

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

**OPERATING & ADMINISTRATIVE EXPENSE**

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1 **1.0 OVERVIEW**

2

3 Appendix 5.9 provides additional information and analysis of Centra’s Operating and  
4 Administrative (“O&A”) costs on an actual and forecast basis from 2011/12 through  
5 2019/20.

6

7 In 2015/16 Centra transitioned to International Financial Reporting Standards  
8 (“IFRS”) from Canadian Generally Accepted Accounting Principles (“CGAAP”). O&A  
9 costs are recognized in accordance with IFRS and apportioned to Centra’s operations  
10 through an integrated cost allocation methodology. The impacts to O&A of the  
11 transition to IFRS have been included in Tab 5, Section 5.2 of this Application.

12

13 Figure 5.1 provides O&A costs under CGAAP before and after accounting changes,  
14 O&A cost per customer and includes a comparison to the Manitoba Consumer Price  
15 Index (“CPI”) from 2011/12 through 2014/15.

16

17 **Figure 5.1: O&A Cost per Customer – CGAAP**

	CGAAP				Compound Annual Growth
	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2011/12 - 2014/15 Actual
Centra Gas O&A	\$ 62 117	\$ 63 735	\$ 66 810	\$ 67 458	2.8%
Less: Accounting Changes	\$ 3 101	\$ 4 425	\$ 4 514	\$ 4 604	
Centra Gas O&A after adjusting for Accounting Changes	\$ 59 016	\$ 59 310	\$ 62 296	\$ 62 853	
% Increase (Decrease)		0.5%	5.0%	0.9%	2.1%
MB CPI		1.6%	2.4%	1.5%	1.9%
Number of Customers	267 699	269 786	272 228	274 817	0.9%
<u>Cost per customer before accounting changes</u>					
Cost per Customer (before accounting changes)	\$ 232	\$ 236	\$ 245	\$ 245	
% Increase (Decrease)		1.8%	3.9%	0.0%	1.9%
<u>Cost per customer after accounting changes</u>					
Cost per Customer (after accounting changes)	\$ 220	\$ 220	\$ 229	\$ 229	
% Increase (Decrease)		(0.3)%	4.1%	(0.1)%	1.2%

18

1 The compound annual increase in O&A from 2011/12 through 2014/15 was 2.8%  
2 before accounting changes and 2.1% after accounting changes. As discussed in Tab  
3 5, Section 5.2.4, the most notable increase occurred in 2013/14, and was primarily  
4 due to higher labour and overhead expenditures in the distribution maintenance  
5 and billing & collections programs, as well as higher benefit costs resulting from the  
6 recognition of a liability for the Centra Extended Health plan.

7  
8 Since 2009/10 Centra gradually removed certain overhead costs from capitalization  
9 under CGAAP in order to align the corporation's capitalization policies with those of  
10 other Canadian utilities. Items removed from overhead capitalized include interest  
11 on equipment and facilities, building depreciation and operating costs, IT  
12 infrastructure and related support, as well as various corporate department costs.  
13 The capitalization of intangible asset costs was also reduced. These costs are  
14 reflected as accounting changes in Figure 5.1 in order to facilitate year over year  
15 comparability.

16  
17 Figure 5.2 provides O&A costs under IFRS, O&A cost per customer and a comparison  
18 to Manitoba CPI from 2015/16 through 2019/20.

19  
20 **Figure 5.2: O&A Cost per Customer - IFRS**

	IFRS					Compound Annual Growth Increase/(Decrease)		
	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Test Year	2015/16- 2019/20 Total	2015/16- 2017/18 Actual	2017/18- 2019/20 Forecast
Centra Gas O&A	\$ 66,607	\$ 65,384	\$ 63,113	\$ 63,315	\$ 61,250	(2.1)%	(2.7)%	(1.5)%
% Increase (Decrease)		(1.8)%	(3.5)%	0.3%	(3.3)%			
MB CPI	1.3%	1.4%	1.7%	2.1%	2.1%	1.8%	1.5%	2.1%
Number of Customers	276,858	279,268	281,990	285,227	288,703	1.1%	0.9%	1.2%
Cost per Customer	\$ 241	\$ 234	\$ 224	\$ 222	\$ 212			
% Increase (Decrease)		(2.7)%	(4.4)%	(0.8)%	(4.4)%	(3.1)%	(3.5)%	(2.6)%

21  
22  
23 As indicated above, Centra realized a compound annual decrease in actual O&A  
24 expenditures for the period 2015/16 through 2017/18 and projects a continued

1 decrease in expenditures through the test year 2019/20. Overall, the projected  
2 compound annual growth decrease from 2015/16 through 2019/20 is 2.1% with  
3 O&A cost per customer projected to decline by 3.1% while inflation during the same  
4 time period is projected to increase by 1.8%. The declining costs are primarily as a  
5 result of management reductions and the impacts of the 2017/18 Voluntary  
6 Departure Program (“VDP”). The overall decline in expenditures has been achieved  
7 despite significant cost pressures primarily as a result of higher wages and salaries  
8 due to contract settlements greater than inflation.

9  
10 **2.0 CHANGES TO METER READING AND METERING COSTS BEGINNING IN THE TEST**  
11 **YEAR**

12 Beginning in the test year (2019/20) Centra’s operating and administrative expenses  
13 reflect adjustments related to costs paid by Centra to Manitoba Hydro Utility Service  
14 for meter reading services as well as the capitalization of metering costs. The net  
15 impact of these changes result in a 3.3% decrease in O&A expenditures for 2019/20.

16  
17 **Meter Reading**

18  
19 Beginning in the test year (2019/20), Centra’s O&A reflects an increase of \$512  
20 thousand in meter reading costs paid by Centra to Manitoba Hydro Utility Service  
21 (“MHUS”) for meter reading services. Since 2011/12, the cost of meter reading has  
22 not been fully recovered in the meter reading rates charged to Centra, as contracted  
23 wage increases for MHUS staff have risen by 13.7% without a subsequent increase in  
24 meter reading rates. Wages and benefits make up approximately 85% of MHUS’s  
25 costs and the labour intensive nature of manual meter reading provides few  
26 opportunities to reduce these costs. In addition, the number of meters read by  
27 MHUS increases annually as a result of customer growth in the areas it serves.

28  
29 Please see Attachment 1 to this Appendix for a copy of the contract between Centra  
30 and MHUS.

1           Capitalization of Metering Costs

2

3           Beginning in the test year (2019/20) is the proposed capitalization of metering costs  
4           in an effort to harmonize the accounting for these types of costs between Manitoba  
5           Hydro's gas and electric lines of business.

6

7           Historically, expenditures associated with meter sampling, testing and exchange  
8           activities to support overall compliance with Measurement Canada requirements  
9           were charged to operating & administrative expense. Centra has proposed to  
10          capitalize these functions effective for the 2019/20 fiscal year, resulting in a  
11          reduction to O&A of approximately \$3.0 million.

12

13       **3.0    INTEGRATED COST ALLOCATION METHODOLOGY (ICAM)**

14

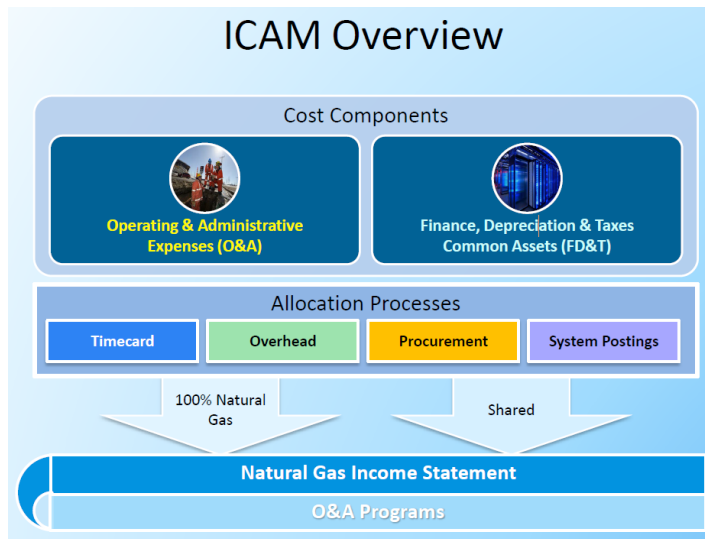
15          Centra operations are integrated within the organizational structure of Manitoba  
16          Hydro. The integrated cost allocation methodology (ICAM) for allocating costs to  
17          Centra was simplified following the implementation of IFRS, effective 2015/16. The  
18          revised methodology was reviewed with the PUB in a technical conference on  
19          November 30, 2016. The purpose of the technical conference was to facilitate a  
20          collaborative discussion to provide a better understanding of the integrated cost  
21          allocation methodology. The discussion topics included changes that were made  
22          following the implementation of IFRS, an assessment of the reasonableness of a fair  
23          and equitable allocation of costs and an understanding that no cross-subsidization  
24          between gas and electric operations exists.

25

26          Figure 5.3 provides a summary of the current integrated cost allocation  
27          methodology and Appendix 5.10 contains a copy of the November 30<sup>th</sup> presentation  
28          to the PUB. Appendix 5.10 includes an enhanced version of the ICAM schematic  
29          (Figure 5.3) with detailed illustrations of the ICAM including cost components,  
30          allocation processes, program reporting and the internal control framework. The  
31          illustrations provide insight into the processes used to allocate expenses and the  
32          internal controls used to ensure the allocation processes are working as intended.  
33          The illustrations provide explanations of how the ICAM works that are more  
34          comprehensive and easier to follow than the previous ICAM wire diagram, which

1 was more technical in nature. The new ICAM schematic and illustrations replace the  
2 previous ICAM wire diagram (see Centra Gas Manitoba Inc. 2013/14 General Rate  
3 Application PUB/Centra 21a) which is no longer prepared by the corporation.  
4

5 **Figure 5.3: Integrated Cost Allocation Methodology (ICAM)**



6  
7

8 The primary change made to the integrated cost allocation methodology following  
9 the implementation of IFRS was to improve transparency by removing common  
10 overhead as a percentage add-on to all gas programs. Unique organizational support  
11 programs were established with costs allocated to each using various natural gas  
12 cost drivers. O&A programs still organize costs by the nature of work performed and  
13 include the same cost components (labor related costs, materials, supplies and  
14 external services).

15

16 **4.0 OPERATING & ADMINISTRATIVE EXPENSE BY PROGRAM**

17

18 Prior to 2015/16, gas programs were reported by the Corporate/Operating group  
19 primarily responsible for the program and overhead costs were allocated to each  
20 program as a percentage add-on to activity charges. Beginning in 2015/16, gas  
21 programs were organized by nature of work performed rather than by the  
22 organizational group responsible for managing the work. In addition, overhead was  
23 removed from programs and reported separately as individual organizational  
24 support programs. The changes provide a functional work view, showing the direct

1 cost of the program and are more transparent as overhead costs are no longer  
2 embedded within all programs.

3

4 For reporting consistency, the programs have been restated back to 2011/12 to  
5 reflect the functional view created in 2015/16 with overhead removed from  
6 Customer Service & Corporate Relations and Operations and Maintenance programs  
7 and reflected in Organizational Support. However, the individual programs within  
8 organizational support were created effective 2015/16 and as such, a breakdown of  
9 the organizational support category is not available from 2011/12 to 2014/15.

