

**CENTRA GAS MANITOBA INC.  
2013/14 GENERAL RATE APPLICATION**

**VOLUME II**

**OPERATING, MAINTENANCE AND ADMINISTRATIVE EXPENSE**

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1   **1.0   Overview**

2   The purpose of this Appendix is to provide an analysis of Centra Gas Manitoba Inc.'s  
3   ("Centra") Operating, Maintenance and Administrative ("OM&A") costs on an actual and  
4   forecast basis. Centra is integrated within the organizational structure of Manitoba  
5   Hydro and as such, the responsibilities for operating, maintaining and administering the  
6   utility are conducted through its Business Units. The roles and functions of each  
7   Business Unit, along with an overview of the management control processes, are  
8   described in Tab 3 of this Application.

9  
10   OM&A costs are recognized in accordance with Canadian Generally Accepted  
11   Accounting Principles ("CGAAP") and apportioned to gas & electric utility operations  
12   through an integrated cost allocation methodology.

1 **2.0 OM&A Corporate Summary**

2 The following table presents a summary of the OM&A costs and operating costs per  
 3 customer for gas operations:

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2013/14 Forecast	Average Annual Increase
Centra Gas OM&A	\$ 59,803	\$ 60,951	\$ 60,644	\$ 62,117	\$ 67,300	\$ 68,800	
Less Accounting Changes	\$ 1,000	\$ 1,020	\$ 3,040	\$ 3,101	\$ 7,491	\$ 7,796	
Centra Gas OM&A after adjusting for Accounting Changes	\$ 58,803	\$ 59,931	\$ 57,604	\$ 59,016	\$ 59,809	\$ 61,004	
% Increase	4.50%	1.92%	-3.88%	2.45%	1.34%	2.00%	1.39%
Number of Customers	263,008	264,301	265,961	267,699	270,040	273,122	0.63%
Cost per Customer	\$ 224	\$ 227	\$ 217	\$ 220	\$ 221	\$ 223	
% Increase (Decrease)	3.77%	1.42%	-4.48%	1.79%	0.47%	0.85%	0.63%
Canadian CPI	2.20%	0.40%	2.00%	2.80%	1.80%	2.10%	1.88%

4  
 5 As indicated in the above table, Centra has maintained the average annual increase in  
 6 OM&A costs well below inflation from 2008/09 through 2013/14. The average annual  
 7 increase in OM&A costs over the 6 year period is 1.39% compared to the average  
 8 annual increase in the Canadian CPI of 1.88%. OM&A cost per customer is forecast to  
 9 increase by an average of only 0.63% per year over the 2008/09 to 2013/14 period.

10

11 **3.0 Accounting Changes**

12 Changes in accounting practices and policies have had an impact on Centra's OM&A  
 13 expenditures over the period reviewed in this Application. Historically under CGAAP,  
 14 Centra utilized a full cost accounting approach to the capitalization of administrative and  
 15 overhead costs. Changes in overhead capitalization practices implemented to date and  
 16 proposed for 2012/13 recognize industry trends to move away from full cost accounting

1 and are designed to make the Corporation's practices consistent with those of other  
2 Canadian utilities. The Corporation has also been assessing the required changes to its  
3 overhead capitalization practices in order to comply with International Financial  
4 Reporting Standards ("IFRS").

5  
6 Since 2010/11, Centra has removed approximately \$2 million from its overhead  
7 capitalized, with a further \$3 million forecasted in 2012/13. Items removed from  
8 overhead capitalized include interest on equipment and facilities, building depreciation  
9 and operating costs, IT infrastructure and related support, as well as various corporate  
10 department costs. Centra has also reduced the capitalization of intangible asset costs  
11 beginning in 2008/09.

