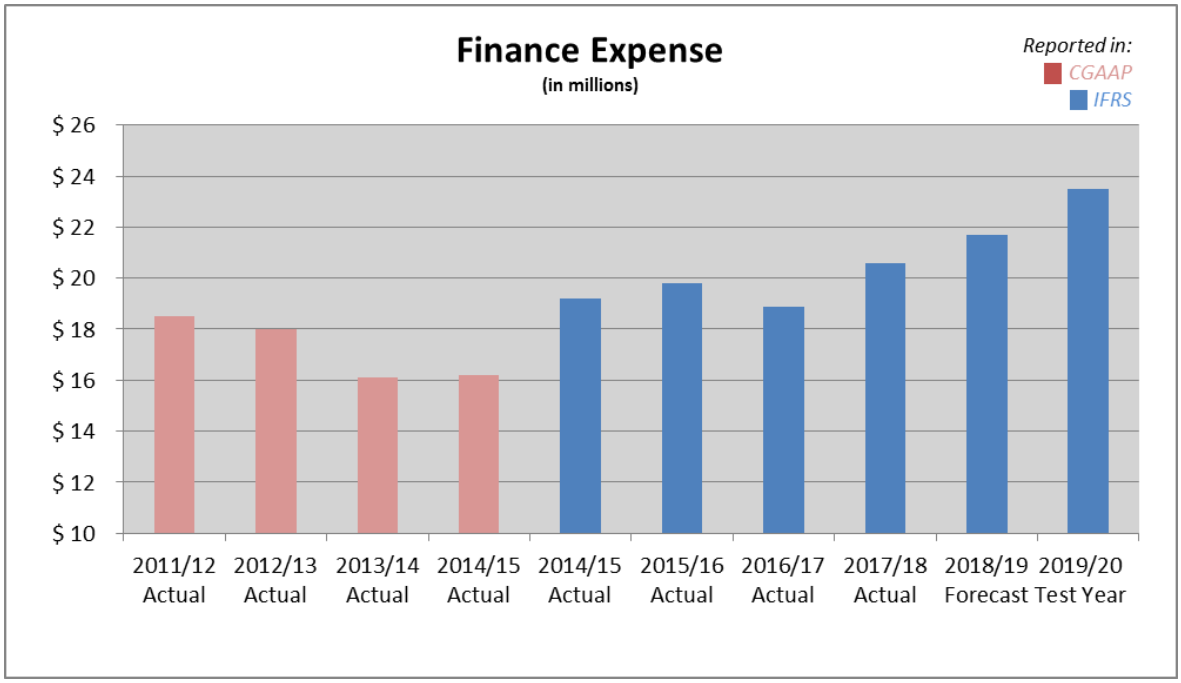

Figure 5.12: Finance Expense

CENTRA GAS MANITOBA INC.
Finance Expense
($000'S)

		CGAAP				IFRS					
		2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year
	Interest on Long Term Debt/Advances	14 390	13 438	12 569	12 810	12 810	13 941	14 033	14 410	14 737	16 060
	Provincial Guarantee Fee on Long Term Debt	2 977	2 977	2 950	3 050	3 050	3 050	3 400	3 600	3 699	4 099
	Amortization of Debt Discounts	318	167	-	-	-	-	-	-	-	-
	Interest on Short Term Debt	102	153	267	728	728	218	136	397	803	1 119
	Provincial Guarantee Fee on Short Term Debt	126	71	193	277	277	726	356	263	373	241
	Interest on Common Assets	2 703	2 823	1 993	1 977	1 977	1 840	1 419	1 687	1 505	1 220
	Interest on Inventory	104	162	168	152	152	130	130	127	123	125
	Interest Capitalized	(2 512)	(2 115)	(2 319)	(3 230)	(201)	(339)	(896)	(371)	(171)	(237)
	Carrying Costs on Furnace Replacement Program	290	287	322	336	336	293	320	433	632	848
	Other	(33)	(12)	(22)	89	89	(13)	31	34	-	-
	Total Finance Expense	18 464	17 952	16 120	16 188	19 217	19 847	18 930	20 580	21 699	23 474
	Year over year $ change		(513)	(1 831)	67	3 029	630	(917)	1 650	1 119	1 775
	Year over year % change		-2.8%	-10.2%	0.4%	18.7%	3.3%	-4.6%	8.7%	5.4%	8.2%

Please see the following for a description of Finance Expense components:

Interest rates for long term advances to Centra are based on the associated cost of financing that was incurred by Manitoba Hydro at the time of the advance. Information related to Centra's debt issues are provided in Section 3.5 of Tab 3.

The Provincial Guarantee Fee is an annual fee payable to the Province of Manitoba that is calculated using a rate of 1.00% multiplied by the gross outstanding debt at March 31st of the previous fiscal year.

Amortization of debt discounts pertain to the amortization of debt issues in Centra's debt portfolio at the time of acquisition.

Interest rates for intercompany short term advances to Centra are based on the associated cost of short term Canadian dollar financing for Manitoba Hydro.

Finance expense with respect to common assets is being pooled and allocated to gas and electric operations through the integrated cost allocation methodology.

Interest on inventory represents the cost of carrying Centra inventory.

Interest capitalized is the capitalization of interest during construction of a project, which is a reduction to finance expense and a charge to the capital project. Prior to the implementation of IFRS, it also included a reduction to finance expense as a result of capitalizing carrying costs on the deferred balances such as PGVA and deferred taxes. However, beginning in 2014/15, financial statements prepared under IFRS have included the carrying costs on these regulatory deferral accounts in the net movement section of the income statement for regulatory accounting purposes

Carrying cost on Furnace Replacement Program is the carrying cost associated with the Furnace Replacement Program funds collected and yet to be spent.

The following sections highlight the year over year changes in Finance Expense from 2011/12 through 2019/20:

2012/13 Actual vs. 2011/12 Actual (CGAAP)

The 2012/13 decrease in finance expense is primarily due to a decrease in long term debt interest expense resulting from the refinancing of CG1 with series CG15, CG16 and CG17 in September 2012. The CG1 rate was 6.05% compared to an average rate for the three new series of 3.3%.

2013/14 Actual vs. 2012/13 Actual (CGAAP)

The 2013/14 decrease in finance expense is primarily due to a decrease in long term debt interest expense resulting from the full year impact of refinancing CG1 with series CG15, CG16 and CG17 in September 2012. In addition, there was a decrease in actual interest expense on common assets due to the decrease in gas activity charges as a % of total activity charges.

2014/15 Actual vs. 2013/14 Actual (CGAAP)

The 2014/15 finance expense was consistent with previous year due to offsetting items. There was an increase in carrying costs on deferred gas costs due to higher PGVA balances relative to the previous year which was offset by higher interest on greater volumes of short and long term debt.