10

11 In addition, 2011/12 is not comparable to the other CGAAP years presented  
12 (2012/13 through 2014/15) due to changes made in 2012/13 reflecting a change in  
13 costing methodology to reallocate support costs previously included in activity rates  
14 to either common overhead or as a direct allocation to gas operations. As a result,  
15 2011/12 has been excluded from the compound annual growth calculation.

16

17 **Comparison of O&A by Program under CGAAP**

18 Figure 5.4 provides O&A expenditures by program under CGAAP for the years  
19 2011/12 through 2014/15, followed by explanations of significant variances.

1 **Figure 5.4: O&A by Program – CGAAP**

	CGAAP					Notes
	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2012/13 - 2014/15 Compound Annual Growth % Inc/(Dec)	
<b>Customer Service &amp; Corporate Relations</b>						
Back/middle office services	\$ 284	\$ 246	\$ 233	\$ 235	(2.3)	
Billing & collections	9,110	8,161	8,750	8,963	4.8	1
Customer & public relations	7,190	6,103	5,502	4,853	(10.8)	2
Customer information systems (Banner)	958	992	1,097	900	(4.7)	
Customer inspections	8,282	6,728	7,164	7,296	4.1	
Customer safety services	1,954	1,365	1,505	1,393	1.0	
Dispatch	2,647	1,763	1,957	1,938	4.8	
Energy supply, planning & support	2,624	2,081	2,232	2,358	6.4	3
Environment	293	428	495	781	35.0	4
Meter reading	1,963	1,903	1,969	1,947	1.1	
Rate and regulatory affairs	1,355	1,390	1,555	1,125	(10.0)	5
	<b>36,659</b>	<b>31,161</b>	<b>32,458</b>	<b>31,789</b>	<b>1.0</b>	
<b>Operations and Maintenance</b>						
Communication systems	87	98	164	221	49.9	6
Distribution maintenance	6,392	5,131	5,975	6,511	12.6	7
Load forecast	172	163	144	201	11.1	
Metering	6,003	4,812	4,169	5,275	4.7	
Plant failures & emergencies	191	71	1,114	254	88.6	8
Quality assessment	574	293	297	497	30.2	9
Station maintenance	4,915	4,679	4,429	4,965	3.0	
System performance & reliability	1,556	1,596	2,149	2,565	26.8	10
	<b>19,889</b>	<b>16,845</b>	<b>18,439</b>	<b>20,490</b>	<b>10.3</b>	
<b>Organizational Support</b>	<b>10,823</b>	<b>16,858</b>	<b>17,250</b>	<b>17,405</b>	<b>1.6</b>	
<b>Total Program Costs</b>	<b>67,371</b>	<b>64,863</b>	<b>68,147</b>	<b>69,684</b>	<b>3.6</b>	
<b>Adjustments:</b>						
Depreciation & taxes	(5,275)	(2,978)	(2,492)	(3,222)	4.0	
Other	21	1,850	1,155	996	(26.6)	
	<b>(5,255)</b>	<b>(1,128)</b>	<b>(1,337)</b>	<b>(2,226)</b>	<b>40.5</b>	
<b>Operating &amp; Administrative</b>	<b>62,117</b>	<b>63,735</b>	<b>66,810</b>	<b>67,458</b>	<b>2.9</b>	
Less: Accounting Changes	3,101	4,425	4,514	4,604		
<b>O&amp;A after adjusting for Accounting Changes</b>	<b>\$ 59,016</b>	<b>\$ 59,310</b>	<b>\$ 62,296</b>	<b>\$ 62,853</b>	<b>2.9</b>	
Number of Customers	267,699	269,786	272,228	274,817		
<b>O&amp;A Cost per Customer</b>						
Before adjustments for Accounting Change	\$ 232	\$ 236	\$ 245	\$ 245	1.9	
After adjustments for Accounting Changes	\$ 220	\$ 220	\$ 229	\$ 229	1.2	

2

3

4

5

Explanations have been provided for programs with significant compound annual growth variances from 2012/13 to 2014/15:



- 1           1. The increase in the billings & collections program is related to a greater focus on  
2           allocating time directly to the program beginning in 2013/14. These costs were  
3           previously included in organizational support.  
4
- 5           2. The decrease in the customer & public relations program is attributed to a  
6           decrease in advertising, donations and consulting services for Power Smart  
7           marketing as well as a decrease in call volumes in the customer contact centre.  
8
- 9           3. The increase in the energy supply, planning & support program is due to  
10          managing a more complex asset portfolio higher professional and consulting  
11          costs related to understanding and responding to external compliance  
12          requirements and statutory obligations (licensing, permitting and reporting).  
13
- 14          4. The increase in the environment program is largely due to additional consulting  
15          costs associated with long term remedial monitoring at 35 Sutherland in  
16          2014/15, which are cyclical in nature.  
17
- 18          5. The decrease in the rates & regulatory affairs program is primarily related to  
19          lower requirements in 2014/15 as a result of the completion of a gas general  
20          rate application in 2013/14.  
21
- 22          6. The increase in the communication systems program is primarily related to an  
23          increase in time spent on SCADA communications support.  
24
- 25          7. The increase in the distribution maintenance program is primarily related to an  
26          increase in time spent on above grade and below grade cathodic protection  
27          work.  
28
- 29          8. The increase in the plant failures & emergencies program is primarily related to  
30          unexpected labour requirements related to the Trans-Canada Pipelines Ltd.  
31          ("TCPL") explosion near Otterbourne, Manitoba in 2013/14.  
32
- 33          9. The increase in the quality assessment program is largely due to a greater focus  
34          on allocating time directly to the program beginning in 2014/15.

1           10. The increase in the system performance & reliability program is primarily related  
2           to higher labour requirements for cathodic protection work, external corrosion  
3           assessments, depth of cover investigations, close interval surveys and pipeline  
4           river crossing inspections.

5

6           **Comparison of O&A by Program under IFRS**

7           Figure 5.5 provides O&A expenditures by program under IFRS for the years 2015/16  
8           through 2019/20, followed by explanations of significant variances for the overall  
9           period.

1 **Figure 5.5: O&A by Program – IFRS**

2

	IFRS								
						Compound Annual Growth % Inc/(Dec)			
	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16-2019/20		2015/16-2017/18	2017/18-2019/20
	Actual	Actual	Actual	Forecast	Test Year	Total	Notes	Actual	Forecast
<b>Customer Service &amp; Corporate Relations</b>									
Back/middle office services	\$ 177	\$ 298	\$ 277	\$ 289	\$ 294	13.6		25.3	3.1
Billing & collections	9,460	8,440	7,880	7,554	7,705	(5.0)	1	(8.7)	(1.1)
Customer & public relations	4,229	3,978	4,070	3,930	4,009	(1.3)		(1.9)	(0.8)
Customer information systems (Banner)	404	493	556	524	534	7.2		17.4	(2.0)
Customer inspections	7,064	7,301	7,488	7,011	7,151	0.3		3.0	(2.3)
Customer safety services	1,293	1,282	1,394	1,260	1,285	(0.2)		3.8	(4.0)
Dispatch	1,874	1,923	2,061	2,261	2,306	5.3	2	4.9	5.8
Energy supply, planning & support	2,420	2,682	2,517	2,813	2,869	4.3	3	2.0	6.8
Environment	450	391	261	391	399	(3.0)		(23.8)	23.7
Meter reading	1,922	1,949	1,832	1,960	2,511	6.9	4	(2.4)	17.1
Rate and regulatory affairs	1,221	964	846	925	944	(6.2)	5	(16.7)	5.6
	<b>30,514</b>	<b>29,701</b>	<b>29,183</b>	<b>28,918</b>	<b>30,008</b>	<b>(0.4)</b>		<b>(2.2)</b>	<b>1.4</b>
<b>Operations and Maintenance</b>									
Communication systems	124	124	124	133	135	2.2		0.0	4.4
Distribution maintenance	6,448	6,253	6,161	6,626	6,759	1.2		(2.3)	4.7
Load forecast	145	166	89	69	70	(16.6)		(21.7)	(11.2)
Metering	5,555	4,601	4,357	3,555	574	(43.3)	6	(11.4)	(63.7)
Plant failures & emergencies	190	327	271	297	303	12.4		19.5	5.7
Quality assessment	463	460	427	426	435	(1.5)		(3.9)	0.9
Station maintenance	5,121	5,162	5,120	5,271	5,376	1.2		0.0	2.5
System performance & reliability	1,955	2,528	2,716	2,464	2,513	6.5	7	17.9	(3.8)
	<b>20,001</b>	<b>19,621</b>	<b>19,266</b>	<b>18,841</b>	<b>16,165</b>	<b>(5.2)</b>		<b>(1.9)</b>	<b>(8.4)</b>
<b>Organizational Support</b>									
Corporate governance	2,726	2,555	2,236	2,116	2,157	(5.7)	8	(9.4)	(1.8)
Corporate infrastructure	5,263	4,593	4,778	4,418	4,581	(3.4)		(4.7)	(2.1)
Corporate services	2,535	2,260	2,203	1,972	2,010	(5.6)	9	(6.8)	(4.5)
Departmental support	5,182	5,947	5,787	5,754	5,872	3.2		5.7	0.7
Operational management	2,680	2,463	1,752	1,752	1,787	(9.6)	10	(19.1)	1.0
	<b>18,386</b>	<b>17,818</b>	<b>16,757</b>	<b>16,012</b>	<b>16,408</b>	<b>(2.8)</b>		<b>(4.5)</b>	<b>(1.0)</b>
<b>Total Program Costs</b>	<b>68,901</b>	<b>67,140</b>	<b>65,206</b>	<b>63,770</b>	<b>62,581</b>	<b>(2.4)</b>		<b>(2.7)</b>	<b>(2.0)</b>
<b>Adjustments:</b>									
Depreciation & taxes	(1,778)	(1,851)	(2,139)	(2,140)	(2,183)	5.3	11	9.7	1.0
Other	(516)	95	46	1,685	852	0.0	12	0.0	330.7
	<b>(2,294)</b>	<b>(1,756)</b>	<b>(2,093)</b>	<b>(455)</b>	<b>(1,331)</b>	<b>(12.7)</b>		<b>(4.5)</b>	<b>(20.3)</b>
<b>Operating &amp; Administrative</b>	<b>66,607</b>	<b>65,384</b>	<b>63,113</b>	<b>63,315</b>	<b>61,250</b>	<b>(2.1)</b>		<b>(2.7)</b>	<b>(1.5)</b>

3

1 Explanations have been provided for programs with significant total compound  
2 annual growth variances from 2015/16 through 2019/20:

- 3  
4 1. The decrease in the billing & collections program is primarily attributable to  
5 lower bad debt expense due to better collection efforts, as well as fewer hours  
6 worked as a result of staffing reductions and a lower number of uncollectible  
7 accounts.
- 8  
9 2. The increase in the dispatch program is primarily related to an increase in  
10 overtime requirements to facilitate knowledge transfer and training of new staff.
- 11  
12 3. The increase in the energy supply, planning & support program is due to  
13 increased labor costs as a result of a change in the ratio of supervisory and  
14 technical staff required to support the program.
- 15  
16 4. The increase in the meter reading program is primarily related to a proposed  
17 increase in meter reading fees paid to MHUS in the test year (2019/20) (as  
18 outlined in Section 2.0).
- 19  
20 5. The decrease in the rates & regulatory affairs program is mainly related to fewer  
21 regulatory processes in the early years as well as decreases related to vacancies  
22 partially offset by increased requirements for the 2019/20 General Rate  
23 Application.
- 24  
25 6. The decrease in the metering program is related to the proposed capitalization  
26 of metering costs in 2019/20 as well as a reduction in the necessary sampling  
27 and refurbishment requirements as a result of Measurement Canada testing in  
28 2015/16 through 2018/19.
- 29  
30 7. The increase in the system performance & reliability program is due to lower  
31 than normal activities in 2015/16 as a result of a focus on gas in-line inspection  
32 capital work in that year.

