

CENTRA GAS MANITOBA INC.

2013/14 GENERAL RATE APPLICATION

UNDERTAKING PROVIDED BY: H. JACOBS

Centra Undertaking No. 6

Centra to advise the Board as to Manitoba Hydro's depreciation rate, as well as the useful life determination for capitalized labour related to electric meter exchange activities.

Response

The current depreciation treatment for electric meter exchange activities has been reviewed by Manitoba Hydro for purposes of responding to this undertaking. Manitoba Hydro does not have a separate asset category for electric meter exchange labour. The costs are embedded in large pools of distribution assets, which are amortized using depreciation rates between 1.98% to 4.38%.

Annual capital additions relating to electric meter exchange labour have averaged approximately \$2.6 million since 2005. Manitoba Hydro and Centra Gas will review the accounting treatment for meter changes in the future determination of an IFRS compliant harmonized methodology that will apply to both the electric and gas lines of business.

If the future harmonized accounting policy results in the capitalization of meter exchange costs, a depreciation treatment would be determined and rates would be established as part of the next depreciation study.