12  
13 In 2011/12, it was necessary for Manitoba Hydro to reduce its discount rate for the  
14 valuation of its pension and benefit obligations reflecting industry trends to calculate  
15 rates in accordance with recent guidance from the Canadian Institute of Actuaries and  
16 lower interest rates in general. This change has been reflected beginning in 2012/13 for  
17 Centra.

18  
19 The accounting reclassification of Operating Expense Recoveries to Other Revenue has  
20 also impacted OM&A costs.

21  
22 The increase to OM&A expense as a result of reduced capitalization of overhead will be  
23 partially offset by the removal of depreciation costs previously included in gas programs.

1 The following table provides a summary of the accounting changes by fiscal year:

**SUMMARY OF ACCOUNTING CHANGES - CENTRA GAS**  
(in thousands of dollars)

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2013/14 Forecast
<b>Reduction to Costs Capitalized</b>						
Interest on Common Assets (Facilities & Equipment)	-	-	1,000	1,020	1,040	1,061
General & Administrative Departmental Costs	-	-	500	510	520	531
Interest on Motor Vehicles	-	-	500	510	520	531
IT Infrastructure & Related Support	-	-	-	-	1,800	1,836
Building Depreciation & Operating Costs	-	-	-	-	1,000	1,020
	-	-	2,000	2,040	4,881	4,978
<b>Intangible Assets</b>						
Ineligible for Capitalization	1,000	1,020	1,040	1,061	1,082	1,104
	1,000	1,020	1,040	1,061	1,082	1,104
<b>Pension &amp; Benefits</b>						
Change in Discount Rate	-	-	-	-	928	1,102
	-	-	-	-	928	1,102
<b>Reclassifications</b>						
Operating Expense Recoveries	-	-	-	-	600	612
	-	-	-	-	600	612
2 Total	\$ 1,000	\$ 1,020	\$ 3,040	\$ 3,101	\$ 7,491	\$ 7,796

3

4 **4.0 Operating & Administrative Expense by Program**

5 The program view of operating & administrative expense groups displays all costs of  
6 providing a particular program within a Business Unit. Programs include primary costs  
7 (i.e. direct costs), activity charges, and overhead charges.

8

9 The schedule found on page 18 identifies costs incurred or forecasted in each program  
10 for 2008/09 Actual, 2009/10 Actual, 2010/11 Actual, 2011/12 Actual, 2012/13 Forecast,  
11 and the 2013/14 Test Year. The following section provides a brief description of each  
12 program by business area.

13

1 ***President & CEO***

2 Audit

3 Costs relate to the Internal Audit function which provides an independent, objective  
4 assurance and consultative service to help line management improve the effectiveness  
5 of risk management, control, and governance systems.

6

7 Liability Claims

8 Costs relate to gas specific insurance claims. Third party costs, including vehicle  
9 damage, property damage and bodily injury which fall within the \$250,000 deductible on  
10 Centra's Commercial General Liability policies, are charged to this program.

11

12 Public Affairs

13 Costs relate to providing communications to the public, media, and to the employees of  
14 Manitoba Hydro. It also includes a portion of the cost of producing and publishing the  
15 Annual Report and the Corporate Strategic Plan, corporate donations, grants,  
16 sponsorships, corporate memberships, and long service awards.

17

18 Research & Development

19 This program includes costs of gas research & development projects and memberships  
20 in gas research associations.

21

22

23

1 ***Finance & Administration.***

2 Information Technology - Distribution/ Metering Systems

3 This program includes the costs of supporting computer systems used in the  
4 procurement, transmission, and distribution of gas. The systems in this program include  
5 those related to broker invoices, service facility management, main extension requests,  
6 riser rehabilitation, meter management system, and meter testing reporting.

7

8 Information Technology - Banner System

9 Costs relate to the maintenance and support of the Banner CIS system. Costs include  
10 software maintenance fees, upgrade testing, production support, and maintenance &  
11 enhancement.

12

13 Gas Accounting

14 This program includes costs associated with revenue and cost accounting for natural  
15 gas procurement, storage, transportation and related programs, and gas accounting  
16 systems and internal controls.