- 1 8. The decrease in the corporate governance program is primarily due to a  
2 reduction in staff as a result of the VDP, as well as a reduction in senior  
3 management.  
4
- 5 9. The decrease in the corporate services program is primarily due to ongoing cost  
6 reductions with a focus on staff reductions, as well as higher vacancy levels.  
7
- 8 10. The decrease in the operational management program is primarily related to  
9 changes in cost driver allocations as a result of corporate reorganizations as well  
10 as a reduction in staffing due to the VDP.  
11
- 12 11. The increase in depreciation & taxes is based on increases in the depreciation on  
13 common assets and payroll taxes that are embedded in labour.  
14
- 15 12. The increase in other is due to additional funds in the forecast years to assist  
16 management in the restructuring process.  
17

### 18 **Program Descriptions**

19 This section provides a brief description of each of the gas programs within *customer*  
20 *service & corporate relations, operations and maintenance* and *organizational*  
21 *support*.  
22

### 23 ***Customer Service & Corporate Relations Programs***

#### 24 Back/Middle Office Services

25 This program includes costs associated with the revenue and cost accounting for  
26 natural gas procurement, storage, transportation and related programs and gas  
27 accounting systems and internal controls.  
28

#### 29 Billing & Collections

30 This program includes costs associated with the billing and collections functions,  
31 with each represented by the following:

1            *Billing:*

- 2            • Receiving and responding to customers' natural gas inquiries, complaints,  
3            requests for billing/rate information and changes to account data;  
4            • Billing support including postage, paper, envelopes and Banner support  
5            activity;  
6            • Bill printing and insertion operations;  
7            • Joint mailing activities which is a portion of the costs associated with  
8            combining gas and electric bills in one envelope;  
9            • Billing adjustments;  
10           • Revenue accounting including uploading Banner into SAP and month end  
11           reconciliations;  
12           • Invoicing non-Banner gas accounts;  
13           • Contract administration including activity for Banner contracts related to gas  
14           operations; and  
15           • Payment processing which activity is related to pre-authorized payment  
16           applications, equal payment plan applications, NSF cheques and chargebacks  
17           entered in Banner.

18  
19           *Collections:*

- 20           • Collection of delinquent natural gas customer accounts, including costs of  
21           telephone collection activity by both the credit and recovery services and the  
22           customer contact centre departments; and  
23           • The disconnection and reconnection of natural gas service.

24  
25           Customer & Public Relations

26           This program includes costs associated with providing customers and the public with  
27           information on various natural gas products, programs and services including the  
28           following:

- 29           • Providing consultation to residential and small commercial customers  
30           pursuing the extension of natural gas service to their home or business,  
31           including quoting on the costs of extension, collection of extension fees,  
32           application processing and consultation services;

- 1 • Providing residential customers with information on ongoing programs and  
2 new developments and issues related to natural gas service, including  
3 information related to primary gas rates and quarterly rate adjustments, the  
4 energy finance plan, the customer contribution time payment plan and a  
5 variety of energy saving tips;
- 6 • The provision of integrated customer support services for large commercial  
7 and industrial customers served by natural gas, including managing the  
8 interactions with the commercial customers and providing information on  
9 system reliability, rate and regulatory issues, equipment efficiencies,  
10 operating best practices and government supported energy efficiency  
11 programs. This also includes providing technical support to groups  
12 responsible for customer service to smaller customers;
- 13 • Gas system expansion initiatives including the development of projects, non-  
14 routine main extensions, administration of project funding and franchise  
15 agreements;
- 16 • Consultation with municipal officials on the potential expansion of natural  
17 gas service;
- 18 • Receiving and responding to customers' natural gas inquiries, complaints,  
19 and requests for emergency call response, service work, underground locates  
20 and natural gas purchase options; and
- 21 • Oversight of the corporate customer experience management program  
22 which primarily represents oversight of Manitoba Hydro's emerging  
23 transactional voice of the customer survey program which will measure,  
24 analyze and report on the customer experience across key service and  
25 contact experiences.

#### 26 27 Customer Information Systems (Banner)

28 This program includes costs associated with the maintenance and support of the  
29 Banner customer information system (CIS) system, including software maintenance  
30 fees, upgrade testing, production support and maintenance & enhancement.

#### 31 32 Customer Inspections

33 This program includes costs associated with:

- 34 • Centra's Customer Equipment Problem Program; ;

- 1 • Maintenance of conversion burners; and
- 2 • Response to requests for locations of buried natural gas lines, as required, to
- 3 maintain compliance with *The Gas Pipeline Act*, Regulation 104/92.

#### 4 5 Customer Safety Services

6 This program includes costs associated with:

- 7 • Providing customers with safety information on a wide variety of topics such
- 8 as carbon monoxide poisoning, natural gas leaks, *call before you dig*,
- 9 emergency preparedness and youth safety programs;
- 10 • The provision of immediate response to non-major emergencies;
- 11 • The oversight of contractors excavating in the vicinity of high pressure lines;
- 12 and
- 13 • The development and maintenance of the company's emergency
- 14 preparedness plan.

#### 15 16 Dispatch

17 This program includes costs associated with planning, scheduling and the 24 hour

18 dispatch functions to support gas field operations activities in Winnipeg and

19 surrounding areas served by natural gas.

#### 20 21 Energy Supply, Planning & Support

22 This program includes costs associated with the acquisition and management of gas

23 supply, storage and transportation contracts, including long-term planning,

24 operations, gas logistics, upstream regulatory, gas cost & market analysis and

25 administration of the direct purchase function.

#### 26 27 Environment

28 The costs in this program are primarily for conducting the *long term remedial*

29 *monitoring program* at the company's Sutherland Avenue facility in Winnipeg.

30 Pursuant to Director's Order No. D1-230 under *The Manitoba Contaminated Sites*

31 *Remediation Act*, Centra is mandated to conduct the monitoring program to manage

32 contaminants that have resulted from historic operations at the site.



1           Meter Reading

2           This program includes costs associated with the provision of integrated utility meter  
3           reading in all communities in which natural gas service exists.

4

5           Rate and Regulatory Affairs

6           This program includes internal and external operating costs related to the review of  
7           natural gas rates and related matters by the PUB, including general rate applications,  
8           quarterly primary gas applications, cost of gas hearings, monitoring of the quality  
9           assessment program, responding to PUB directives and PUB monthly fees.

10

11           ***Operations and Maintenance Programs***

12           Communication Systems

13           This program includes costs associated with instrument support and maintenance of  
14           gas apparatus maintenance & control portable test equipment and support and  
15           maintenance of Centra's supervisory control and data acquisition (SCADA) system.

16

17           Distribution Maintenance

18           This program includes costs associated with:

- 19           • Maintaining the above and below ground natural gas distribution system  
20           including policy and procedure documentation, maintenance of pipeline  
21           rights-of-way, minor repairs of transmission mains, distribution mains,  
22           distribution isolation valves, service lines, customer meter and pressure  
23           regulator installations and cathodic protection apparatus;
- 24           • Facility damage response and minor repair;
- 25           • Tool and equipment inventory management, repair and maintenance; and
- 26           • Conducting various natural gas leakage surveys to detect natural gas leakage  
27           from pipelines and specified installations including transmission lines,  
28           distribution mains and services, business districts, public buildings and  
29           special surveys.

30

31           Load Forecast

32           This program includes costs related to data analysis, model development and  
33           database development associated with the preparation of the natural gas volume

1 forecast required for the preparation of financial, gas supply and demand side  
2 management market potential forecasts.

3

#### 4 Metering

5 This program includes costs related to meter shop services, including the provision  
6 of meters for both new and replacement installations as well as testing, repair and  
7 sealing of existing natural gas meters. In addition, it also includes costs related to the  
8 sampling, testing and exchange of natural gas meters undertaken to support overall  
9 compliance with requirements of *The Electricity and Gas Inspection Act*. Effective  
10 2019/20, Centra has proposed to capitalize activities associated with sampling,  
11 testing and exchange of meters in an effort to harmonize the accounting for these  
12 types of costs between Manitoba Hydro's gas and electric lines of business.

13

#### 14 Plant Failures & Emergencies

15 This program includes costs associated with the provision of 24-hour service to  
16 respond to major natural gas emergencies including major gas leaks, explosions,  
17 fires, over pressure and loss of pressure.

18

#### 19 Quality Assessment

20 This program includes costs associated with the natural gas quality assessment  
21 program including regular independent reviews of standards, procedures and  
22 processes which contribute to safety, environment, and continuous improvement of  
23 the gas operations.

24

#### 25 Station Maintenance

26 This program includes costs for all aspects of maintaining natural gas regulating  
27 stations, including system monitoring, odourization inspection and maintenance and  
28 operation and maintenance of internal stations (i.e. gate stations, regulator stations,  
29 compression station and farm taps). The program also captures the costs for  
30 maintenance and emergency response to large volume customers' station facilities.

31

#### 32 System Performance & Reliability

33 This program includes costs associated with monitoring and maintaining the natural  
34 gas pipeline system and related facilities as well as analyzing and planning to ensure

1 sufficient system capacity. Detailed definitions of these functions are represented by  
2 the following:

3

4 *System Integrity:*

5 • Implementation of various programs to manage the integrity of the pipelines  
6 and associated facilities, which assists with mitigating and reducing the  
7 overall risk associated with the operation of the pipeline systems, thereby  
8 increasing the safety and reliability for customers and the public. These  
9 programs include the following:

- 10 ○ Cathodic protection monitoring;
- 11 ○ Stress corrosion cracking investigations;
- 12 ○ Geotechnical assessments;
- 13 ○ External corrosion direct assessments;
- 14 ○ Water crossings depth of cover survey;
- 15 ○ Pipeline depth of cover survey; and
- 16 ○ Risk and integrity management.
- 17 • Maintenance of integrity related data;
- 18 • Performing engineering and risk assessments; and
- 19 • Implementing integrity management system procedures.

20 *System Maintenance & Support:*

- 21 • Performing analysis of the existing distribution and transmission system to  
22 ensure sufficient capacity such that there is no interruption in gas supply to  
23 existing customers;
- 24 • Maintaining facility records;
- 25 • Providing technical support to other departments;
- 26 • Product assessments; and
- 27 • Work related to greenhouse gas emission.

