CENTRA GAS MANITOBA INC.
2019/20 GENERAL RATE APPLICATION

PROPOSED RATES & CUSTOMER IMPACTS

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11.0 OVERVIEW

This Tab provides the proposed rate schedules for which Centra is seeking approval to implement effective August 1, 2019. This Tab also provides the analysis of the customer bill impacts comparing the proposed rates with the existing rates approved as of November 1, 2018.

The billed rates that Centra charges to its customers are made up of two components: base rates and rate riders. Centra's proposed base rates reflect an estimate of non-Primary gas costs for the Gas Year November 1, 2018 to October 31, 2019 as outlined in Tab 8 and non-gas costs for the 2019/20 Test Year as outlined in Appendix 5.12. The calculation of the base rates is shown in Schedule 10.1.1.

Rate riders are temporary rate changes designed to either recover or refund the balances of Centra's various Purchased Gas Variance Accounts ("PGVA") and other gas cost deferral accounts. This Tab contains a discussion of the allocation of the deferral account balances to October 31, 2018 (with carrying costs to July 31, 2019) to develop rate riders, as well as the customer rate impacts of the requested billed rates.

Changes to Centra's Primary Gas rate are handled separately in accordance with the Quarterly Rate Setting Methodology ("RSM") and process approved by the PUB. Centra's Primary Gas rates will not change as a result of this Application.

The final section of this Tab provides an update on the status of Centra's Fixed Rate Primary Gas Service.

11.1 CUSTOMER BILL IMPACTS

Schedule 11.1.0 provides the annualized bill impacts of the proposed sales rates to be implemented August 1, 2019. Note that Schedule 11.1.0 includes the impact of changes to non-gas costs, non-Primary gas costs, as well as the impacts of new rate riders proposed for implementation on August 1, 2019.

All bill impact comparisons are determined relative to the current rates effective November 1, 2018 that include the revised non-gas rate components for all classes except the Special Contract and Power Stations, as a result of Directive 5 of Order 108/15 which required the non-gas portion of Centra's rates to revert to levels approved in 2010, and non-Primary gas costs established November 1, 2015 flowing from Centra's 2015/16 Cost of Gas Application approved in Order 108/15.

The bill impacts are a result of both cost changes, which are allocated to all customer classes using Centra's cost allocation methodology, and changes in volumes, load factor and peak day requirements for each class. Annual bill impacts vary by size of customer load and by the customer's load factor for those customers paying rates with demand charges.

The annual consumption of a typical residential customer has been revised to 2,246 m^3 from 2,243 m^3, to be consistent with that reflected in Centra's Natural Gas Volume Forecast (filed as Appendix 7.1).

As Primary Gas rates will not change as a result of this Application, these rates are not contributing to the bill impacts shown in Schedule 11.1.0.

As discussed in Tab 10, Centra is requesting approval of a new Primary Gas Overhead Rate to be effective with the August 2019 Primary Gas rate application. As such, the bill impacts as a result of changes to the Primary Gas Overhead component are also not reflected in the bill impacts flowing from this GRA shown in Schedule 11.1.0.

11.1.1 Bill impacts for Proposed Base Rates

Figure 11.1 below shows the annual bill impacts by sales service customer class of the change in base rates proposed in this Application compared to the November 1, 2018 rates (see Schedule 11.1.0, page 2). The base rate impacts are driven by a decrease in non-gas costs, and a decrease in non-Primary Gas costs, which results in an overall decrease in customer bills for most sales service customer classes with the exception of the LGS customer class. The LGS customer class bill impact is primarily driven by an increase in their allocated portion of non-gas costs resulting from a forecasted increase in usage on the peak day. Additionally, the higher expected participation in DSM programs by the LGS customer class resulted in an increased allocation of the amortization of DSM costs.

The annual bill impact of the proposed base rates for the typical residential customer, based on an annual consumption of 2,246 m^3, is approximately 4.7% or $32.

