

CENTRA GAS MANITOBA INC.

2013/14 GENERAL RATE APPLICATION

UNDERTAKING PROVIDED BY: K. DERKSEN

Centra Undertaking No. 7, 8, 9

7. Centra to answer the question: If a customer uses electricity to space-heat their home, is the full provincial tax charged on that electricity consumption?

8. Centra to answer the question: If this customer converted from gas to electricity, would Centra then decide whether they would increase the PST on the electric bill?

9. Centra to confirm that, in the chart, what PST and tax would be eligible on the electricity portion, and then what would be charged on the natural gas portion in terms of comparison to determine whether the difference becomes even greater when you consider the provincial tax.

Response

7. The provincial tax does not apply to the space heating portion of a residential customer's bill regardless of whether the customer chooses electric or natural gas heat. Accordingly, if a residential customer uses electricity for space-heat in their home, the customer will pay 1.4% provincial tax on the entire amount of the electricity bill.

In an electrically heated residence that is also served with natural gas, it is assumed that the customer's natural gas consumption is not related to space heating and therefore the full 7% provincial tax is applied to all natural gas related charges on the bill.

For those residential customers who purchase natural gas only for space heating purposes (i.e. there is no other natural gas fired equipment other than a furnace or boiler), then the tax rate applied is 0%.

Centra understands that, as of July 1, 2013, the provincial tax rate of 7% will be increased to 8%. However, it also understands that no change will be applied to the 1.4% tax rate.

8. If a residential customer converts their space heating system from natural gas to electricity, it is the customer's responsibility to notify the Corporation of this change.

Upon notification, the Corporation will adjust the taxes to be billed to reflect the correct application of taxes to both the electricity and natural gas portions of the customer's bill.

9. In considering the customer comparison charts provided on Tab 24, Page 92 of PUB Exhibit 10 (Board Counsel's Book of Documents), the consumption assumptions underlying the top portion of the typical space and water heating costs comparison are based on the annual home heating requirements for an average home (for space heating only). As such, the applicable tax rate would be 0% for both electricity and natural gas (as well as for geothermal, propane and heating fuel used for space heating purposes).

The consumption assumptions underlying the bottom portion are based on water heating requirements for an average home (not including space heat). As such, the full provincial tax of 7% (8% after July 1, 2013) would apply for both natural gas and electricity water heating costs. Since the cost for each source would be increased by the same percentage the cost comparison is consistent.