2015/16 Actual vs. 2014/15 Actual (IFRS)

The 2015/16 increase in finance expense was due to a higher amount of long term debt. In June 2015, $35 million of short term debt was converted to fixed rate long term debt at a higher interest rate. Short term advances are used to fund seasonal working capital requirements and to bridge the timing between long term debt issues. Short term debt is appropriately converted to long term debt to fund capital expenditures.

2016/17 Actual vs. 2015/16 Actual (IFRS)

The 2016/17 decrease in finance expense was the result of an increase in capitalized interest due to spending on the Winnipeg North West upgrades which was placed into service on January 23, 2017. The increase in long term debt to fund the project was offset by lower intercompany interest on the floating rate due to parent interest due to lower rates. The lower Provincial Guarantee Fee on short term debt was a result of converting $35 million of short term debt to long term debt the previous year.

2017/18 Actual vs. 2016/17 Actual (IFRS)

The 2017/18 finance expense was higher year over year primarily due to lower capitalized interest, higher interest on intercompany long term debt and higher interest on common assets. In November 2016, $20 million of short term debt was converted to floating rate long term debt at a higher rate, having a full year effect in fiscal 2018. The short term interest rate rose from 0.94% as of March 31, 2017 to 1.73375% as of March 31, 2018. The rising interest rates, especially in yields of less than one year, led to higher short term interest.

2018/19 Forecast vs. 2017/18 Actual (IFRS)

The 2018/19 finance expense is forecast to be higher year over year primarily due to higher interest rates on floating rate long term debt and short term debt, lower capitalized interest and higher carrying costs on the Furnace Replacement Program funds. Manitoba Hydro forecasts to convert a portion of Centra's short term debt balance to long term debt to reduce the volume of capital financing embedded within the short term debt.

2019/20 Forecast vs. 2018/19 Forecast (IFRS)

The 2019/20 finance expense is forecast to be higher than 2018/19 primarily due to a higher amount of long term debt including the amount forecast to be issued on March 31, 2019, higher forecast interest rates on floating rate long term debt and higher forecast interest rates on short term debt, higher Provincial Guarantee Fee on a larger debt balance, higher interest on common assets, and higher carrying costs on the Furnace Replacement Program.

5.2.6 Depreciation & Amortization

Depreciation and amortization expenses are calculated using a straight line remaining life basis. The property, plant and equipment ("PP&E") categories for determining depreciation include Transmission, Distribution and General Plant. The amortization of intangible assets is also included. Asset service lives are determined by comprehensive depreciation studies which are performed by Centra approximately every five years. The depreciation study conducted for asset values as of March 31, 2014 forms the basis for the depreciation rates used by Centra under IFRS for financial reporting purposes only for assets other than gas meters. Centra

updated the gas meter depreciation rate for 2015/16. To date, changes in depreciation rates for the 2014 study and change in the gas meter rate resulted in an annual decrease in depreciation of approximately $1 million and an annual increase of $0.5 million respectively. Please see Appendix 3.4 for more information on the 2014 depreciation study.

Upon its 2014/15 transition to IFRS, Centra changed from the Average Service Life ("ASL") depreciation methodology used under CGAAP to the Equal Life Group ("ELG") methodology. To date, the change to the ELG method resulted in annual increases in depreciation expense of approximately $2.0 million. In addition, Centra removed the provision for negative salvage in depreciation rates under IFRS which resulted in annual decreases to depreciation expense in the range of $4.0 to $5.0 million. Further changes in depreciation expense upon transition included the immediate recognition of asset removal costs and asset retirement gains and losses in income, the reclassification of amortization of regulatory deferral accounts from depreciation to the Net Movement Account and the reclassification of the amortization of customer contributions from depreciation expense to Other Income. Please see Appendix 5.11 for further information on the impacts to depreciation from the transition to IFRS and Appendix 3.4 for information on the regulatory deferral accounts associated with the changes.

Please note that the impacts of the above noted changes have been included in the analysis below for 2014/15 through to 2019/20. In addition, the impacts for the 2014 Depreciation study, change in the depreciation rate for gas meters, change to the ELG method, and the immediate recognition of asset removal costs and retirement gains and losses in income have been deferred as shown in section 5.2.10 Net Movement and Figure 5.20 Net Movement Breakdown.

Figures 5.13 and 5.14 provide the total depreciation and amortization expense for the years reported under CGAAP (2011/12 to 2014/15) and the years reported under IFRS (2014/15 to 2019/20).

Figure 5.13: Depreciation & Amortization

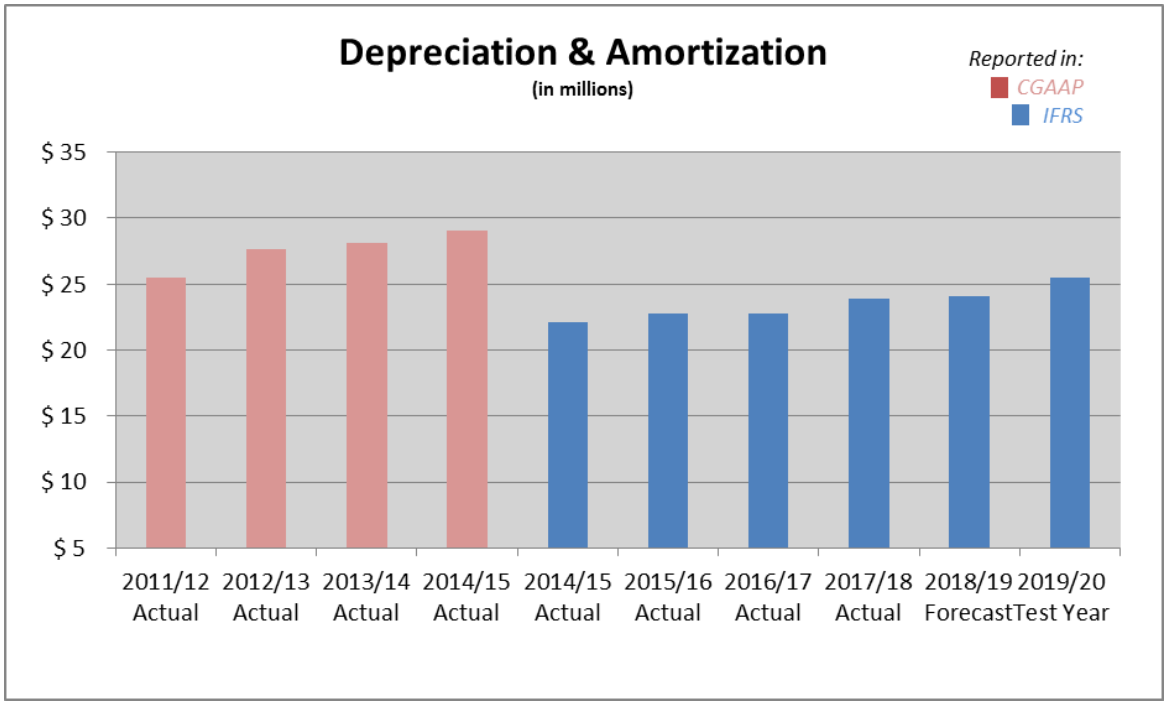

Figure 5.14: Depreciation & Amortization breakdown

CENTRA GAS MANITOBA INC.
Depreciation and Amortization Expense
($000'S)