28

29 ***Organizational Support Programs***

30 Corporate Governance

31 This program includes costs associated with corporate strategic planning and  
32 governance, legal compliance and liability claims, risk management, internal audit  
33 reviews and recommendations, treasury, public affairs, research & development,

1 and maintaining industry memberships. Expanded definitions for some of these  
2 functions include the following:

- 3
- 4 • *Internal Audit* provides an independent, objective assurance and consultative  
5 service to help line management improve the effectiveness of risk  
6 management, control and governance systems.
- 7 • *Liability Claims* for gas specific insurance claims. Third party costs, including  
8 vehicle damage, property damage and bodily injury which fall within the  
9 deductible on Centra's commercial general liability policies.
- 10 • *Public Affairs* provide communication to the public, media and employees of  
11 the company.
- 12 • *Research & Development* includes costs of gas research & development  
13 projects and memberships in gas research associations.
- 14 • *Treasury* includes costs for collection and disbursement banking services,  
15 remittance processing services and related information reporting services.
- 16

#### 17 Corporate Infrastructure

18 This program includes costs associated with operating and maintaining  
19 administrative assets such as office buildings, IT infrastructure and small tools &  
20 work equipment. Office building costs include building security, property taxes and  
21 basic operations and maintenance. IT infrastructure costs include support for various  
22 enterprise applications, Helpdesk, security planning and monitoring and hardware  
23 maintenance.

#### 24

#### 25 Corporate Services

26 This program includes costs associated with corporate services that provide support  
27 and guidance to the operational areas of the company, including human resources  
28 (i.e. recruitment, contract negotiations and compensation management), financial  
29 advisory services (i.e. management accounting, budgeting and strategic planning),  
30 accounts payable and workplace safety (i.e. employee health services, workplace  
31 environment and Workers Compensation Board).

1           Departmental Support

2           The costs in this program are for providing training and administrative support to  
3           employees, excluding any support costs captured under corporate governance,  
4           corporate infrastructure and corporate services.

5

6           Operational Management

7           This program includes the costs associated with directors and managers that support  
8           and work directly with field operations staff.

9

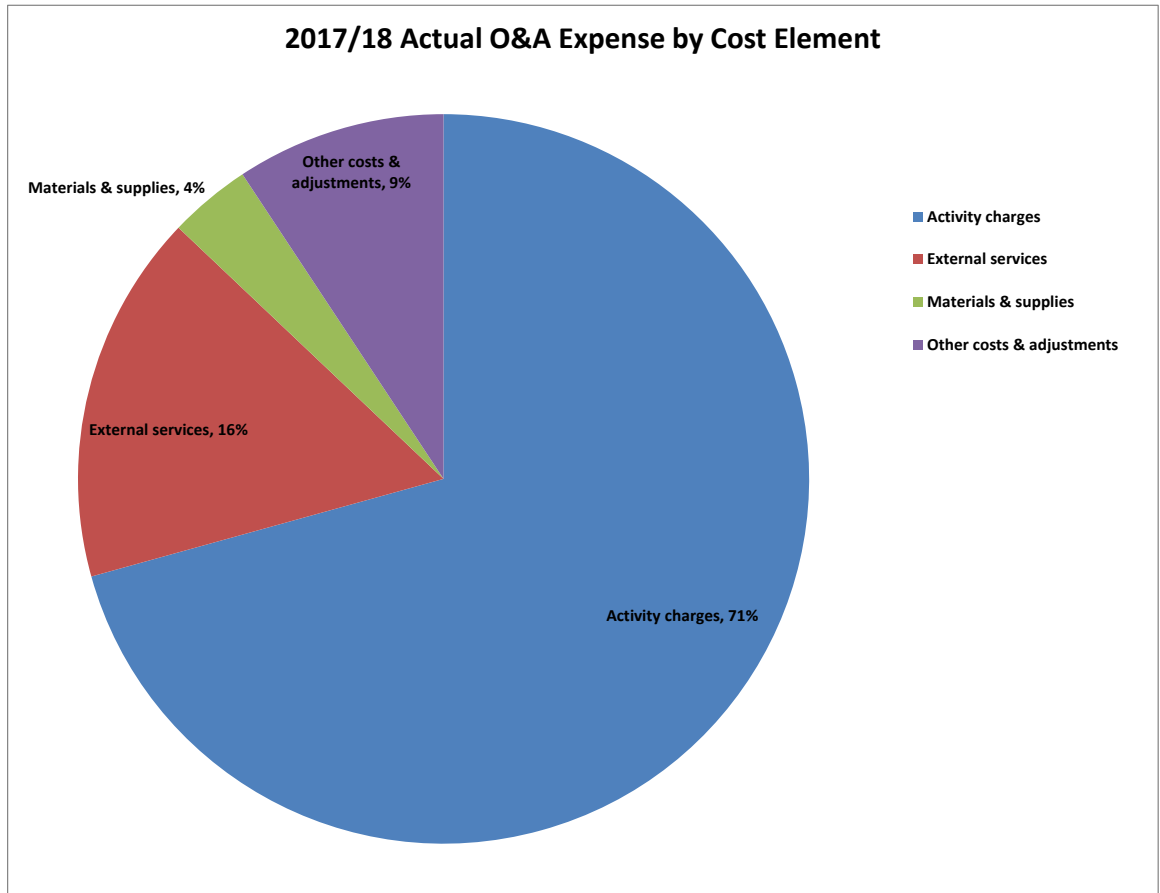
10   **5.0    COST ELEMENT OVERVIEW**

11

12           Cost elements describe the nature of expenditures incurred within a program. Figure  
13           5.6 provides a graphical depiction of the major cost element components for the last  
14           year of actual expenditures – 2017/18.

1  
2

**Figure 5.6: 2017/18 O&A Costs by Cost Element**



3  
4  
5  
6  
7  
8  
9

Figure 5.7 provides a summary of Centra’s actual expenditures under CGAAP by cost element from 2011/12 through 2014/15. As discussed in Section 3.0, 2011/12 expenditures are not comparable to other CGAAP years due to changes in costing methodology to reallocate support costs previously included in activity rates to either common overhead or as a direct allocation to gas operations.

1 **Figure 5.7: O&A Costs by Cost Element - CGAAP**

2

	CGAAP					Notes
	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2012/13 - 2014/15 Compound Annual Growth % Inc/(Dec)	
Activity Charges	\$ 46,568	\$ 37,865	41,003	\$ 41,552	4.8	
Employee training & safety	21	9	5	9	(2.9)	
Travel expenses	45	58	44	38	(19.1)	
Motor vehicles	35	52	50	42	(10.0)	
Consulting & professional fees	865	1,087	1,321	1,618	22.0	1
Construction & maintenance services	1,830	1,271	1,190	1,626	13.1	2
Building & property costs	281	289	352	295	1.1	
Equipment maintenance & rentals	529	474	588	646	16.7	3
Consumer services	2,130	2,078	2,115	2,049	(0.7)	
Customer & public relations	647	557	449	266	(30.8)	4
Sponsored memberships	190	193	61	211	4.5	
Computer services	32	42	55	36	(6.6)	
Communication systems	5	3	-	-	(100.0)	
Research & development costs	31	48	29	48	(0.5)	
Administrative services	1,586	1,586	1,534	1,733	4.5	
Collections costs	1,435	1,200	1,104	1,153	(2.0)	
External Services	9,662	8,948	8,898	9,771	4.5	
Materials & tools	1,170	1,304	1,154	1,337	1.3	
Office expenses	364	365	377	412	6.2	
Materials & Supplies	1,534	1,668	1,531	1,749	2.4	
Donations, sponsorships & grants	501	453	368	281	(21.2)	5
Miscellaneous expense	24	0	-	18	1,630.2	
Operating expense recovery	(609)	(5)	(10)	3	0.0	
Other Costs	(84)	448	358	302	(17.9)	
Corporate allocations	9,691	15,934	16,358	16,309	1.2	
<b>Total Program Costs</b>	<b>67 371</b>	<b>64 863</b>	<b>68 147</b>	<b>69 684</b>	<b>3.6</b>	
Adjustments						
Depreciation & taxes	(5,275)	(2,978)	(2,492)	(3,222)	4.0	
Other	21	1,850	1,155	996	(26.6)	
<b>Operating &amp; Administrative Expenses</b>	<b>\$ 62,117</b>	<b>\$ 63,735</b>	<b>\$ 66,810</b>	<b>\$ 67,458</b>	<b>2.9</b>	

3

1 Explanations have been provided for cost elements with significant compound  
2 annual growth variances from 2012/13 through 2014/15:

- 3
- 4 1. The increase in consulting & professional fees is primarily related to long term  
5 remedial environmental monitoring costs at 35 Sutherland, which are cyclical in  
6 nature.
  - 7
  - 8 2. The increase in construction & maintenance services is mainly related to gas  
9 meter exchanges, below grade maintenance work, as well as gas interval  
10 surveys.
  - 11
  - 12 3. The increase in equipment maintenance & rentals is primarily due to station  
13 maintenance requirements related to system monitoring.
  - 14
  - 15 4. The decrease in customer & public relations is mainly a result of reductions in  
16 advertising costs related to Power Smart marketing.
  - 17
  - 18 5. The decrease in donations, sponsorships & grants is primarily related to a  
19 reduction in customer participation in the Neighbours Helping Neighbours  
20 program.

21

22 Figure 5.8 provides a summary of Centra's actual and forecast expenditures under  
23 IFRS by cost element from 2015/16 through 2019/20.



1 **Figure 5.8: O&A Costs by Cost Element – IFRS**

2

	IFRS					Compound Annual Growth % Inc/(Dec)			
	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16- 2019/20	Notes	2015/16- 2017/18	2017/18- 2019/20
	Actual	Actual	Actual	Forecast	Test Year	Total		Actual	Forecast
Activity Charges	\$ 45,690	\$ 45,147	\$ 44,612	\$ 43,710	\$ 42,002	(2.1)		(1.2)	(3.0)
Employee training & safety	125	117	114	128	130	1.1		(4.2)	6.7
Travel expenses	218	202	171	208	212	(0.7)		(11.5)	11.4
Motor vehicles	54	44	33	42	43	(5.8)		(22.0)	13.6
Consulting & professional fees	1,340	1,238	949	1,110	1,132	(4.1)		(15.8)	9.2
Construction & maintenance services	1,107	1,165	1,318	1,192	1,215	2.4		9.1	(4.0)
Building & property costs	1,661	1,503	1,611	1,664	1,698	0.5		(1.5)	2.7
Equipment maintenance & rentals	1,389	1,210	1,123	1,248	1,273	(2.2)		(10.1)	6.5
Consumer services	2,047	2,019	1,924	2,027	2,579	5.9	1	(3.1)	15.8
Customer & public relations	368	275	249	196	200	(14.2)	2	(17.7)	(10.5)
Sponsored memberships	235	249	206	249	254	2.0		(6.2)	10.9
Computer services	57	37	30	50	51	(2.9)		(27.7)	30.4
Communication systems	133	117	117	131	134	0.1		(6.2)	6.9
Research & development costs	30	30	28	-	-	(100.0)		(2.5)	(100.0)
Administrative services	1,836	1,749	1,731	1,751	1,786	(0.7)		(2.9)	1.6
Collections costs	1,577	1,001	748	1,001	1,021	(10.3)	3	(31.1)	16.8
External Services	<b>12,177</b>	<b>10,956</b>	<b>10,353</b>	<b>10,995</b>	<b>11,726</b>	<b>(0.9)</b>		(7.8)	6.4
Materials & tools	1,642	1,656	1,910	1,609	1,254	(6.5)	4	7.8	(19.0)
Office expenses	441	431	387	474	483	2.3		(6.3)	11.8
Materials & Supplies	2,083	2,088	2,297	2,083	1,737	<b>(4.4)</b>		5.0	(13.0)
Donations, sponsorships & grants	104	84	92	84	85	(4.8)		(6.0)	(3.6)
Miscellaneous expense	125	84	59	-	-	(100.0)		(31.1)	(100.0)
Operating expense recovery	(33)	(37)	(70)	(60)	(61)	16.6		46.2	(7.1)
Other Costs	196	131	81	24	24	<b>(40.6)</b>		(35.8)	(45.0)
Corporate allocations	8,756	8,819	7,863	6,959	7,091	<b>(5.1)</b>	5	(5.2)	(5.0)
<b>Total Program Costs</b>	<b>68 901</b>	<b>67 140</b>	<b>65 206</b>	<b>63 770</b>	<b>62 581</b>	<b>(2.4)</b>		<b>(2.7)</b>	<b>(2.0)</b>
Adjustments									
Depreciation & taxes	(1,778)	(1,851)	(2,139)	(2,140)	(2,183)	5.3	6	9.7	1.0
Other	(516)	95	46	1,685	852	0.0	7	0.0	330.6
<b>Operating &amp; Administrative Expenses</b>	<b>\$ 66,607</b>	<b>\$ 65,384</b>	<b>\$ 63,113</b>	<b>\$ 63,315</b>	<b>\$ 61,250</b>	<b>(2.1)</b>		<b>(2.7)</b>	<b>(1.5)</b>

3

4

5 Explanations have been provided for cost elements with significant total compound  
6 annual growth variances from 2015/16 through 2019/20:

7

8

1. The increase in consumer services is primarily related to the increase in 2019/20 for meter reading fees paid to MHUS as discussed in Section 2.0.