Figure 11.1: Annual Bill Impacts of the Proposed Base Rates for Sales Service Customers by Customer Class

2019/20 Test Year			Annual Impacts Base Rates	
Customer Class	Consumption (10^3M^3)	Load Factor	$ Impact	% Change
SGS	1.0		($14)	-3.6%
	2.2		($32)	-4.7%
	11.3		($163)	-5.8%
LGS	11.3		$48	1.6%
	679.9		$2,868	2.3%
HVF	850	25%	($758)	-0.5%
	685	75%	($2,365)	-2.2%
Mainline	41,000	75%	($234,198)	-4.3%
	2,833	75%	($30,359)	-7.6%
Interruptible	850	25%	($3,008)	-2.2%
	14,164	75%	($81,374)	-4.5%

Figure 11.2 below shows the annual bill impacts for Transportation Service ("T-Service") customers in each of the customer classes for the change in base rates

proposed in this Application, compared to the November 1, 2018 rates (see Schedule 11.1.0, page 2). The bill impact for T-Service customers reflects the changes proposed to delivery service only as these customers procure their own commodity and upstream storage and transportation contracts. The bill impact appears disproportionally large as there are no upstream storage and transportation costs and no Primary or Supplemental Gas costs to dilute the impact, as is the case with Sales Service customers.

Figure 11.2: Annual Bill Impacts of the Proposed Base Rates for T-Service Customers by Customer Class

2019/20 Test Year			Annual Impacts Base Rates	
Customer Class	Consumption (10^3M^3)	Load Factor	$ Impact	% Change
HVF (T-Service)	2,600	75%	$10,072	20.4%
	17,600	75%	$75,258	29.2%
Mainline (T-Service)	14,000	75%	$38,090	26.8%
	44,000	40%	$284,932	43.7%
Special Contract	[redacted]			
Power Stations				

2d

The bill impact for T-Service customers in the HVF and Mainline customer classes is primarily due to the effect of reversing the bill decrease that these classes experienced as a result of Directive 5 in Order 108/15 that directed the non-gas rate components revert back to levels approved in 2010 effective August 1, 2017.

The Special Contract bill impact is a result of the increase in non-gas costs allocated to this class as described in Tab 10.

The annual bill impact for the Power Station class is primarily driven by an increase in their commodity distribution rate. While the Unaccounted For Gas ("UFG") cost decreased compared to the costs embedded in current rates flowing from 2015/16 Cost of Gas, the commodity distribution rate for Power Stations has increased compared to current approved rate due to lower expected volumes which more than offset the overall cost reduction.

11.1.2 Bill impacts for Proposed Billed Rates

The annualized bill impacts flowing from this Application are also driven by the inclusion of rate riders required to dispose of PGVA and other gas cost deferral accounts, which the total net balance is forecast to be approximately $6.4 million (refundable to customers) as shown on line 15 of Schedule 11.3.0 (d). The rate riders serve to decrease the annual bill impact, over the period August 1, 2019 to July 31, 2020, for all customer classes depending on load factor and usage with the exception of Special Contract and Power Stations, which are only allocated the heating value deferral account and the distribution deferral account (mainly UFG).

The change in the billed rates proposed for August 1, 2019 results in a decrease for the typical residential customer of approximately 6.2% or $42 per year compared to the November 1, 2018 billed rates, based on an annual consumption of 2,246 m^3. The annual bill impacts of the proposed billed rates for the sales service customer classes are summarized in the Figure 11.3 below (the details of which are provided on page 1 of Schedule 11.1.0).

Figure 11.3: Annual Bill Impacts of the Proposed Billed Rates for Sales Service Customers by Customer Class

2019/20 Test Year			Annual Impacts Billed Rates	
Customer Class	Consumption (10^3M^3)	Load Factor	$ Impact	% Change
SGS	1.0		($19)	-4.7%
	2.2		($42)	-6.2%
	11.3		($213)	-7.7%
LGS	11.3		$16	0.5%
	679.9		$933	0.8%
HVF	850	25%	$742	0.5%
	12,600	75%	($237,385)	-13.8%
Mainline	2,833	40%	($91,332)	-19.7%
	41,000	75%	($689,237)	-13.2%
Interruptible	850	25%	($4,024)	-3.0%
	14,164	75%	($247,607)	-14.3%

Figure 11.4 summarizes the annual bill impacts of the proposed billed rates for the T-Service customer classes (the details of which are provided on page 1 of Schedule 11.1.0).