	CGAAP				IFRS					
	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year
Intangible Assets										
Franchises & Consents	1	1	1	1	1	1	1	1	1	1
Land Rights	58	60	63	71	71	77	86	98	116	127
Computer System Development	626	530	530	530	530	442	-	-	-	-
Other Distribution Development (SCADA)	-	-	395	402	434	434	434	472	518	555
	686	592	990	1 004	1 037	955	522	571	634	684
Transmission Plant										
Land	-	-	-	-	-	-	-	-	-	-
Structures & Improvements - M&R	20	20	20	14	13	13	13	13	15	17
Structures & Improvements - Other	2	2	2	1	1	1	1	1	1	1
Mains - Transmission	1 599	1 658	1 696	1 815	1 712	1 765	2 003	2 414	2 521	2 457
Measuring & Regulating Equipment	145	145	149	183	209	228	250	281	315	365
Cath Prot/Rect/Sacr Anode, Groundbed	-	-	-	-	-	-	-	-	-	44
Gas Inline Inspections	-	-	-	-	-	-	-	-	-	595
Amort of Customer Contributions: Mains *	(331)	(343)	(410)	(496)	-	-	-	-	-	-
Amort of Customer Contributions: Measuring & Regulating Equip *	(0)	-	(21)	(56)	-	-	-	-	-	-
	1 434	1 483	1 437	1 461	1 935	2 007	2 267	2 709	2 851	3 480
Distribution Plant										
Land	-	-	-	-	-	-	-	-	-	-
Structures & Improvements	28	28	28	24	22	22	22	22	22	22
Structures & Improvements - M&R	64	65	66	80	98	98	102	114	127	129
Services	6 167	6 349	6 572	5 786	3 967	4 108	4 269	4 445	4 612	4 750
Regulators and Meter Installations	1 014	1 060	1 003	997	1 019	1 043	1 057	1 068	1 071	1 069
Mains - Distribution	2 999	3 170	3 321	3 422	2 825	2 965	3 127	3 246	3 372	3 211
Measuring & Reg. Equipment	1 101	1 147	1 198	1 134	942	966	1 042	1 154	1 242	1 297
Telemetry Equipment	199	200	202	190	184	186	187	196	223	246
Cath Prot/Rect/Sacr Anode, Groundbed	-	-	-	-	-	-	-	-	-	303
Meter Testing	-	-	-	-	-	-	-	-	(0)	154
Meters	1 708	1 771	1 765	2 042	2 594	3 154	3 179	3 247	3 347	3 368
Computer Equipment - Hardware	37	78	79	88	88	80	51	22	99	251
Amort of Customer Contributions: Services *	(170)	(170)	(175)	(142)	-	-	-	-	-	-
Amort of Customer Contributions: Regulators *	-	-	-	-	-	-	-	-	-	-
Amort of Customer Contributions: Mains *	(218)	(220)	(227)	(207)	-	-	-	-	-	-
Amort of Customer Contributions: Measuring & Regulating Equipment *	(90)	(90)	(91)	(68)	-	-	-	-	-	-
Amort of Customer Contributions: Meters *	(2)	(2)	(2)	(6)	-	-	-	-	-	-
	12 836	13 386	13 737	13 340	11 739	12 622	13 036	13 515	14 115	14 800
General Plant										
Land	-	-	-	-	-	-	-	-	-	-
Structures & Improvements	137	139	137	106	167	162	161	160	160	160
Office Furniture & Equipment	53	30	24	25	25	6	-	-	-	-
Transportation Equipment	138	104	46	(10)	(15)	(7)	(7)	(4)	-	-
Tools & Work Equipment	183	136	119	50	50	38	7	34	0	-
	511	409	326	172	228	200	161	190	160	160
Loss on Disposal of Property **	-	-	-	-	2 781	3 017	2 679	2 484	1 768	1 803
Depreciation on Common Assets	4 049	4 685	3 745	4 377	4 377	4 008	4 145	4 437	4 523	4 547
Regulatory Costs ***	546	587	437	580	-	-	-	-	-	-
Site Restoration ***	205	218	216	324						
Investment in Demand Side Management ***	5 234	6 264	7 172	7 768	-	-	-	-	-	-
Deferred Asset Amortization	5 985	7 068	7 825	8 673	-	-	-	-	-	-
Depreciation & Amortization Expense	25 501	27 624	28 060	29 027	22 097	22 808	22 810	23 907	24 052	25 474
Year over year $ change		2 123	437	966	(6 930)	711	2	1 098	145	1 422
Year over year % change		8.3%	1.6%	3.4%	-23.9%	3.2%	0.0%	4.8%	0.6%	5.9%

* Reclassified from Depreciation & Amortization to Other Income under IFRS
** Previously recorded in Accumulated Depreciation under CGAAP
*** Reclassified from Depreciation & Amortization to Net Movement under IFRS

Please see the following for a description of Depreciation & Amortization components:

Common assets are those fixed assets including administrative facilities, office furniture and equipment, computer systems, tools, work equipment and vehicles that are used to support both gas and electric operations. The interest, depreciation, and other costs related to the ownership and operation of these assets are applied and allocated to gas and electric operations in accordance with the integrated cost allocation methodology. Depreciation on common assets can vary from year to year

depending on the nature and extent of the labour activity charged to gas versus electric operations as well as the extent of asset additions and retirements impacting the common asset pool.

The following sections highlight the year over year changes in Depreciation and Amortization from 2011/12 through 2019/20:

2012/13 Actual vs. 2011/12 Actual (CGAAP)

The 2012/13 increase in depreciation expense is primarily due to the 2011/12 Gas Demand Side Management additions, as well as a change in the manner in which depreciation on common assets is allocated to Centra. Effective in 2012/13, depreciation on common assets is no longer included in overhead rates and is instead, allocated directly to Centra based on an appropriate cost driver (e.g. % of activity hours).

2013/14 Actual vs. 2012/13 Actual (CGAAP)

The 2013/14 increase in depreciation expense is primarily due to 2012/13 Gas DSM additions as well as Gas Supervisory Control and Data Acquisition and net plant asset additions, partially offset by a lower allocation from common assets due to a reduction in the cost driver rate from 10% to 9%.

2014/15 Actual vs. 2013/14 Actual (CGAAP)

The 2014/15 increase in depreciation expense is primarily due to Gas DSM additions, higher allocations from common assets and net plant asset additions partially offset by lower depreciation rates as determined in the 2014 depreciation study.

2015/16 Actual vs. 2014/15 Actual (IFRS)

The 2015/16 increase in depreciation expense is primarily due to net plant additions.