9

- 1           2. The decrease in customer & public relations is primarily related to a reduction in  
2           advertising related to Power Smart programs, primary gas education and fixed  
3           rate service.
- 4
- 5           3. The decrease in collections costs is mainly due to lower bad debt expense as a  
6           result of better collection experience.
- 7
- 8           4. The decrease in materials & tools is primarily associated with the proposed  
9           capitalization of meter sampling, testing and exchange expenditures in 2019/20.
- 10
- 11          5. The decrease in corporate allocations is mainly associated with reductions in  
12          staff and management due to the VDP, change in cost driver allocations as a  
13          result of corporate reorganizations, as well as vacancies.
- 14
- 15          6. The increase in depreciation & taxes is based on increases in the depreciation on  
16          common assets and payroll taxes.
- 17
- 18          7. The increase in other is due to additional funds in the forecast years to assist  
19          management in the restructuring process.
- 20

## 21   **6.0   COMPARISON OF FORECAST AND ACTUAL O&A COSTS BY PROGRAM**

22

23           This section provides a comparison of forecast to actual expenditures by program for  
24           the years 2013/14 through 2016/17. Significant variances for each year have been  
25           explained following each fiscal year comparison.

26

27           In planning for 2017/18, the corporate restructuring program was underway. A  
28           significant impact was expected on the detailed components of the O&A forecast for  
29           both the electric and gas operations, including structure, staffing levels and  
30           employee related costs. As such, detailed schedules related to 2017/18 forecast  
31           were not prepared. Overall, Centra experienced a reduction of greater than 2% in  
32           actual expenditures from the prior year, which was reflected in the majority of  
33           programs.

1 **Figure 5.9: 2016/17 Actuals vs. Forecast**

2

	2016/17 Actual	2016/17 Forecast	Variance	%	Notes
<b>Customer Service &amp; Corporate Relations</b>					
Back/middle office services	\$ 298	\$ 254	\$ (44)	(14.9)	
Billing & collections	8,440	9,192	752	8.9	1
Customer & public relations	3,978	4,446	468	11.8	2
Customer information systems (Banner)	493	360	(133)	(27.0)	
Customer inspections	7,301	7,357	57	0.8	
Customer safety services	1,282	1,402	120	9.4	
Dispatch	1,923	2,007	84	4.4	
Energy supply, planning & support	2,682	2,506	(176)	(6.6)	
Environment	391	438	47	12.1	
Meter reading	1,949	1,949	(0)	(0.0)	
Rate and regulatory affairs	964	1,347	382	39.7	3
	<b>29,701</b>	<b>31,258</b>	<b>1,557</b>	<b>5.2</b>	
<b>Operations and Maintenance</b>					
Communication systems	124	172	49	39.3	
Distribution maintenance	6,253	6,815	562	9.0	4
Load forecast	166	143	(23)	(14.0)	
Metering	4,601	4,169	(433)	(9.4)	5
Plant failures & emergencies	327	241	(86)	(26.4)	
Quality assessment	460	520	61	13.2	
Station maintenance	5,162	5,243	80	1.6	
System performance & reliability	2,528	2,354	(174)	(6.9)	
	<b>19,621</b>	<b>19,657</b>	<b>36</b>	<b>0.2</b>	
<b>Organizational Support</b>					
Corporate governance	2,555	2,689	133	5.2	
Corporate infrastructure	4,593	4,593	0	0.0	
Corporate services	2,260	2,419	160	7.1	
Departmental support	5,947	6,670	723	12.2	6
Operational management	2,463	2,774	310	12.6	7
	<b>17,818</b>	<b>19,144</b>	<b>1,326</b>	<b>7.4</b>	
<b>Total Program Costs</b>					
	<b>67,140</b>	<b>70,060</b>	<b>2,919</b>	<b>4.3</b>	
<b>Adjustments:</b>					
Depreciation & taxes	(1,851)	(1,849)	2	(0.1)	
Other	95	(393)	(488)	(513.6)	8
	<b>(1,756)</b>	<b>(2,242)</b>	<b>(486)</b>	<b>27.7</b>	
<b>Operating &amp; Administrative</b>					
	<b>65,384</b>	<b>67,818</b>	<b>2,434</b>	<b>3.7</b>	

3

1 Explanations have been provided for significant variances:  
2

- 3 1. The under expenditure in the billing & collections program was primarily due to a  
4 lower year-end adjustment for bad debt expense as a result of better collection  
5 efforts.  
6
- 7 2. The under expenditure in the customer & public relations program was mainly  
8 attributable to vacancies in the Customer Contact Centre with less time spent on  
9 calls for customer inquiries, lower customer participation in Neighbours Helping  
10 Neighbours program, the deferral of advertising for Power Smart programs and  
11 the deferral of residential and commercial surveys.  
12
- 13 3. The under expenditure in the rates & regulatory affairs program was primarily  
14 due to fewer regulatory processes than planned .  
15
- 16 4. The under expenditure in the distribution maintenance program was primarily  
17 due to working on capital projects including tapping and stopping, commercial  
18 meter installations, and commercial below grade remediations.  
19
- 20 5. The over expenditure in the metering program was primarily due to  
21 unanticipated meter raise and straighten work performed as part of the meter  
22 exchange program.  
23
- 24 6. The under expenditure in the departmental support program was primarily due  
25 to lower training costs incurred compared to budget. .  
26
- 27 7. The under expenditure in the operational management program was primarily  
28 due to increases in time charged directly to other programs.  
29
- 30 8. The variance in the other line item is primarily due to the year-end true up of  
31 benefit costs which are not allocated to specific programs.

1 **Figure 5.10: 2015/16 Actuals vs. Forecast**

2

	2015/16 Actual	2015/16 Forecast	Variance	%	Notes
<b>Customer Service &amp; Corporate Relations</b>					
Back/middle office services	\$ 177	\$ 240	\$ 64	36.1	
Billing & collections	9,460	9,641	181	1.9	
Customer & public relations	4,229	5,511	1,282	30.3	1
Customer information systems (Banner)	404	925	521	129.0	2
Customer inspections	7,064	8,014	950	13.4	3
Customer safety services	1,293	1,618	324	25.1	4
Dispatch	1,874	2,081	207	11.0	
Energy supply, planning & support	2,420	2,241	(179)	(7.4)	
Environment	450	574	124	27.7	
Meter reading	1,922	1,962	40	2.1	
Rate and regulatory affairs	1,221	1,009	(212)	(17.4)	
	<b>30,514</b>	<b>33,816</b>	<b>3,302</b>	<b>10.8</b>	
<b>Operations and Maintenance</b>					
Communication systems	124	153	29	23.1	
Distribution maintenance	6,448	6,575	127	2.0	
Load forecast	145	235	90	61.8	
Metering	5,555	228	(5,327)	(95.9)	5
Plant failures & emergencies	190	118	(72)	(38.1)	
Quality assessment	463	472	9	2.0	
Station maintenance	5,121	5,184	63	1.2	
System performance & reliability	1,955	2,518	563	28.8	6
	<b>20,001</b>	<b>15,482</b>	<b>(4,519)</b>	<b>(22.6)</b>	
<b>Organizational Support</b>					
Corporate governance	2,726	2,674	(52)	(1.9)	
Corporate infrastructure	5,263	5,146	(117)	(2.2)	
Corporate services	2,535	2,568	33	1.3	
Departmental support	5,182	6,636	1,454	28.1	7
Operational management	2,680	2,863	184	6.9	
	<b>18,386</b>	<b>19,888</b>	<b>1,502</b>	<b>8.2</b>	
<b>Total Program Costs</b>	<b>68,901</b>	<b>69,186</b>	<b>285</b>	<b>0.4</b>	
<b>Adjustments:</b>					
Depreciation & taxes	(1,778)	(1,949)	(171)	9.6	
Other	(516)	(546)	(30)	5.8	
	<b>(2,294)</b>	<b>(2,495)</b>	<b>(201)</b>	<b>8.8</b>	
<b>Operating &amp; Administrative</b>	<b>66,607</b>	<b>66,691</b>	<b>84</b>	<b>0.1</b>	

3

1 Explanations have been provided for significant variances:  
2

- 3 1. The under expenditure in the customer & public relations program is mainly due  
4 to less time spent on customer inquiries partly due to efficiencies gained in the  
5 consolidation of district service centres. As well, there was less time spent on  
6 policy development and coordination/compliance review of various legal  
7 documents and lower customer participation in the Neighbours Helping  
8 Neighbours program.  
9
- 10 2. The under expenditure in the customer information systems (Banner) program is  
11 primarily due to lower system maintenance requirements as a result of a greater  
12 focus on Banner enhancements related to the MyBill Business Integration capital  
13 project.  
14
- 15 3. The under expenditure in the customer inspections program is due to lower  
16 labour requirements for the Customer Equipment Problem Program primarily  
17 due to warm weather conditions and a lower number of line locate requests.  
18
- 19 4. The under expenditure in the customer safety services program is due to fewer  
20 odour related calls as a result of technological improvements in new gas burning  
21 appliances, lower advertising costs as a result of cost containment measures  
22 partly offset by an increase in safety watch activities.  
23
- 24 5. The over expenditure in the metering program is due to meter sampling, testing  
25 and exchange expenditures that were forecast to be capitalized, but continued  
26 to be expensed pending approval of the PUB as discussed in Section 2.0.  
27
- 28 6. The under expenditure in the system performance & reliability program is mainly  
29 due to less time spent on cathodic protection and pipeline integrity as a result of  
30 fewer grounding repair requests.  
31
- 32 7. The under expenditure in the departmental support program is primarily due to  
33 lower training costs as a result of cost containment measures.

