

CENTRA GAS MANITOBA INC.
2019/20 GENERAL RATE APPLICATION

IMPACT OF REGULATORY DEFERRAL ACCOUNTS ON RATE BASE

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1 **1.0 OVERVIEW – IMPACT OF REGULATORY DEFERRALS ON RATE BASE**

2 International Financial Reporting Standards (IFRS) requires entities to isolate the impact of
3 rate regulation in the financial statements. On Centra’s transition to IFRS, several new
4 regulatory deferral accounts were established, and all new and pre-existing regulatory
5 deferral accounts were reclassified for financial reporting purposes to new Regulatory
6 Deferral Debit and Credit Balances in the Statement of Financial Position.

7
8 For rate setting purposes, regulatory deferral accounts pertaining to plant and intangible
9 assets and to contributions in aid of construction have been reclassified within Rate Base
10 to the assets or contribution accounts to which they pertain. The reclassification of the
11 deferral accounts ensures consistency with prior regulatory treatment.

12
13 Please refer to Appendix 3.4 for further information with respect to Centra’s regulatory
14 accounts, and to Schedules 6.5.0 – 6.5.8 for the Regulated Deferrals Continuity Schedules.

15

16 **2.0 RECLASSIFICATION OF REGULATORY DEFERRALS WITHIN RATE BASE**

17 Appendix 10.1 Attachment 1 provides a reconciliation of Rate Base as presented in Tab 6
18 with Rate Base used for the allocation of Cost of Service for rate setting purposes.

19

20 The Deferred Ineligible Overhead regulatory account reflects the amount of overhead
21 ineligible for capitalization under IFRS. Centra has deferred the ineligible overhead as a
22 regulatory deferral debit balance for rate setting purposes for consistency with PUB
23 direction provided to Manitoba Hydro’s electric operations in Order 73/15. The cumulative
24 gross deferral of ineligible overhead has been reclassified to Plant in Service, and the
25 related accumulated amortization has been reclassified to Property Plant & Equipment
26 (PP&E) Accumulated Depreciation.

27

28 The following Regulatory Deferral accounts represent cumulative adjustments made to
29 depreciation expense for regulatory purposes: Change in Depreciation Method, Change in
30 Depreciation Rate - Meters, Loss on Disposal of Assets and Impact of 2014 Depreciation
31 Study. The balances in these accounts are manually maintained at an individual
32 depreciable account level, and have been reclassified for rate setting purposes to the
33 applicable rate base categories, which include PP&E accumulated depreciation, intangible
34 asset accumulated amortization, and contributions in aid of construction.