2016/17 Actual vs. 2015/16 Actual (IFRS)

The 2016/17 slight increase in depreciation expense is primarily due to net plant additions for the year.

2017/18 Actual vs. 2016/17 Actual (IFRS)

The 2017/18 increase in depreciation expense is primarily due to net plant additions including the Winnipeg North West Upgrade in 2016/17 plus increases in the depreciation on administrative buildings for common assets.

2018/19 Forecast vs. 2017/18 Actual (IFRS)

The 2018/19 increase in depreciation expense is primarily due to net asset additions partially offset by a reduction in losses on disposal as asset retirement gains and losses are not forecasted due to the high degree of uncertainty in terms of knowing which assets and vintage will be retired in future years.

2019/20 Forecast vs. 2018/19 Forecast (IFRS)

The 2018/19 increase in depreciation expense is primarily due to net asset additions.

5.2.7 Capital & Other Taxes

Capital & Other Taxes is comprised of payments made to the Province of Manitoba for capital and payroll taxes, business and property taxes paid to the various municipalities in Manitoba and deferred taxes related to the one-time tax payment made by Centra as a result of the acquisition by Manitoba Hydro in 1999.

Capital & Other Taxes for the years 2011/12 through to the 2019/20 test year are provided in Figures 5.15 and 5.16 below.

Figure 5.15: Capital & Other Taxes

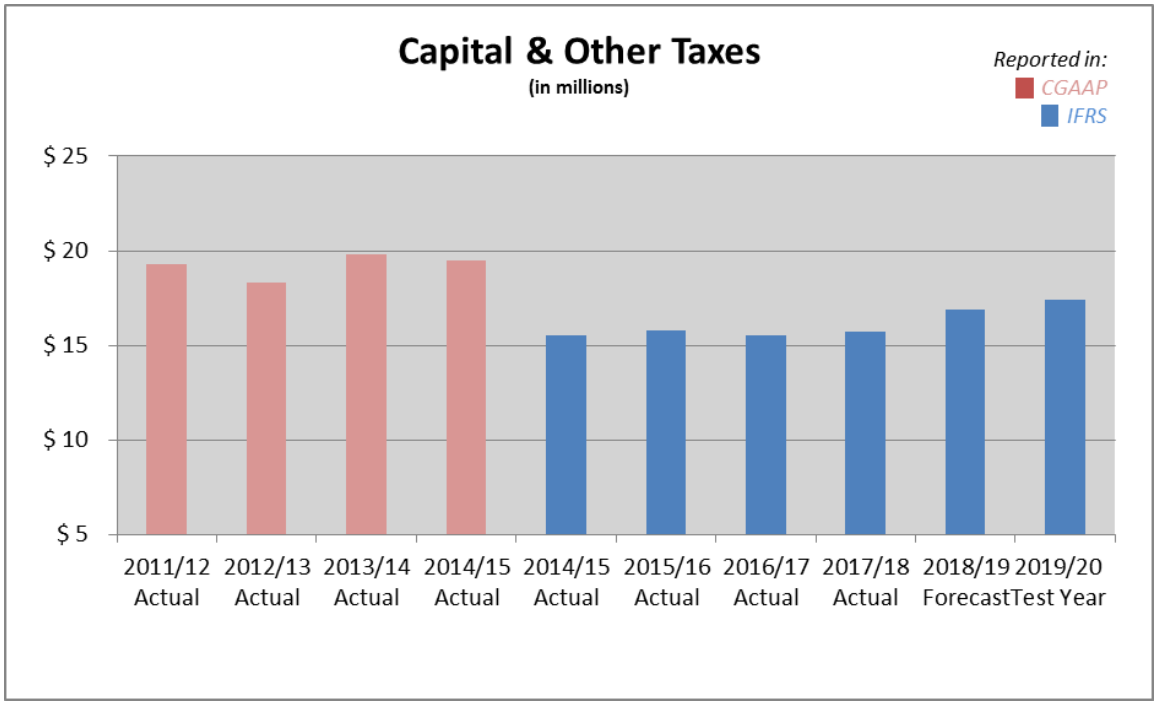

Figure 5.16: Capital and Other Taxes breakdown

CENTRA GAS MANITOBA INC.
Capital and Other Taxes
($000'S)

	CGAAP				IFRS					
	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year
Corporation Capital Tax	2 323	2 422	2 610	2 887	2 887	2 870	2 874	3 033	3 204	3 375
Municipal Taxes	11 561	10 673	11 378	11 595	11 595	12 077	11 791	11 955	12 750	13 100
Payroll Tax	800	786	933	855	855	800	823	896	831	840
Taxes on Common Assets	221	166	54	97	97	67	-	65	101	93
Deferred Income Taxes*	4 369	4 216	4 070	3 923		-	-	-	-	-
GST on City Tax/(reversal of accrual)			710	104	104	10	-	(218)	-	-
Total Taxes	19 274	18 263	19 755	19 461	15 538	15 824	15 488	15 731	16 886	17 407
Year over year $ change		(1 011)	1 492	(294)	(3 923)	286	(336)	243	1 155	521
Year over year % change		-5.2%	8.2%	-1.5%	-20.2%	1.8%	-2.1%	1.6%	7.3%	3.1%

* Reclassified from Capital and Other Taxes to Net Movement under IFRS

Please see the following for a description of Capital & Other Tax components:

The Corporation pays capital tax to the Province of Manitoba at a rate at 0.5% which is applied to the taxable capital of the company.

Municipal taxes are paid based upon the assessed value of property owned by Centra. Taxable property consists mainly of pipelines, services, meters and

regulating equipment all of which are assessed based on standard values determined by the Province.

Payroll tax is assessed at a rate of 2.15% on Manitoba Hydro's gross payroll. As Centra has no employees and therefore no direct payroll, this tax amount is an allocation from Manitoba Hydro to Centra based on the relative percentage of activity charges made to Centra.

Taxes on common assets represents Centra's share of property tax paid on administrative facilities.

Deferred income taxes represent the one-time tax liability that occurred as a result of the acquisition of Centra by Manitoba Hydro. In accordance with Order 118/03, Centra has deferred the resulting liability and is amortizing the amount over a 30-year period.

GST on City Tax is the result of a Canada Revenue Agency ("CRA") GST audit reassessment for the period of April 1, 2013 to May 31, 2015. Additional amounts including interest were accrued in anticipation of future reassessments. These were reversed in 2017/18 as over three years had passed and Centra would no longer likely be reassessed as a result of the audit.

The following sections highlight the year over year changes in Capital & Other Taxes from 2011/12 through 2019/20:

2012/13 Actual vs. 2011/12 Actual (CGAAP)

The 2012/13 decrease in capital and other taxes is primarily due to a decrease in municipal taxes. These taxes declined as a result of the 2012 province-wide reassessment of property values. In general, the value of Centra's property did not increase to the same extent as the average increase of all other property in Manitoba and as a result Centra's property taxes decreased.