1 **Figure 5.11: 2014/15 Actuals vs. Forecast**  
2

	2014/15 Actual	2014/15 Forecast	Variance	%	Notes
<b>Customer Service &amp; Corporate Relations</b>					
Back/middle office services	\$ 235	\$ 248	\$ 13	5.7	
Billing & collections	8,963	9,633	669	7.5	1
Customer & public relations	4,853	5,503	650	13.4	2
Customer information systems (Banner)	900	1,109	209	23.2	
Customer inspections	7,296	7,774	478	6.6	3
Customer safety services	1,393	1,607	214	15.4	
Dispatch	1,938	1,988	50	2.6	
Energy supply, planning & support	2,358	2,227	(130)	(5.5)	
Environment	781	778	(3)	(0.4)	
Meter reading	1,947	1,961	14	0.7	
Rate and regulatory affairs	1,125	1,007	(118)	(10.5)	
	<b>31,789</b>	<b>33,835</b>	<b>2,047</b>	<b>6.4</b>	
<b>Operations and Maintenance</b>					
Communication systems	221	151	(70)	(31.8)	
Distribution maintenance	6,511	6,413	(98)	(1.5)	
Load forecast	201	231	30	14.7	
Metering	5,275	4,863	(412)	(7.8)	4
Plant failures & emergencies	254	114	(140)	(55.1)	
Quality assessment	497	466	(31)	(6.3)	
Station maintenance	4,965	5,155	190	3.8	
System performance & reliability	2,565	2,486	(80)	(3.1)	
	<b>20,490</b>	<b>19,878</b>	<b>(612)</b>	<b>(3.0)</b>	
<b>Organizational Support</b>					
	<b>17,405</b>	<b>17,469</b>	<b>64</b>	<b>0.4</b>	
<b>Total Program Costs</b>					
	<b>69,684</b>	<b>71,183</b>	<b>1,499</b>	<b>2.2</b>	
<b>Adjustments:</b>					
Depreciation & taxes	(3,222)	(3,250)	(28)	0.9	
Other	996	(103)	(1,099)	(110.4)	5
	<b>(2,226)</b>	<b>(3,354)</b>	<b>(1,128)</b>	<b>50.7</b>	
<b>Operating &amp; Administrative</b>					
	<b>67,458</b>	<b>67,829</b>	<b>371</b>	<b>0.6</b>	

3 Explanations have been provided for significant variances:  
4  
5  
6

- 7 1. The under expenditure in the billing & collections program reflects lower  
8 collection costs due to fewer accounts receivable write-offs, less time spent on  
9 collection functions due to vacancies as well as lower than average customer  
10 inquiries.

- 1           2. The under expenditure in the customer & public relations program reflects lower  
2           call centre activities due to vacancies, decreased hours of operation as well as  
3           lower number of customer consultation calls received.  
4
- 5           3. The under expenditure in the customer inspections program is due to less time  
6           spent on the burner tip program and a lower number of customer equipment  
7           inspections requested.  
8
- 9           4. The over expenditure in the metering program is due to a greater number of  
10          meter exchanges required to meet Measurement Canada standards partially  
11          offset by less time spent repairing meters due to a manufacturer delay in  
12          determining the reason for defective meters.  
13
- 14          5. The difference in the other line item is primarily due to a change in the discount  
15          rate impacting benefit costs.



1 **Figure 5.12: 2013/14 Actuals vs. Forecast**  
2

	2013/14 Actual	2013/14 Forecast	Variance	%	Notes
<b>Customer Service &amp; Corporate Relations</b>					
Back/middle office services	\$ 233	\$ 279	\$ 46	19.8	
Billing & collections	8,750	8,891	141	1.6	
Customer & public relations	5,502	6,588	1,086	19.7	1
Customer information systems (Banner)	1,097	936	(161)	(14.7)	
Customer inspections	7,164	7,349	186	2.6	
Customer safety services	1,505	1,846	341	22.7	2
Dispatch	1,957	2,290	332	17.0	3
Energy supply, planning & support	2,232	1,990	(243)	(10.9)	
Environment	495	412	(83)	(16.7)	
Meter reading	1,969	2,045	76	3.9	
Rate and regulatory affairs	1,555	1,665	110	7.1	
	<b>32,458</b>	<b>34,290</b>	<b>1,831</b>	<b>5.6</b>	
<b>Operations and Maintenance</b>					
Communication systems	164	161	(2)	(1.5)	
Distribution maintenance	5,975	6,114	140	2.3	
Load forecast	144	184	40	27.8	
Metering	4,169	5,267	1,098	26.3	4
Plant failures & emergencies	1,114	92	(1,022)	(91.8)	5
Quality assessment	297	464	167	56.4	
Station maintenance	4,429	4,950	521	11.8	6
System performance & reliability	2,149	1,721	(428)	(19.9)	7
	<b>18,439</b>	<b>18,953</b>	<b>514</b>	<b>2.8</b>	
<b>Organizational Support</b>	<b>17,250</b>	<b>18,501</b>	<b>1,251</b>	<b>7.3</b>	<b>8</b>
<b>Total Program Costs</b>	<b>68,147</b>	<b>71,744</b>	<b>3,596</b>	<b>5.3</b>	
<b>Adjustments:</b>					
Depreciation & taxes	(2,492)	(3,063)	(571)	22.9	9
Other	1,155	(35)	(1,190)	(103.0)	10
	<b>(1,337)</b>	<b>(3,098)</b>	<b>(1,761)</b>	<b>131.7</b>	
<b>Operating &amp; Administrative</b>	<b>66,810</b>	<b>68,646</b>	<b>1,836</b>	<b>2.7</b>	

3  
4  
5 Explanations have been provided for significant variances:

- 6  
7 1. The under expenditure in the customer & public relations program is due to less  
8 time spent on customer inquiries and service calls as well as lower corporate  
9 memberships and donations than expected.

- 1           2. The under expenditure in the customer safety services program is due to fewer  
2           customer odourant related inquiries than planned.  
3
- 4           3. The under expenditure in the dispatch program reflects lower labour activities as  
5           a result of vacancies in planning support.  
6
- 7           4. The under expenditure in the metering program is primarily due to lower than  
8           projected overtime requirements.  
9
- 10          5. The over expenditure in the plant failures & emergencies program is due to  
11          increased labor requirements as a result of the TCPL pipeline explosion near  
12          Otterbourne Manitoba.  
13
- 14          6. The under expenditure in the station maintenance program is due to resources  
15          being dedicated to a SCADA system upgrade. Necessary maintenance work was  
16          completed however some non-critical work was deferred in 2013/14.  
17
- 18          7. The over expenditure in the system performance & reliability program is  
19          primarily due to increases in design, consulting and technical support functions.  
20
- 21          8. The under expenditure in the organizational support program is primarily due to  
22          vacancies as well as cost constraint measures.  
23
- 24          9. The difference in the depreciation & taxes line item is due to differences in the  
25          depreciation on common assets and payroll taxes.  
26
- 27          10. The difference in the other line item is related to higher benefit costs as a result  
28          of the recognition of a liability for the Centra Extended Health plan and an  
29          increase in current service costs, partially offset by cost recoveries from the TCPL  
30          explosion.

1 **Figure 5.13: 2012/13 Actuals vs. Forecast**  
2

	2012/13 Actual	2012/13 Forecast	Variance	%	Notes
<b>Customer Service &amp; Corporate Relations</b>					
Back/middle office services	\$ 246	\$ 273	\$ 27	11.0	
Billing & collections	8,161	8,716	556	6.8	1
Customer & public relations	6,103	6,458	355	5.8	2
Customer information systems (Banner)	992	917	(74)	(7.5)	
Customer inspections	6,728	7,205	477	7.1	3
Customer safety services	1,365	1,810	445	32.6	4
Dispatch	1,763	2,245	482	27.3	5
Energy supply, planning & support	2,081	1,951	(130)	(6.3)	
Environment	428	404	(24)	(5.6)	
Meter reading	1,903	2,005	101	5.3	
Rate and regulatory affairs	1,390	1,632	243	17.5	
	<b>31,161</b>	<b>33,617</b>	<b>2,456</b>	<b>7.9</b>	
<b>Operations and Maintenance</b>					
Communication systems	98	158	60	60.8	
Distribution maintenance	5,131	5,995	863	16.8	6
Load forecast	163	180	17	10.4	
Metering	4,812	5,164	352	7.3	7
Plant failures & emergencies	71	90	19	26.0	
Quality assessment	293	455	162	55.1	
Station maintenance	4,679	4,853	174	3.7	
System performance & reliability	1,596	1,687	91	5.7	
	<b>16,845</b>	<b>18,582</b>	<b>1,737</b>	<b>10.3</b>	
<b>Organizational Support</b>					
	<b>16,858</b>	<b>18,138</b>	<b>1,280</b>	<b>7.6</b>	<b>8</b>
<b>Total Program Costs</b>					
	<b>64,863</b>	<b>70,337</b>	<b>5,474</b>	<b>8.4</b>	
<b>Adjustments:</b>					
Depreciation & taxes	(2,978)	(3,003)	(24)	0.8	
Other	1,850	(34)	(1,884)	(101.9)	9
	<b>(1,128)</b>	<b>(3,037)</b>	<b>(1,909)</b>	<b>169.2</b>	
<b>Operating &amp; Administrative</b>					
	<b>63,735</b>	<b>67,300</b>	<b>3,565</b>	<b>5.6</b>	

3 Explanations have been provided for significant variances:  
4  
5

6  
7 1. The under expenditure in the billing & collections program reflects lower labour  
8 as a result of vacancies, as well as better collection efforts.

9  
10 2. The under expenditure in the customer & public relations program is a result of  
11 less time spent on customer inquiries, lower advertising costs and less time

1 directed towards primary gas education and fixed rates offerings. In addition,  
2 fewer gas system expansion initiatives due to vacancies.

3  
4 3. The under expenditure in the customer inspections program is due to lower  
5 customer requests for line locates and the Customer Equipment Problem  
6 Program, as well as a greater focus on storm restoration efforts.

7  
8 4. The under expenditure in the customer safety services program is due to fewer  
9 customer odourant related inquiries than planned.

10  
11 5. The under expenditure in the dispatch program reflects lower labour activities as  
12 a result of vacancies in planning support.

13  
14 6. The under expenditure in the distribution maintenance program is due to less  
15 ground maintenance work for the Winnipeg area primarily due to vacancies as a  
16 result of staff transferring to the cathodic protection department.

17  
18 7. The under expenditure in the metering program is due to lower than projected  
19 overtime requirements.

20  
21 8. The under expenditure in the organizational support program is mainly related  
22 less work performed due to vacancies.

23  
24 9. The difference in the other line item is primarily related to higher benefit costs  
25 due to a change in the discount rate.

THIS AGREEMENT effective this 1<sup>st</sup> day of April, 2019.

BETWEEN:

MANITOBA HYDRO UTILITIES SERVICES  
(hereinafter referred to as the "Company"),  
OF THE FIRST PART,

- and -

CENTRA GAS MANITOBA INC.  
(hereinafter referred to as the "Utility"),  
OF THE SECOND PART.

WHEREAS the Utility wishes to contract out gas meter readings and the provision of associated services, together with the recording of meter readings and the entry of readings and associated data into the Utility's computers for the service territory as more specifically set forth in Schedule "A" attached to and forming part of this agreement.

AND WHEREAS the Company is willing to provide the above services to the Utility subject to the terms and conditions contained in this Agreement.