Figure 11.4: Annual Bill Impacts of the Proposed Billed Rates for T-Service Customers by Customer Class

2019/20 Test Year			Annual Impacts Billed Rates	
Customer Class	Consumption (10^3M^3)	Load Factor	$ Impact	% Change
HVF (T-Service)	2,600	75%	$9,934	20.1%
	17,600	75%	$74,328	28.9%
Mainline (T-Service)	14,000	75%	$26,467	18.6%
	44,000	40%	$249,111	38.2%
Special Contract	[redacted]			
Power Stations				

2d

The following sections describe the proposed rate schedules and the allocation of the deferral account balances to the various customer classes.

11.2 PROPOSED RATE SCHEDULES

The following set of Rate Schedules are included in this Tab:

1. Existing approved base and billed rates approved in Order 143/18 effective November 1, 2018 (Schedule 11.2.0, Pages 1 to 4); and
2. Proposed base and billed rates to be implemented August 1, 2019 (Schedule 11.2.1, Pages 1 to 4).

The proposed base and billed rates effective August 1, 2019 reflect changes to both non-Primary Gas costs and non-gas costs for the 2019/20 Test Year. The proposed billed rates also include rate riders to dispose of the estimated balances of the PGVA and other gas cost deferral accounts as at October 31, 2018 (including carrying costs to July 31, 2019). All rate riders are proposed to be disposed over a 12-month period beginning August 1, 2019 and ending July 31, 2020.

11.3 PROPOSED NON-PRIMARY GAS RATE RIDERS

In Order 137/16, the PUB approved Centra's request to remove rate riders (other than the Primary Gas rate rider) that were in effect for a 12-month period from November 1, 2015 to October 31, 2016 resulting in Centra's current base and billed rates being identical since these riders were removed. As part of this Application, Centra is proposing to implement rate riders to refund to customers a net balance of $6.4 million in non-Primary Gas PGVAs that accumulated between November 1, 2015 and October 31, 2018 (with carrying costs to July 31, 2019). Centra has allocated the net deferral amount to the various rate classes and calculated rate riders consistent with past practice. The various components of this combined amount are allocated to rate classes on Schedules 11.3.0(a), 11.3.0(b), 11.3.0(c) and 11.3.0(d) and discussed below. This combined total excludes the Primary Gas PGVA account that is disposed of through the PUB approved Quarterly RSM.

11.4 RATE RIDER CALCULATIONS

The balances in the Supplemental Gas, Transportation and Distribution PGVAs arise as a result of the differences between the actual gas cost inflows and the offsetting Weighted Average Cost of Gas ("WACOG") outflows for each of the three Gas Years, November 1, 2015 to October 31, 2016, November 1, 2016 to October 31, 2017, and November 1, 2017 to October 31, 2018 (Schedules 11.3.0(a), (b) and (c) respectively) and the balances in the prior period deferral accounts (November 1, 2013 to October 31, 2015). In addition, the PGVA balances include forecast carrying costs for all PGVA accounts to July 31, 2019. The process of allocating the resulting balances among the rate classes is accomplished by first allocating the cost inflows to each rate class (i.e. the cost responsibility of each rate class) and then identifying what portion of the WACOG outflows was "paid for" by each rate class over the three Gas Years.

Schedules 11.3.0(a), 11.3.0(b), 11.3.0(c) and 11.3.0(d) summarize the allocation to each customer class. Lines 2 to 14 of Schedules 11.3.0(a), 11.3.0(b) and 11.3.0(c) deal with PGVA cost inflows and WACOG outflow amounts that are related to fixed costs. Lines 21 to 36 of Schedules 11.3.0(a), 11.3.0(b) and 11.3.0(c) deal with PGVA cost inflows and WACOG outflow amounts that are related to variable costs.