2013/14 Actual vs. 2012/13 Actual (CGAAP)

The 2013/14 increase in capital and other taxes is primarily due to the inclusion of a GST reassessment on City tax and an accrual for estimated future reassessment related to the current year.

2014/15 Actual vs. 2013/14 Actual (CGAAP)

The 2014/15 decrease in capital and other taxes is primarily due to the inclusion of the GST reassessment on City Tax in the previous year. This is partially offset by an increase in corporate capital tax and municipal taxes due to increasing capital.

2015/16 Actual (IFRS) vs. 2014/15 Actual (IFRS)

The 2015/16 increase in capital and other taxes is primarily due to an increase in municipal taxes.

2016/17 Actual vs. 2015/16 Actual (IFRS)

The 2016/17 decrease in capital and other taxes is primarily due to lower municipal taxes. These taxes declined as a result of the 2016 province-wide reassessment of property values. In general, the value of Centra's property did not increase to the same extent as the average increase of all other property in Manitoba and as a result Centra’s property taxes decreased.

2017/18 Actual vs. 2016/17 Actual (IFRS)

The 2017/18 capital and other taxes increased partially as a result of higher municipal and payroll taxes and a small increase in capital tax due to higher debt to fund capital projects, offset by the reversal of the GST reassessment on City Tax. The GST on City Tax accruals were reversed as three years had passed since the time period of the audit and the likelihood of being reassessed was deemed to be low.

2018/19 Forecast vs. 2017/18 Actual (IFRS)

The 2018/19 capital and other taxes are expected to increase primarily as a result of higher municipal taxes as well as higher capital taxes. Property taxes are expected to increase as a result of an increase in assessed values of property as well as an increase in rates. Capital taxes are expected to increase due to higher debt to fund capital projects.

2019/20 Forecast vs. 2018/19 Forecast (IFRS)

The 2019/20 capital and other taxes are expected to increase primarily as a result of expected increases in assessed values of property and in rates as well as higher capital taxes as a result of higher debt that will be required to fund capital projects.

5.2.8 Other Expenses

Other expenses include costs associated with Demand Side Management ("DSM") programs designed to reduce overall natural gas consumption and assist customers in managing their natural gas costs, site restoration and regulatory costs as well as the provision of work on customer owned plant and other miscellaneous expenditures. Under CGAAP, these expenses were recorded as deferred assets on the Balance Sheet or in Other Income.

Upon transition to IFRS, additions to DSM programs, site restoration and regulatory costs are recorded initially in other expenses and then removed through net movement to regulatory deferral accounts on the statement of financial position. Figure 5.17 outlines Centra's Other Expenses from 2014/15 through 2019/20 and Figure 5.18 provides a breakdown of Other Expenses as well as the year over year change for the same period.

Figure 5.17: Other Expenses

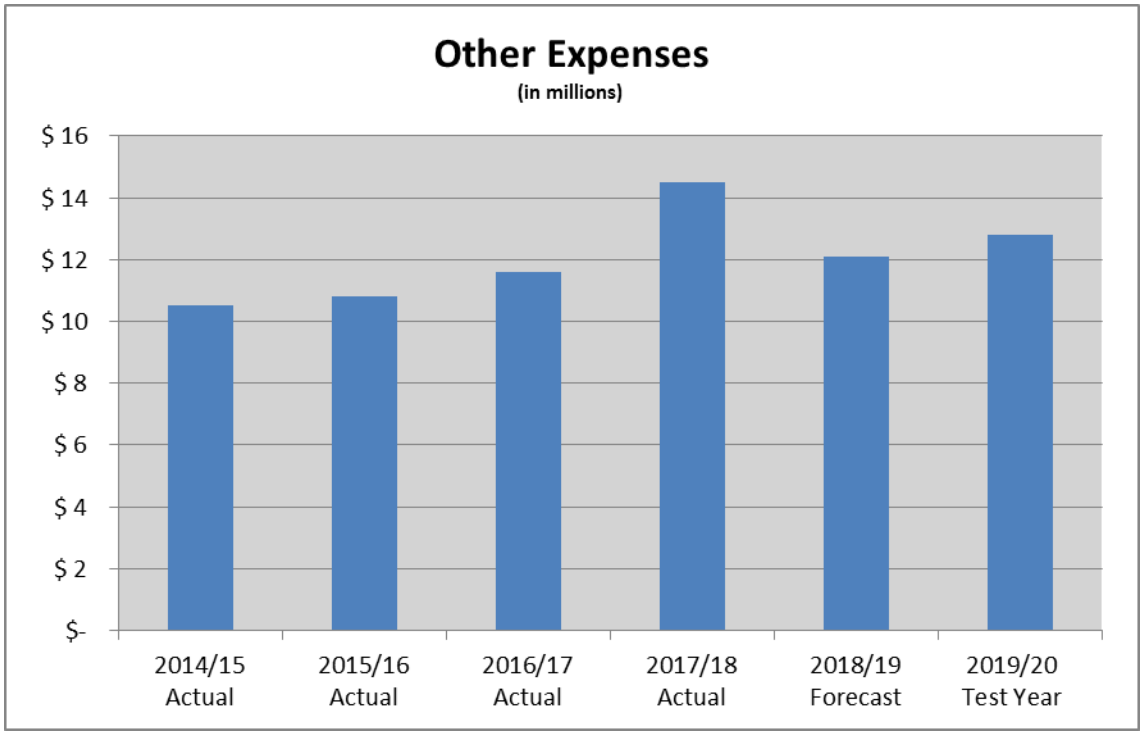

Figure 5.18: Other Expenses

CENTRA GAS MANITOBA INC.
Other Expenses
($000'S)

	IFRS					
	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year
Demand Side Management Programs *	9 442	9 964	10 708	10 999	9 367	10 806
Corporate Restructuring Costs	-	-	167	3 006	411	141
Miscellaneous **	98	85	66	22	42	42
Site Restoration *	-	-	-	47	-	-
Regulatory Costs *	940	742	625	433	2 233	1 811
Total Other Expenses	10 480	10 791	11 566	14 507	12 052	12 799
Year over year $ change		311	775	2 941	(2 455)	747
Year over year % change		3.0%	7.2%	25.4%	-16.9%	6.2%

*Reclassified from Regulatory Deferrals to Other Expenses under IFRS
** Reclassified from Other Income to Other Expenses under IFRS

The following sections highlight the year over year changes in Other Expenses from 2015/16 (post IFRS) through 2019/20:

2015/16 Actual vs. 2014/15 Actual (IFRS)

The 2015/16 increase in other expenses is a result of higher spending on DSM programs related to higher expenditures on the Affordable Energy Program offset by lower participation in the Building Envelope Program.

2016/17 Actual vs. 2015/16 Actual (IFRS)

The 2016/17 increase in other expenses is due to increased spending on the Affordable Energy Program due to reduced Bill 11 funding from the Province of Manitoba for 2016/17.