IN CONSIDERATION of the premises and mutual covenants contained in this Agreement and other good and valuable consideration, the parties hereby agree as follows:

1. **Services:** The Company shall provide to the Utility gas meter readings and associated services, together with the recording of meter readings and the entry of readings and associated data in the Utility's computers in accordance with accepted utility practices and standards and satisfactory to the Utility (the "Services") as more specifically set out in Schedule "A" attached to and forming part of this Agreement. The Services shall be "all inclusive" and will include the provision of all supervision, labour, equipment, transportation, meals, accommodations and other inputs necessary for the performance thereof.
2. **Term:** Unless terminated as otherwise herein provided, this Agreement shall commence on April 1, 2019 and shall continue until March 31, 2020 (the "Initial Term") and thereafter shall be deemed to be automatically renewed for successive one (1) year periods until such time as notice is provided in accordance with paragraph 21 herein.

3. **Special Requirements:** The Services shall be subject to the special requirements of the Utility as specifically set out in Schedule "B" attached to and forming part of this Agreement.
  
4. **Locations and Meter Count:** The Services shall be provided in the locations as specifically set out in Schedule "C" attached to and forming part of this Agreement. Such locations may be revised by mutual agreement of the parties from time to time as evidenced by the provisions of a new Schedule "C" signed and dated by both parties. The Utility shall provide the Company with cyclical meter counts each month during the term of this agreement.
  
5. **Additional Services:** The Utility may request the Company to perform additional services over and above those set out in this Agreement. Upon reaching agreement with respect to the terms and conditions applicable to such additional services, the parties shall sign and date a revised Schedule "A", which schedule shall be deemed to replace the earlier Schedule A and form an integral part of this Agreement.
  
6. **Utility's Directions:** The Company shall comply with all reasonable directions and requests of the Utility. The Utility may, at its option, inspect and audit the performance of the Services from time to time.
  
7. **Representations and Warranties:** The Company represents and warrants that it understands the Utility's requirements under this Agreement and that it possesses the ability, experience, capital and equipment required to properly perform the Services.
  
8. **Payment and Invoicing:** Subject always to satisfactory performance of Services by the Company in accordance with this Agreement, the Utility shall pay the Company for the Services as set out in Schedule "D" attached to and forming part of this Agreement. Invoices to be submitted by the Company shall be satisfactory to the Utility in both form and content. The Company shall also provide supporting documents and receipts if requested by the Utility. If, following the Initial Term the parties wish to revise the terms of payment, they may sign and date a revised Schedule "D", which schedule shall be deemed to replace the earlier Schedule "D" and shall form an integral part of this Agreement.
  
9. **Additions/Reductions in Meters:** The Utility, in its discretion, shall be permitted to expand or reduce the number of meters to be read at any time during the term

of this Agreement upon written notice to the Company provided that, where notice of such additions or reductions impacts 40% or more of the meters covered in this Agreement, the Utility shall provide the Company with three (3) months written notice of such change. Further, where the aggregate of increases or decreases represents a 40% change from the number of meters related to the Schedule D payment terms, either party may provide notice that it requests an opportunity to re-negotiate the payment provisions of this Agreement. Amended payment terms shall be evidenced by the provision of a revised Schedule "D" signed and dated by the parties, which schedule shall be deemed to replace the earlier Schedule "D" and shall form an integral part of this Agreement. In the event an agreement is not reached within 3 months of receipt of the notice to renegotiate the payment provisions, either party may terminate the agreement, effective immediately, by providing written notice to the other.

10. **Subcontractors:** The Company shall not subcontract any or all of the Services to any third party without the prior written consent of the Utility. The Company shall require all such subcontractor(s) to be subject to all terms and conditions in this Agreement and any amendments subsequently made to it.
  
11. **Conflicts:** During the term of this Agreement, the Company and its employees, agents and subcontractors shall not provide services to any other person(s) in a manner which conflicts with the performance of the Services or the terms and conditions of this Agreement.
  
12. **Records:** The Company shall keep proper records relating to the provisions of the Services and retain them for three years beyond the termination of this Agreement. The Company shall make such records available for review by the Utility or its auditors during normal office hours.
  
13. **Ownership of Information:** All information, including but not limited to data, documents, drawings, maps, materials, photographs, plans, records, reports, research notes and any intellectual property therein (the "Information") which has been:
  - I. provided by the Utility to the Company pursuant to this Agreement or to facilitate performance of the Services;
  - II. obtained by the Company and for which the Utility has paid, directly or indirectly;
  - III. has been provided by the Company to the Utility pursuant to this Agreement or in the course of performance of the Services; and/or
  - IV. shall be owned by and be the property of the Utility and the Company shall have no right to use, copy, modify, sell, loan or



dispose of such Information without the prior written consent of the Utility.

**14. Confidentiality:** Unless otherwise agreed while this Agreement is in effect and at all times thereafter, the Company and any officers, employees, agents or subcontractors shall:

- I. treat as confidential all Information acquired or to which access has been given in the course of or incidental to, the performance of this Agreement, including all product arising out of the services performed herein. This provision shall not apply with respect to Information, which, at the time of acquisition or disclosure, was already publicly available;
- II. not disclose, or permit to be disclosed, the Information to any person without the prior permission of the Utility; and
- III. comply with any reasonable directions given by the Utility with respect to safeguarding or ensuring the confidentiality of the Information.

**15. Protection of Equipment and Property:** The Company shall protect the Utility's equipment and the property of its customers from all damage and shall make good all damage caused by the Company's employees during the performance of the Services. The Company shall provide daily reports listing all damaged Utility equipment and all property of its customers damaged by the Company.

**16. Liability and Indemnity:** The Company shall use due care in the performance of this Agreement to ensure that no person is injured, no property damaged or lost and no rights are infringed.

The Utility shall not be liable for any injury, property loss or damage suffered by the Company arising out of this Agreement, unless caused by a wrongful or negligent act or omission of the Utility.

The Company shall indemnify, defend and save harmless the Utility from and against any and all losses, costs, claims and expenses in any manner arising from the Company's provision of the Services including but not limited to all losses, costs, damages and expenses whatsoever arising from any action, suit or proceedings or otherwise on account of any personal injury or death or damage to property resulting from breach of this Agreement or wrongful or negligent acts or omissions by the Company or its agents or subcontractors.

**17. Insurance:** The Company shall, at its expense, provide and maintain the



insurance coverage listed below for the duration of this Agreement. Upon the Utility's request, the Company shall supply the Utility with a certified copy of the required policy of insurance and all renewals of the policy. Should the Company fail to obtain and maintain the required insurance, the Utility may, at its option, arrange such insurance on the Company's behalf and deduct the premiums payable from any amounts payable to the Company pursuant to this Agreement. The policy shall be endorsed to provide the Utility with not less than 30 days written notice in advance of cancellation, change or amendment restricting coverage and to show the Utility as an additional insured. The Company shall be responsible for any deductible amounts under the policy. Should a loss be sustained, the Company shall act on behalf of both the Utility and the Company for the purpose of adjusting the amount of loss with the applicable insurance companies.

a) General Liability Insurance: General Liability Insurance shall provide limits of not less than \$2 000 000 inclusive per occurrence for bodily injury, death, and damage to property including loss of use thereof, with a property damage deductible of not more than \$50 000 per occurrence. The General Liability Insurance shall include insurance coverage for the following:

- I. Premises Property and Operations
- II. Products and Completed Operations
- III. Blanket Contractual Liability
- IV. Cross Liability
- V. Non-Owned Automobile Liability
- VI. Occurrence Property Damage

b) Employee Fidelity Insurance: Employee Fidelity Insurance shall be obtained and maintained for all employees of the Company who will be involved in the performance of the Services for the Utility. Coverage shall be in the form of a commercial blanket bond with a limit of liability not less than \$250 000. The policy shall also be endorsed with a third party endorsement.

18. **Workers Compensation**: The Company shall at all times pay, or cause to be paid, any assessment or compensation required to be paid pursuant to *The Workers Compensation Act*, R.S.M. 1987, c. W200, and upon failure to do so, the Utility may pay such assessment or compensation to The Workers Compensation Board, and it may deduct the amount thereof from monies due or to become due to the Company. The Utility may, at any time during the term of this Agreement, require a declaration from the Workers Compensation Board that such assessments or compensations have been paid in full, and may withhold payment to the Company until such declaration has been received.

**19. Laws and Regulations:** The Company shall comply with all laws, regulations and bylaws relating to the Services, duly enacted by federal, provincial, and municipal authorities.

**20. Work Safety:**

a) The Company shall identify the dangers inherent in the Services, and shall at all times:

- I. follow safe work practices;
- II. employ employees, agents and subcontractors who are properly qualified and skilled to perform the Services;
- III. provide safety manuals and ongoing training in safe working practices for its employees, agents and subcontractors;
- IV. use safe tools and equipment;
- V. obtain all permits, licenses and clearances; and
- VI. establish compliance procedures and take all other necessary measures to protect the safety of workers and all other persons who may be in the vicinity of the site of the Services. At a minimum, the Company shall comply with *The Workplace Safety and Health Act*, C.C.S.M. chapter W210, and the regulations thereunder and all requests and directions of the Utility's safety inspector appointed pursuant to said Act.

b) The Company shall act as the "principal contractor" for the purposes of *The Workplace Safety and Health Act*.

c) The Company shall indemnify the Utility for any additional costs properly incurred by the Utility and any delay arising from the breach of paragraphs (a) and (b) hereof by the Company.

**21. Termination:** Either party shall have the option of immediately terminating this Agreement if the other party fails to comply with any term or condition of this Agreement and fails to rectify same within 30 days of receipt of written notice from the other party and such failure has occurred or the other party becomes bankrupt or insolvent.

If a party wishes to terminate the Agreement at the end of the Initial Term or thereafter at the end of the one-year renewal terms, the party shall provide the other party with written notice of its intention to terminate a minimum of six months prior to the end of the term.

Upon termination, the Utility shall pay the Company for all Services performed to the date of termination.

22. **Notices:** Any notice, invoice payment or other communication required or permitted to be given under this Agreement must be in writing and shall be delivered to:

(a) For the Company: Manitoba Hydro Utility Services  
35 Sutherland Ave  
Winnipeg, Manitoba  
Attention: General Manager

(b) For the Utility: Centra Gas Manitoba Inc.  
360 Portage Ave  
Winnipeg, Manitoba  
Attention: Vice-President,  
Customer Service & Marketing

or such other address as such party may notify the other in writing. Notice may be personal, by facsimile or by registered mail. Notices delivered personally shall be deemed effective upon actual personal service. Notices sent by facsimile shall be deemed effective on the business day next following successful transmission. Notices sent by registered mail shall be deemed effective on the date received as noted by Canada Post.

23. **Independent Contractor:** The Company is an independent contractor. This Agreement does not create the relationship of employer-employee or principal-agent, between the Utility and the Company. The Company is responsible for any deductions or remittances required by law.

24. **Waiver:** A waiver of any right under this Agreement on the part of either party shall not be deemed a waiver of any other right, and a waiver of any right in any one instance shall not be deemed a waiver of that right in any other instance.

25. **Survival:** Sections 12, 13, 14 and 16 shall survive the termination of this Agreement.

26. **Assignment:** The Company shall not assign any of its rights or obligations arising under this Agreement without the prior written consent of the Utility, which consent may not be arbitrarily withheld.