For each item, the total allocated cost components in Schedule 11.3.0(a), (b) and (c) can be tied to the summation of the 2015/16, 2016/17 and 2017/18 Gas Year deferral balances contained in Schedule 8.8.6 of Tab 8, as identified in Lines 41 through 47 of 11.3.0(a), (b) and (c) under "Summary of Schedule". Schedule 11.3.0(d) totals the amounts in Schedules 11.3.0(a), (b) and (c) and reconciles to the total rate rider balance on Schedule 8.8.6 of Tab 8.

Schedule 11.3.1 provides the calculation of the proposed rate riders. The Schedule shows the costs allocated to the rate classes and the balances to be recovered/refunded in each rate. The following Figure 11.5 provides the class allocation of the rate rider balances:

Figure 11.5: 2015/16, 2016/17 & 2017/18 Gas Year Deferral Balances by Rate Class ($000s)

	Total	SGS	LGS	HVF	Mainline	Interr.	SC	PS
2015/16 Gas Year Deferrals	5,974,068	2,984,168	2,436,348	458,768	-37,937	-94,206	[redacted]	
2016/17 Gas Year Deferrals	2,514,425	1,472,659	1,188,864	-50,140	-92,205	-92,070		
2017/18 Gas Year Deferrals	-14,925,610	-7,523,926	-5,134,128	-2,257,496	-51,465	-237,774		
Total	-6,437,117	-3,067,098	-1,508,917	-1,848,868	-181,607	-424,050		

1e, 2d

The above Figure 11.5 includes the Supplemental Gas PGVA balances allocated to each customer class. Centra has calculated the refund of the Supplemental PGVA amount through a rate rider applied to the Distribution (to Customer) charge for all customer classes as approved by the PUB in Order 131/04. This practice is used as Supplemental Gas volumes are more susceptible to variation during the year (and from year to year) as a result of weather fluctuations. For three customer classes (High Volume Firm, Mainline, and Interruptible), when combined with the Distribution PGVA, the rate rider more than offsets the Distribution base rate. For these customer classes Centra proposes a separate line item on the bill to refund these balances between August 1, 2019 and July 31, 2020.

For the Special Contract class, a total residual of $[redacted] is to be collected as 2d
shown on Schedule 11.3.1. This balance is primarily driven from differences in heating values as well as Unaccounted for Gas ("UFG"). Similarly, a total residual of
$[redacted] (primarily driven by differences in UFG) is to be collected from the Power 2d
Stations. Consistent with past practice and subject to PUB approval of the rate riders

flowing from this Application, Centra proposes to collect these residuals as lump sum payments in August 2019.

Centra has included a Timeline as Appendix 11.1 which depicts the implementation and subsequent expiration of base rates and riders that occurred since Centra's 2015 COG Application and the implementation of the base rates and rate riders proposed as part of this Application.

11.5 FIXED RATE PRIMARY GAS SERVICE

Centra's Fixed Rate Primary Gas Service ("FRPGS") provides customers with the opportunity to contract with Centra for a fixed Primary Gas rate for a contract period of either one, three or five years. Residential and commercial customers in the Small General Service ("SGS") and Large General Service ("LGS") customer classes who are not currently under contract with a registered gas marketer are eligible to apply for this service during the marketing period established for each offering.

Figure 11.6 shows the enrollment period and flow date, rates associated with each FRPGS offering, and Centra's quarterly Primary Gas rate in effect during each enrolment period since the November 1, 2015 flow when this material was last reviewed as part of Centra's 2015 COG Application.