2017/18 Actual vs. 2016/17 Actual (IFRS)

The 2017/18 increase in other expenses is mainly due to restructuring costs associated with management position reductions and the VDP.

2018/19 Forecast vs. 2017/18 Actual (IFRS)

The 2018/19 decrease in other expenses is primarily due to a reduction in forecasted corporate restructuring costs and DSM expenditures primarily for the New Construction, Building Envelope and Water & Energy Saver Programs, offset by an increase in forecasted regulatory costs for regulatory proceedings.

2019/20 Forecast vs. 2018/19 Forecast (IFRS)

The 2019/20 increase in other expenses is primarily due to an increase in planned DSM expenditures primarily for Affordable Energy, Building Envelope and Commercial HVAC Programs offset by a reduction in regulatory costs relative to 2018/19 that includes the current GRA.

5.2.9 Corporate Allocation

The amount of $12.0 million allocated to Centra represents Centra's share of both the total annual interest on the debt incurred by Manitoba Hydro to acquire Centra plus the amortization of the related acquisition and integration costs incurred by Manitoba Hydro.

5.2.10 Net Movement

IFRS 14 Regulatory Deferral Accounts interim standard provides guidance on the accounting for the effects of rate regulation under IFRS. Regulatory deferral account balances usually represent timing differences between the recognition of items of income or expense for regulatory purposes and the recognition of those items for financial reporting purposes. The standard requires net income to be reported both before and after the impacts of rate-regulation. As a result, additions to regulatory deferral balances are initially expensed in their respective financial statement line items and amortization pertaining to these items is removed from depreciation and amortization. These additions are deferred and amortization is recognized in the net movement in regulatory balances. This presentation is intended to isolate the movement of regulatory deferral accounts to allow comparability with those entities not applying IFRS 14. Figure 5.19 demonstrates the net movement from 2014/15 through 2019/20 and Figure 5.20 provides the breakdown of the net movement in regulatory deferral accounts as well as the year over year change for the same period.

Figure 5.19: Net Movement

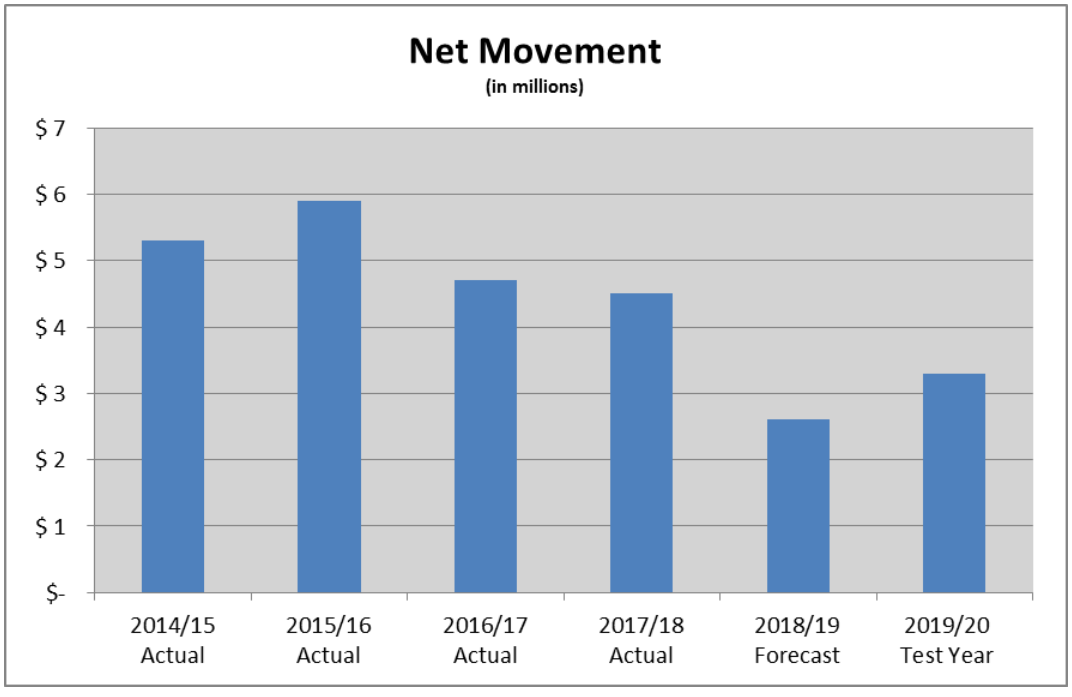

Figure 5.20: Net Movement breakdown

CENTRA GAS MANITOBA INC.
Net Movement in Regulatory Deferral Accounts
($000'S)

				IFRS			
	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year
Additions to regulatory deferral accounts						
Demand Side Management programs	9 442	9 964	10 708	10 999	9 367	10 806
Deferred income taxes carrying costs	2 119	1 978	1 827	1 681	1 535	1 389
Site restoration	-	-	-	47	-	-
Regulatory costs	940	742	625	433	2 233	1 811
Loss on disposal of assets	2 781	3 017	2 679	2 484	1 768	1 803
Change in depreciation method	1 993	2 144	2 228	2 366	2 375	2 389
Deferred ineligible overhead	700	700	700	700	700	700
Change in depreciation rate - meters	-	471	474	485	499	-
Impact of 2014 depreciation study	(963)	(901)	(892)	(942)	(1 020)	-
PGVA carrying costs	897	399	(128)	(193)	(338)	(144)
Total additions to regulatory deferral accounts	17 911	18 515	18 221	18 060	17 118	18 753
Amortization of regulatory deferral accounts						
Demand Side Management programs	7 768	7 878	8 874	8 990	10 090	9 946
Deferred income taxes amortization	3 923	3 783	3 631	3 485	3 339	3 193
Site restoration	324	327	327	328	314	314
Regulatory costs	580	632	728	725	635	1 515
Loss on disposal of assets	-	-	-	-	-	374
Deferred ineligible overhead	-	-	-	72	93	113
Change in depreciation rate - meters	-	-	-	-	-	96
Impact of 2014 depreciation study	-	-	-	-	-	(139)
Total amortizations to regulatory deferral accounts	12 596	12 619	13 560	13 600	14 470	15 412
Total net movement in regulatory deferral balances *	5 315	5 895	4 661	4 460	2 649	3 340
Year over year $ change		580	(1 234)	(201)	(1 811)	692
Year over year % change		10.9%	-20.9%	-4.3%	-40.6%	26.1%

*Net movement in regulatory deferral balances is net of PGVA

The following provides a description of the amounts included in net movement in regulatory balances:

- DSM programs expenditures are incurred for natural gas conservation programs to encourage residential, commercial and industrial customers to use energy more efficiently.
- Deferred income taxes represent the one-time tax liability as a result of the acquisition of Centra by Manitoba Hydro. In accordance with Order 118/03, Centra deferred the resulting liability and is amortizing the amount over a 30-year period.