		March 31, 2019			March 31, 2020			2019/20
	Schedule Reference	Tab 6 Balance	Reclassify Regulatory Deferrals	Rate Setting Balance	Tab 6 Balance	Reclassify Regulatory Deferrals	Rate Setting Balance	Rate Setting Average (Col[3]+Col[6])/2
		[1]	[2]	[3]	[4]	[5]	[6]	[7]
GAS PLANT IN SERVICE								
Intangible Assets								
Franchises & Consents		22	-	22	22	-	22	22
Land Rights		9 672	-	9 672	9 849	-	9 849	9 760
Other Distribution Development (SCADA)		3 810	-	3 810	3 899	-	3 899	3 854
Sub-total	6.4.8	<u>13 504</u>	<u>-</u>	<u>13 504</u>	<u>13 770</u>	<u>-</u>	<u>13 770</u>	<u>13 637</u>
Property Plant & Equipment								
Transmission Plant								
Land		1 027	-	1 027	1 027	-	1 027	1 027
Structures & Improvements - M&R		1 266	-	1 266	1 460	-	1 460	1 363
Structures & Improvements		76	-	76	76	-	76	76
Mains - Transmission (1)		151 730	-	151 730	156 497	-	156 497	155 008
Measuring & Regulating Equipment		13 293	-	13 293	15 639	-	15 639	14 466
Cath Prot/Rect/Sacr Anode, Groundbed (1)		-	-	-	128	-	128	-
Gas Inline Inspections (1)		-	-	-	1 662	-	1 662	-
Sub-total		<u>167 393</u>	<u>-</u>	<u>167 393</u>	<u>176 490</u>	<u>-</u>	<u>176 490</u>	<u>171 941</u>
Distribution Plant								
Land		1 685	-	1 685	1 843	-	1 843	1 764
Structures & Improvements		1 377	-	1 377	1 377	-	1 377	1 377
Structures & Improvements - M&R		5 559	-	5 559	5 635	-	5 635	5 597
Services		279 525	-	279 525	288 954	-	288 954	284 240
Regulators		56 563	-	56 563	56 679	-	56 679	56 621
Mains - Distribution (1)		227 793	-	227 793	235 652	-	235 652	231 881
Measuring & Reg. Equipment		51 051	-	51 051	53 516	-	53 516	52 283
Telemetry Equipment		5 229	-	5 229	5 497	-	5 497	5 363
Cath Prot/Rect/Sacr Anode, Groundbed (1)		-	-	-	317	-	317	-
Meter Testing		-	-	-	3 408	-	3 408	1 704
Meters		46 110	-	46 110	46 249	-	46 249	46 180
Computer Equipment - Hardware		813	-	813	1 548	-	1 548	1 180
Sub-total		<u>675 706</u>	<u>-</u>	<u>675 706</u>	<u>700 675</u>	<u>-</u>	<u>700 675</u>	<u>688 191</u>
General Plant								
Land		136	-	136	136	-	136	136
Structures & Improvements		8 619	-	8 619	8 619	-	8 619	8 619
Office Furniture & Equipment		-	-	-	-	-	-	-
Transportation Equipment		(1)	-	(1)	(1)	-	(1)	(1)
Heavy Work Equipment		185	-	185	185	-	185	185
Tools & Work Equipment		-	-	-	-	-	-	-
Deferred Ineligible Overhead		-	3 500	3 500	-	4 200	4 200	3 850
Other General Equipment		297	-	297	297	-	297	297
Sub-total		<u>9 237</u>	<u>3 500</u>	<u>12 737</u>	<u>9 237</u>	<u>4 200</u>	<u>13 437</u>	<u>13 087</u>
Sub-total Property, Plant & Equipment	6.1.8	<u>852 336</u>	<u>3 500</u>	<u>855 836</u>	<u>886 401</u>	<u>4 200</u>	<u>890 601</u>	<u>873 219</u>
Total Assets In-Service		<u>865 839</u>	<u>3 500</u>	<u>869 339</u>	<u>900 172</u>	<u>4 200</u>	<u>904 372</u>	<u>886 855</u>
ACCUMULATED DEPRECIATION								
Intangible Assets	6.4.8	<u>(3 971)</u>	<u>(947)</u>	<u>(4 918)</u>	<u>(4 655)</u>	<u>(870)</u>	<u>(5 524)</u>	<u>(5 221)</u>
Property, Plant & Equipment								
Transmission Plant		(41 099)	1 379	(39 720)	(44 422)	1 765	(42 657)	(41 189)
Distribution Plant		(247 380)	21 284	(226 096)	(256 306)	24 661	(231 645)	(228 871)
General Plant		(6 588)	(769)	(7 356)	(6 748)	(861)	(7 609)	(7 483)
Sub-total Property, Plant & Equipment	6.3.8	<u>(295 067)</u>	<u>21 894</u>	<u>(273 173)</u>	<u>(307 475)</u>	<u>25 564</u>	<u>(281 911)</u>	<u>(277 542)</u>
Sub-total		<u>(299 038)</u>	<u>20 948</u>	<u>(278 090)</u>	<u>(312 130)</u>	<u>24 694</u>	<u>(287 436)</u>	<u>(282 763)</u>
REGULATORY DEFERRALS	6.5.8							
Change in Depreciation Method		11 107	(11 107)	-	13 496	(13 496)	-	-
Deferred Ineligible Overhead		3 335	(3 335)	-	3 922	(3 922)	-	-
Change in Depreciation Rate-Meters		1 929	(1 929)	-	1 833	(1 833)	-	-
Loss on Disposal of Assets		12 730	(12 730)	-	14 159	(14 159)	-	-
Impact of 2014 Depreciation Study		(4 718)	4 718	-	(4 579)	4 579	-	-
Sub-total		<u>24 384</u>	<u>(24 384)</u>	<u>-</u>	<u>28 831</u>	<u>(28 831)</u>	<u>-</u>	<u>-</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	6.6.8	<u>(60 819)</u>	<u>(63)</u>	<u>(60 882)</u>	<u>(62 281)</u>	<u>(63)</u>	<u>(62 344)</u>	<u>(61 613)</u>
RATE BASE BEFORE WORKING CAPITAL ALLOWANCE		<u>530 367</u>	<u>-</u>	<u>530 367</u>	<u>554 591</u>	<u>-</u>	<u>554 591</u>	<u>542 479</u>
WORKING CAPITAL ALLOWANCE	6.7.8							<u>104 187</u>
TOTAL RATE BASE								<u>646 667</u>

(1) For Cost of Service allocation purposes, Cath Prot/Rect/Sacr Anode, Groundbed & Gas Inline Inspections have been included with Transmission & Distribution Mains