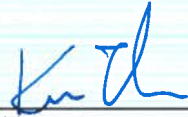
27. **Preamble and Schedules:** The preamble and schedules affixed hereto shall form an integral part of this Agreement. In the event a Schedule is amended by mutual agreement of the parties as contemplated herein, the amended schedule shall replace the former schedule and shall not otherwise alter or amend this Agreement unless and except the parties specifically agree otherwise.
28. **Headings:** The headings in this Agreement are for convenience only and shall not in any way limit or be deemed to construe or interpret the terms and conditions of this Agreement.
29. **Time of Essence:** Time is of the essence of this Agreement and of all provisions of it.
30. **Enurement:** This Agreement shall be binding upon the parties and their respective heirs, executors, administrators, successors and permitted assigns.
31. **Governing Law:** This Agreement shall be governed by the laws of the Province of Manitoba.
32. **Entire Agreement:** This Agreement constitutes the entire Agreement between the parties and may be modified only in writing signed by each of the parties.

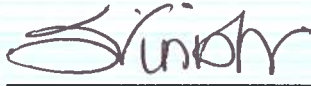
IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

**MANITOBA HYDRO UTILITY SERVICES**

**CENTRA GAS MANITOBA INC.**

Per:   
P. Vernaus

Per:   
K. M. Tennenhouse

Per:   
Siobhan Vinish



## SCHEDULE "A"

### PROVISION OF METER READING SERVICES

1. **Meter Reading Services:** Meter reading services shall consist of:
  - a) reading the meters as specified in this Agreement
  - b) recording of meter readings
  - c) transmit readings and associated data to the Utility
  - d) receiving Utility readings on an interactive voice response system and transmitting them to the Utility.
  
2. **Associated Services:** Associated services shall consist of:
  - a) identification and resolution of route problems
  - b) route sequencing of new services as required
  - c) inspection of meter seals and the reporting of broken seals to the Utility
  - d) reporting all field problems, including:
    - gas leaks
    - tampered services
    - battery alarms
    - meter removed
    - damaged or stopped meters
    - unsafe conditions
      - I. Natural Gas Service Line Non-Conformance No. 1
      - II. Natural Gas Service Line Non-Conformance No. 2
      - III. Natural Gas Service Line Non-Conformance No. 3
    - obstructed meters, including iced over regulators or meters
    - unassigned meters
  - e) reporting all skipped meters and skip reason
  - f) identification and notification of meter access problems
  
3. **Meter Types:** The Company shall be required to perform meter reading and associated services with respect to the Utility's following meters:
  - a) Residential, or Small General Service
  - b) General Service Demand, or Large General Service
  - c) General Service Demand, or Special Contract Service
  
4. **Meter Location:** The meters may be located inside or outside of various dwellings and buildings.

5. **Purchased services:** Any services provided to the Company by the Utility will be billed back to the Company at a rate to be agreed upon prior to performance of said services.
  
6. **Other services:** Any services provided to the Utility by the Company will be billed back to the Utility at a rate to be agreed upon prior to performance of said services:
  - a) 4+ estimates program
  - b) 12+ estimates pilot
  - c) Route Standardization
  - d) Route Optimization

## SCHEDULE "B"

### SPECIAL REQUIREMENTS

7. **Meter Reading Schedules:** Meters shall be normally read between the hours of 8:00 a.m. and 5:00 p.m., Monday to Friday excluding Manitoba's statutory holidays. Meters that are difficult to access may be read until 9 PM and on Saturdays. Any changes to such hours require approval from the Utility. The Company shall normally electronically transmit meter readings to the Utility the same day by 6:00 p.m. and shall notify the Utility when such timing cannot be met and the reasons for the delay. The Company shall be required to maintain the Utility's billing schedule while working within the above parameters. If applicable meter readings have not been obtained by the day prior to the billing date, the Company shall obtain such readings by the next working day, and provide notification of such to the Utility.
8. **Demand Meters and Must-Reads:** The Company shall make its best efforts to obtain meter readings in time to meet the Utility's billing schedule. If applicable meter readings have not been obtained by the day prior to the billing date, the Company shall obtain such readings by the next working day. In the event the Company fails to obtain such readings within this period, the Utility shall, at its option, obtain such readings and a charge shall be assessed against the Company in accordance with Schedule "D" attached hereto. Such charge may be waived if evidence of extenuating circumstances satisfactory to the Utility is provided including failure to obtain a landlord/owner's consent to gain access, inclement weather and where premises have been vacant or closed for holidays.
9. **Equipment:** The Utility requires that meter reading information be exchanged between the Utility and the Company as electronic data. All meter reading data shall be forwarded to the Company using the Utility's current meter reading interface. The Company shall forward to the Utility all meter reading data in a format compatible with the Utility's current meter reading interface. The meter reading data shall be received and sent by the Company from the Company's own premises. The Company shall supply handheld collection devices satisfactory to the Utility and the cost of the Company's interface with the Utility's system shall be the responsibility of the Company. All costs of electronic transmission of data to the Utility shall be the responsibility of the Company.
10. **Accuracy:** All incorrect meter readings shall be subject to the Billing Adjustment provisions contained in Schedule "D" attached to and forming part of this Agreement. The maximum permissible error rate is one error per thousand readings. Failure of the Company to maintain this degree of accuracy shall be considered grounds for contract termination following one month's written notice to the Company. Check readings (requests to read a meter to verify accuracy) requested by the Utility will

note the original meter reading on the check read document. The Company will supply error statistics to the Utility at the Utility's request.

- 11. Personnel:** All Company employees performing meter readings shall be adequately trained. The Company's personnel shall show due regard for customer property and behave courteously at all times.

The Company shall be expected to deal with complaints against the Company, and the Utility may investigate all complaints that it receives directly from customers. Meter reading complaints received at any of the Utility's offices shall be recorded and forwarded to the Company. It shall be the Company's responsibility to contact the customer to resolve the complaint. The action taken shall be recorded and forwarded to the Utility. Prompt action shall be taken by the Company to resolve any complaints.

- 12. Identification:** The Company shall, at its own expense, supply each of its employees with a Manitoba Hydro identification card bearing a photograph of the employee. The Utility shall supply the Company with written procedures regarding the issuance, use, safekeeping and destruction of such identification cards with which the Company shall comply during the term of this Agreement. The Company shall provide the Utility with notification of all terminations from the Company, and ensure return of identification cards.

- 13. Uniforms:** The Company shall require its employees performing the Services to maintain a neat and professional appearance such that it is clear to the Utility that such employee is engaged in the reading of meters. The Company shall have the right to approve, in its discretion, the manner of dress to be worn by the Company's employees in performing the Services.

- 14. Access to Premises:** The Company's employees shall be required to follow all instructions for gaining access to customer premises as provided by the Utility at the commencement of the Services or as advised from time to time. If a meter reader is unable to obtain access to a meter, an approved meter reading card shall be left in the mailbox of the premises. The Utility is responsible for supplying the Company with meter reading cards left with the customer.

The Company, with the assistance of the Utility, shall use customer-supplied keys to gain access to premises where such a key is required to gain access. The Company shall be responsible for such keys, which shall be returned to the Utility upon termination of this Agreement.



15. **Client Relations:** It shall be the Company's responsibility to make the first contact with the customer to resolve access problems such as key requirements, appointments either during or after regular working hours, and physical problems such as blocked meters, cluttered meter rooms, shrubbery, non-working lights, frozen locks and gates or blocked entrances. The Company shall make its best efforts to resolve access problems by the next reading date. Actions taken by the Company to resolve the access and physical problems are to be recorded and forwarded to the Utility.

The Utility and the Company shall also meet quarterly to discuss the status and quality of the Services provided by the Company as well as the procedures in place in relation to the Services to identify items successfully implemented as well as items requiring improvement.

16. **Rerouting:** The Company may reroute accounts to balance workload requirements provided the Company maintains such accounts within the same cycle. Where it is not possible, movement of accounts between cycles shall be restricted to plus or minus one cycle unless otherwise agreed to in writing by the Utility. The Utility will be notified in any case where the reading month or cycle is changed.





## **SCHEDULE "D"**

### **PAYMENT AND INVOICING**

#### **Section A - Meter Reading Rates**

See separate document.

#### **Section B – Billing Adjustments**

1. If the Utility's meter reading exception report or a customer complaint indicates that a Check reading is required and the original reading was correct, there will be no billing adjustment applied and the Company will be reimbursed for the check reading as outlined in Section A of Schedule "D." If however the check reading confirms an error in the original reading the Company will not be paid for the check read.
2. If the Company indicates that partial or whole routes were not completed prior to billing, the company will supply the late readings and the following amount will be deducted from the amount due to the Company:
  - Gas Meters - \$1.80 Per Incomplete Meter Read
3. Where the Utility identifies a location as having a demand meter or must read situation, such demand meter or must read account shall be read in time to meet the Utility's billing schedule. For readings not obtained by the billing date, the Company shall obtain such readings by the end of the next working day. Failure to obtain readings within this period will require the Utility itself to obtain these readings and costs for obtaining such readings shall be assessed against the Company and be deducted from the amount due to the Company as follows:
  - Demand Meters - \$14.30 Per Meter
  - Must Read Accounts - \$14.30 Per Meter

Note: Extenuating circumstances may be considered providing that the reason for not obtaining the reading(s) be conveyed to the District. Extenuating circumstances may include items such as:

- (a) unable to contact the landlord/owner for access
- (b) inclement weather
- (c) premises vacated or closed for holidays etc.

**Section C – Billing Arrangements:**

1. Within two working days following the calendar month end, the Company shall run reports with the previous month meter counts.
  2. Within 5 working days following receipt of the monthly reports identified in item (a), the Company shall issue its monthly invoice to the Utility. Applicable taxes shall apply in addition to the amounts invoiced by the Company.
  3. The Utility shall pay the Company's invoice within 15 days of the invoice date.
  4. Upon receipt of an invoice, the Utility shall immediately advise the Company of any invoicing issues requiring resolution. The Company and the Utility shall resolve all invoicing issues prior to the end of the month with any required adjustments to appear on the Company's subsequent monthly invoice.
  5. The Company may assess late payment charges on overdue payments on the same terms and conditions as the Utility charges on its overdue accounts.
-



	Annual Quantity			Meter Reading Rate (2019-20)		
	Winnipeg	Rural	Northman	Winnipeg	Rural	Northman
<b>Regular Meters</b>						
Gas	1,279,168	382,933		\$1.21	\$1.40	
<b>Demand Meters</b>						
Gas "on route"	10,396	6,606		\$1.21	\$1.40	
Gas "off route"	9,983	6,535		\$12.89	\$14.99	
<b>All Other Read Types (Special Reads) - Urban</b>						
Gas	970	1		\$9.54	\$8.69	
Meter Banks	7			\$43.05	\$50.05	
<b>All Other Read Types (Special Reads) - Rural</b>						
Gas	3	343		\$12.89	\$14.99	
Gas - Special Read Conditions (Oil Fields)		357			\$6.72	
Regular Meters - Remote Communities		4,028	16,099		\$1.94	\$2.57
Demand Meters - Remote Communities			246			\$5.14
Pierson Meters Reading		785			\$3.23	
<b>Mileage</b>						
Gas				\$0.40	\$0.40	\$0.40
<b>IVR Readings</b>						
Gas		104,460		\$0.149	\$0.149	\$0.149
<b>IVR Voicemail Readings</b>						
Gas		250 days/year			\$15.00	

**Manitoba Hydro Utility Services Limited**  
**Meter Reading Rates**  
 April 1, 2019 - March 31, 2020