- Site restoration expenditures are incurred for the remediation of contaminated corporate facilities.
- Regulatory costs are those incurred as a result of gas regulatory processes and proceedings.
- Loss on disposal of assets is the net asset retirement losses for those assets retired prior to or subsequent to reaching their expected service life as determined under the ELG method of depreciation.
- Change in depreciation method represents the cumulative annual difference in depreciation expense between the ASL method of depreciation as applied by Centra prior to its transition to IFRS and the ELG method as applied by Centra under IFRS.
- Deferred ineligible overhead is the cumulative annual difference in overhead capitalized for financial reporting purposes under IFRS and overhead capitalized for rate setting purposes.
- Change in depreciation rate – meters represents the difference between depreciation on gas meters between the 20-year rate used for financial reporting purposes and the 25-year rate used for rate-setting purposes.
- Impact of 2014 depreciation study represents the cumulative unamortized difference in depreciation between the ASL method based on the 2010 depreciation study and the ASL method based on the 2014 depreciation study. The 2010 ASL depreciation rates are applied by Centra for rate setting purposes pending review of the updated rates as part of this GRA.
- PGVA carrying costs are the carrying costs applied to PGVA balances.

The following sections highlight the year over year changes in net movement from 2015/16 (Post IFRS) through 2019/20:

2015/16 Actual vs. 2014/15 Actual (IFRS)

The 2015/16 increase in net movement in regulatory deferral balances is primarily due to additions for increased DSM spending and the change in depreciation rate for meters.

2016/17 Actual vs. 2015/16 Actual (IFRS)

The 2016/17 decrease in the net movement balance is primarily due to a change in PGVA carrying costs and the decrease in the loss on disposal of assets.

2017/18 Actual vs. 2016/17 Actual (IFRS)

The 2017/18 change in net movement was insignificant.

2018/19 Forecast vs. 2017/18 Actual (IFRS)

The 2018/19 net movement is forecast to decrease from the prior year primarily due to lower forecasted DSM expenditures and higher DSM amortization, a decrease in the loss on disposal of assets deferral, partially offset by an increase in planned regulatory costs.

2019/20 Forecast vs. 2018/19 Forecast (IFRS)

The 2019/20 net movement is forecast to increase from the prior year primarily on account of an increase in planned DSM expenditures, the discontinuation of the impact of the 2014 depreciation study deferral, partially offset by an increase in amortization of regulatory costs.

5.3 CGAAP TO IFRS TRANSITION - 2014/15

Centra Gas adopted IFRS on April 1, 2015 with retrospective application of changes in accounting policies resulting from differences from CGAAP. As IFRS requires comparative financial information, the company has restated net income for the 2014/15 fiscal year. The information provided is a direct extract from Centra's audited financial statements at the time of transition. Information pertaining to these adjustments is demonstrated in Figure 5.21 and Figure 5.22.

Figure 5.21: Reconciliations of CGAAP to IFRS - Statement of Income

STATEMENT OF INCOME

For the year ended March 31, 2015	Notes	CGAAP	Adjustments	Reclassifications	**IFRS**
			(millions of $)		
Revenues					
Domestic		426	-	2	**428**
Other	(ii)	2	-	(1)	**1**
		428	-	1	**429**
Expenses					
Cost of gas sold	D	274	(8)	-	**266**
Finance expense	D	16	3	-	**19**
Operating and administrative	A, C	67	3	-	**70**
Depreciation and amortization	(ii), B, D	29	(8)	1	**22**
Capital and other taxes	D	20	(4)	-	**16**
Corporate allocation		12	-	-	**12**
Other expenses	D	-	10	-	**10**
		418	(4)	1	**415**
Net income before net movement in regulatory		10	4	-	**14**
Net movement in regulatory balances	D	-	(3)	-	**(3)**
Net Income		10	1	-	**11**

Figure 5.22: Reconciliations of CGAAP to IFRS - Statement of Financial Position

STATEMENT OF FINANCIAL POSITION

As at March 31, 2015	Notes	CGAAP	Adjustments	Reclassifications	**IFRS**
			(millions of $)		
Assets					
Current Assets					
Accounts receivable and accrued revenue		83	-	-	**83**
Inventory		17	-	-	**17**
		100	-	-	**100**
Property, Plant and Equipment	B, C, D	466	(3)	-	**463**
Non-Current Assets					
Intangible assets		7	-	-	**7**
Regulated assets	(i)	116	-	(116)	**-**
		123	-	(116)	**7**
Total assets before regulatory deferral balance		689	(3)	(116)	**570**
Regulatory deferral balance	(i), D	-	6	116	**122**
		689	3	-	**692**
Liabilities and Equity					
Current Liabilities					
Current portion of long term debt		-	-	-	**-**
Due to parent	A	79	8	-	**87**
Accounts payable and accrued liabilities		50	-	-	**50**
		129	8	-	**137**
Long-Term Debt		305	-	-	**305**
Non-Current Liabilities					
Regulated liabilities	(i)	6	-	(6)	**-**
Refundable advances from customers		14	-	-	**14**
Deferred revenue		42	-	-	**42**
		62	-	(6)	**56**
Total liabilities		496	8	(6)	**498**
Equity					
Share capital		121	-	-	**121**
Retained earnings	A	72	(6)	-	**66**
		193	(6)	-	**187**
Total liabilities and equity before regulatory deferral balance		689	2	(6)	**685**
Regulatory deferral balance	D, (i)	-	1	6	**7**
		689	3	-	**692**

5.3.1 Adjustments

The following provides a description of the Adjustments included in Figures 5.21 and 5.22.

A. Pensions and benefits

Pension adjustment

Under IFRS the expected return on plan assets is replaced by interest income calculated using the fair value of plan assets with the same discount rate used to measure the pension obligation. Under CGAAP market-related values were used to estimate the expected return on plan assets. This adjustment is reflected in retained earnings.

Under International Accounting Standards 19 ("IAS 19"), Employee Benefits, past service costs arise when an entity introduces a new defined benefit plan or change to the benefits payable. These improvements are recognized immediately in profit or loss whereas under CGAAP these costs were deferred and amortized. The requirements of IAS 19 were applied retrospectively with the adjustment reflected in retained earnings.

The impacts at April 1, 2014 and March 31, 2015 from this change are demonstrated in Figure 5.23.

Figure 5.23: Pension Adjustment Change

	March 31, 2015	April 1, 2014
Increase to due to parent	$3 million	$4 million
Decrease to retained earnings	$4 million	$4 million

Impact to statement of income:

	March 31, 2015	April 1, 2014
Decrease to operating and administrative expense	$1 million	-

Benefits adjustment

There are some measurement differences for some of the post-employment benefit liabilities. Under IAS 19, employee service gives rise to an obligation regardless of whether the benefits are vested or unvested for the sick leave vesting and severance liabilities whereas under CGAAP only legally vested liabilities are recorded. For the retiree health spending and long-term disability liabilities, actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are deferred and amortized under CGAAP whereas under IFRS they are expensed as they occur. The impacts at April 1, 2014 and March 31, 2015 from this change are demonstrated in Figure 5.24.