Figure 11.6: FRPGS Offering

FRPGS Enrolment Period & Flow Date	Fixed Rate ($/m3)	Centra Quarterly Rate ($/m3)
Aug 10 – Sep 11, 2015 (November 1, 2015 flow)	1-Year $0.1571 3-Year $0.1621 5-Year $0.1686	$0.1183 (Aug 1 - Oct 31)
Nov 9 – Dec 11, 2015 (February 1, 2016 flow)	1-Year $0.1457 3-Year $0.1547 5-Year $0.1608	$0.1064 (Nov 1 - Jan 31)
Feb 8 – Mar 11, 2016 (May 1, 2016 flow)	1-Year $0.1399 3-Year $0.1514 5-Year $0.1604	$0.0942 (Feb 1 - Apr 30)
May 16 – Jun 10, 2016 (August 1, 2016 flow)	1-Year $0.1330 3-Year $0.1457 5-Year $0.1530	$0.0819 (May 1 - July 31)
Aug 8 – Sep 9, 2016 (November 1, 2016 flow)	1-Year $0.1493 3-Year $0.1551 5-Year $0.1580	$0.1055 (Aug 1 - Oct 31)
Nov 7 – Dec 9, 2016 (February 1, 2017 flow)	1-Year $0.1530 3-Year $0.1530 5-Year $0.1539	$0.0974 (Nov 1 - Jan 31)
Feb 13 – Mar 10, 2017 (May 1, 2017 flow)	1-Year $0.1564 3-Year $0.1477 5-Year $0.1449	$0.1127 (Feb 1 - Apr 30)
May 9 – Jun 9, 2017 (August 1, 2017 flow)	1-Year $0.1592 3-Year $0.1498 5-Year $0.1490	$0.1017 (May 1 – Jul 31)
August 8 – Sep 8, 2017 (November 1, 2017 flow)	1-Year $0.1396 3-Year $0.1367 5-Year $0.1355	$0.0921 (Aug 1 - Oct 31)
Nov 13 –Dec 8, 2017 (February 1, 2018 flow)	1-Year $0.1339 3-Year $0.1355 5-Year $0.1376	$0.0831 (Nov 1 - Jan 31)
Feb 12 – Mar 9, 2018 (May 1, 2018 flow)	1-Year $0.1130 3-Year $0.1106 5-Year $0.1147	$0.0762 (Feb 1 - Apr 30)
May 14 – Jun 8, 2018 (August 1, 2018 flow)	1-Year $0.1110 3-Year $0.1106 5-Year $0.1176	$0.0762 (May 1 – Jul 31)
Aug 15 – Sep 7, 2018 (November 1, 2018 flow)	1-Year $0.1126 3-Year $0.1114 5-Year $0.1126	$0.0802 (Aug 1 - Oct 31)
Nov 12 –Dec 7, 2018 (February 1, 2019 flow)	1-Year $0.1270 3-Year $0.1220 5-Year $0.1224	$0.0831 (Nov 1 - Jan 31)

11.5.1 Marketing

Centra currently provides FRPGS offerings once each quarter, with each marketing period to commence shortly after the implementation of the quarterly Primary Gas rate change.

The marketing strategy for the FRPGS is to offer customers a choice in their Primary Gas product. The marketing message does not attempt to influence a customer's decision and is indifferent to which product a customer chooses, including the default Quarterly rate product. Marketing efforts only promote products offered by Centra.

Centra markets FRPGS primarily through messaging on the Manitoba Hydro website, and may supplement this with the use of mass media communication and sales options, including the use of newspaper ads, brochures and voluntary direct mail and e-mail communication (i.e. the customer must sign up or subscribe to receive mail or e-mail notifications). Centra does not use door-to-door sales or telemarketing.

11.5.2 FRPGS Program Results

Centra reports the results of the FRPGS program on a quarterly and annual basis to the PUB. For more information on the results of the FRPGS program, including the financial results, please see the Annual Reports on FRPGS for the years 2014/15 to 2017/18 which can be found in Appendix 11.3 to this Tab.

Figure 11.7 summarizes the number of customers contracted and volume subscribed for the FRPGS program for the marketing periods in 2014/15 to 2017/18, which occur one quarter before the flow date. As shown in the table, the FRPGS program has maintained low participation numbers in recent years, which has been influenced by the relatively low market price of natural gas.