Figure 5.24: Benefit Adjustment

Impact to statement of financial position:

	March 31, 2015	April 1, 2014
Increase to due to parent	$4 million	$3 million
Decrease to retained earnings	$3 million	$3 million

Impact to statement of income:

	March 31, 2015	April 1, 2014
Increase to operating and administrative expense	$1 million	-

B. Depreciation valuation

IFRS is more specific than CGAAP with respect to the level of componentization by which assets can be grouped for determining depreciation. In order to comply with the componentization requirements of IAS 16 *Property, Plant and Equipment*, Centra changed from the ASL method of depreciation to the ELG method. The ELG method calculates depreciation with consideration of the different service lives for each of the assets within a component group. In addition to the change to the ELG method, Centra also eliminated the provision for asset decommissioning costs (negative salvage) that was previously included in depreciation rates under CGAAP. The provision represented a high level estimate of the costs to decommission an asset and was utilized to promote intergenerational equity in customer rate setting. The inclusion of this provision in depreciation rates is not permitted under IFRS. For the year ended March 31, 2015, these changes had the following impacts:

Decrease to depreciation and amortization for the following:

Removal of negative salvage value	($4) million
Depreciation valuation from ASL to ELG	$2 million*
Increase to property, plant and equipment	$2 million

* This impact to depreciation and amortization expense has been deferred as a regulatory debit balance.

C. Overhead not eligible for capitalization (ineligible overhead)

IFRS is more explicit than CGAAP with respect to the costs that may be included in the cost of a capital project. IAS 16 and IAS 38 *Intangible Assets* do not permit the capitalization of overhead and administrative costs that are not directly attributable to a capital project. Consequently, Centra no longer capitalizes these costs.

For the year ended March 31, 2015, these changes had the following impacts:

Decrease to property, plant and equipment	$2 million
Increase to operating and administrative expense	$3 million**

** $1 million of this increase to operating and administrative expense has been deferred as a regulatory debit balance.

D. Regulatory deferral account balances

IFRS 14 *Regulatory Deferral Accounts* specifies the financial reporting requirements for regulatory deferral account balances that arise from rate-regulation. This standard requires the statement of income above net movement in regulatory balances to be presented in a manner that does not include the impacts of rate-regulation. As a result, additions to regulatory deferral balances have been expensed in the line items above net movement in regulatory balances and amortization has been removed. Consequently, the additions are ultimately deferred and

amortization is recognized through net movement in regulatory balances. This presentation is intended to isolate the movement of regulatory deferral accounts to allow comparability with those entities not applying IFRS 14.

The following adjustments were made to the statement of income and statement of financial position:

Additions

Additions to regulatory deferral balances relating to carrying costs have been presented in finance expense. These impacts resulted in an increase to finance expense under IFRS of $2 million for the year ended March 31, 2015.

Additions to regulatory deferral debit balances relating to deferred ineligible overhead resulted in an increase to the regulatory deferral debit balances of $1 million at March 31, 2015.

Additions to regulatory deferral debit balances relating to the change in depreciation method resulted in an increase to the regulatory deferral debit balances of $2 million at March 31, 2015.

Additions to regulatory deferral debit balances relating to the loss on disposal of assets resulted in an increase to regulatory deferral debit balances and a decrease in property, plant and equipment of $3 million at March 31, 2015 with a corresponding increase to depreciation and amortization expense.

Additions to DSM programs, site restoration and regulatory costs have been presented in other expenses resulting in an increase to other expenses of $10 million for the year ended March 31, 2015.

Additions to regulatory deferral credit balances relating to the impact of the 2014 depreciation study have been presented in depreciation and amortization resulting in a decrease in depreciation and amortization expense and an increase in regulatory deferral credit balances of $1 million at March 31, 2015.

Amortization

Amortization of regulatory deferral balances have been removed from depreciation and amortization under IFRS resulting in a decrease of $9 million for the year ended March 31, 2015.

Amortization of deferred taxes has been removed from capital and other taxes under IFRS resulting in a decrease of $4 million for the year ended March 31, 2015.

Recovery or reversal of the PGVA

Cost of gas sold under CGAAP was calculated based on rates approved by the PUB. IFRS 14 requires the regulatory impacts on cost of gas sold to be removed to reflect actual commodity costs. The March 31, 2015 impact of removing regulatory impacts from cost of gas sold is a reduction in cost of gas sold of $8 million. Carrying costs have been presented in finance expense resulting in an increase to finance expense under IFRS of $1 million for the year ended March 31, 2015.

Net movement in regulatory deferral balances was impacted by these required changes for the year ended March 31, 2015, which are demonstrated in Figure 5.25.

Figure 5.25: Net Movement Impacts

Additions	
Finance expense	2
Operating and administrative expense	1
Depreciation and amortization expense	4
Other expenses	
	10
	17
Amortization	
Depreciation and amortization	(9)
Capital and other taxes	(4)
	(13)
Recovery or reversal of the PGVA	
Cost of gas sold	(8)
Finance expense	1
	(7)
Net impact to net movement in regulatory balances	(3)

5.3.2 Reclassifications

i. Presentation of Regulatory Deferral Accounts

IFRS 14 requires separate disclosure in the statement of financial position for the total of all regulatory deferral debit balances and the total of all regulatory deferral credit balances. As such, amounts presented as regulated assets and regulated liabilities under CGAAP have been reclassified to regulatory deferral debit and regulatory deferral credit balances on the statement of financial position. This resulted in decreases in the regulated assets balance by $124 million and $116 million at April 1, 2014 and March 31, 2015, respectively with corresponding increases to the regulatory deferral debit balance. Regulated

liabilities also decreased by $6 million and $6 million at April 1, 2014 and March 31, 2015, respectively with a corresponding increase to the regulatory deferral credit balance.

ii. Deferred revenue

Under IFRIC 18 contributions in aid of construction are initially recorded as deferred revenue and subsequently recognized in revenue over the life of the related asset. Under CGAAP, amortization of contributions was recognized in depreciation and amortization. This reclassification resulted in an increase in other revenue of $1 million for the year ended March 31, 2015 with a corresponding increase to depreciation and amortization.

5.4 COST OF SERVICE

Centra's total cost of service represents the total amount of revenue that Centra requires to recover all costs associated with the provision of natural gas service to its customers, as well as a contribution to retained earnings in the form of net income. Appendix 5.12 provides details on Centra's total cost of service for the years 2011/12 to 2019/20, including both a financial statement presentation and rate setting presentation, after reclassification of the Net Movement account into the applicable line items (for 2015/16 to 2019/20 after the transition to IFRS). The total cost of service for rate setting purposes for 2019/20 provides the basis for Centra's Cost Allocation Study which is summarized in Tab 10 of the Application. Appendix 5.12 also includes a comparison of actual, forecast and weather normalized results by cost of service line item for the years 2011/12 to 2017/18.