Figure 11.7: Summary of Product Subscriptions

Summary of Product Subscriptions								
Offering Flow Date	Contracted Customers				Volumes Subscribed (GJ)			
	1 Year	3 Year	5 Year	Total	1 Year	3 Year	5 Year	Total
Aug. 1, 2014	1	8	1	**10**	64	654	47	**764**
Nov. 1, 2014	1	8	5	**14**	85	567	4,787	**5,440**
Feb. 1, 2015	2	2	15	**19**	138	157	9,232	**9,526**
May 1, 2015	1	3	3	**7**	61	111	308	**480**
Aug. 1, 2015	1	2	1	**4**	53	221	68	**342**
Nov. 1, 2015	5	2	6	**13**	3,192	845	362	**4,399**
Feb. 1, 2016	4	3	7	**14**	365	204	549	**1,118**
May 1, 2016	2	2	4	**8**	184	186	4,144	**4,514**
Aug. 1, 2016	0	0	1	**1**	0	0	68	**68**
Nov. 1, 2016	1	1	0	**2**	56	63	0	**119**
Feb. 1, 2017	1	2	3	**6**	88	163	10,793	**11,044**
May 1, 2017	0	0	7	**7**	0	0	797	**797**
Aug. 1, 2017	0	0	3	**3**	0	0	210	**210**
Nov. 1, 2017	0	0	3	**3**	0	0	257	**257**
Feb. 1, 2018	1	0	2	**3**	94	0	178	**272**
May 1, 2018	0	1	1	**2**	0	68	94	**162**

11.5.3 FRPGS Risk Mitigation Thresholds

In order to manage and mitigate the risks associated with the FRPGS program, Centra monitors the results of the following four FRPGS program review thresholds:

1. Net customer migration to the FRPGS in any one gas quarter of 0.5% of total annual forecast sales volumes. Limiting customer migration to this level will moderate Centra's term risk exposure whereby customer subscriptions could potentially cluster in time periods where adverse market and weather conditions generate net risk margin losses on those periods' offerings;
2. Volumes associated with active FRPGS customers under contract of 2.5% of total annual forecast sales volumes. This measure is intended to prevent the

overall scale of Centra's financial and customer consumption variance risk from growing to unacceptable levels;

3. Cumulative settled risk margin losses (calculated from the inception of self-insurance) exceeding \$1 million. Restricting realized risk margin losses to \$1 million would limit potential deterioration of Centra's retained earnings; and,
4. Cumulative unsettled forward mark-to-market risk margin losses (calculated from the inception of self-insurance) exceeding \$1 million. Restricting unsettled forward risk margin losses to \$1 million would limit potential deterioration of Centra's retained earnings from offering the FRPGS to customers

Centra intends to review the program when any of the thresholds are reached.

Centra's current position relative to each program review thresholds, as of October 30, 2018 are as follows:

1. The forecast volumes subscribed for the November 1, 2018 offering as a percentage of the total annual forecast sales volumes is 0.0006%;
2. The forecast volume for active contracts as a percentage of total annual forecast sales volumes is 0.06%;
3. The risk margin on settled results would have to deteriorate by \$1,229,020 to reach the \$1 million program review threshold; and,
4. The risk margin on unsettled mark-to-market projections would have to deteriorate by \$1,096,513 to reach the \$1 million program review threshold.

Centra has not reached the program review thresholds since the inception of the thresholds in 2013.

11.5.4 Proposed Changes to the Program Cost Rate

Centra is not seeking any changes to the FRPGS Rate Setting Mechanism in this Application.

However, Centra is seeking approval to update the FRPGS Program Cost Rate from the current approved rate of \$31.37 per 10^3m^3 to \$55.12 per 10^3m^3 as shown in Schedule 10.1.2. The increase results primarily from lower forecasted volumes experienced for this service, which is partially offset by a reduction in program administration costs.