17

18 Gas Regulatory

19 This program includes costs related to the review of natural gas rates and related  
20 matters by The Public Utilities Board ("PUB"), including General Rate Applications,  
21 Quarterly Primary Gas Rate Applications, Cost of Gas Hearings, Franchise Applications  
22 and PUB fees. Third party costs associated with public hearings are deferred and  
23 amortized and are outlined in Appendix 5.9.

1 Gas Supply

2 This program includes costs for the acquisition and management of gas supply, storage,  
3 and transportation, including gas control, gas cost analysis, gas supply pricing, and the  
4 administration of the direct purchase function.

5

6 Treasury

7 This program includes costs for collection and disbursement banking services,  
8 remittance processing services, and related information reporting services.

9

10 Property Tax Administration

11  
12 This program includes costs associated with the management of gas property  
13 assessment and taxes, as well as costs related to work on gas land rights when there is  
14 no addition to or acquisition of new plant on property (e.g. responding to queries on  
15 existing easements).

16

17 ***Power Supply***

18 Environmental Management

19 This program includes costs associated with monitoring and ensuring compliance with  
20 environmental standards. This includes costs related to the establishment of programs  
21 and systems and maintenance of these programs and systems.

22

23

24



1 ***Transmission***

2 System Support & Communication Systems

3 This program includes costs associated with the repair of Centra's instruments;  
4 maintenance of Centra's Supervisory Control and Data Acquisition (SCADA) system;  
5 installation; maintenance and repair of the gas operation's Computer Aided Dispatch  
6 ("CAD"); and the installation, maintenance, and repair of the gas operation's use of the  
7 Fleet Net radios on MTS' Fleet Net system.

8

9 ***Customer Service & Distribution***

10 Billing Inquiries & Collections

11 This program includes costs associated with services provided at the local district  
12 offices related to:

- 13 • Receiving and responding to customers' natural gas inquiries, complaints, and  
14 requests for such items as natural gas emergency call response, requests for  
15 service work, underground locates, billing information, changes to account data,  
16 rate information, and natural gas purchase options;
- 17 • Payment processing; and,
- 18 • The disconnection and reconnection of natural gas service, including establishing  
19 face-to-face customer contact to attempt to resolve delinquent accounts.

20

21

22

23

1 Customer Inspections

2 This program includes costs related to:

- 3 • The provision of “burner tip” service for customers experiencing operating  
4 problems with their natural gas appliances and equipment, including a diagnostic  
5 check of the problem equipment, repair of components primarily related to the  
6 gas supply and safe combustion, and minor adjustments as required;
- 7 • Maintenance of conversion burners; and,
- 8 • Response to requests for locations of buried natural gas lines as required to  
9 maintain compliance with *The Gas Pipeline Act*, Regulation 104/92.

10

11 Customer Relations

12 This program includes costs associated with services provided at the local district  
13 offices related to:

- 14 • Providing consultation service to residential and small commercial customers  
15 pursuing the extension of natural gas service to their home or business, including  
16 quoting on the costs of extension, collection of extension fees, application  
17 processing, and consultation services;
- 18 • Providing residential customers with information on ongoing programs and new  
19 developments and issues related to natural gas service. Examples include  
20 provision of information related to Primary Gas rates and quarterly rate  
21 adjustments, the Energy Finance Plan, the Customer Contribution Time Payment  
22 Plan, and a variety of energy saving tips; and,

- 1       • Consultation with municipal officials on the potential expansion of natural gas  
2       service.

3

4    Dispatch

5    Costs included in this program relate to the planning, scheduling, and 24 hour dispatch  
6    functions to support gas field operations activities in Winnipeg and surrounding areas  
7    served by natural gas.

8

9    Customer Safety

10   This program includes costs related to:

- 11       • Providing customers with safety information on a wide variety of topics such as  
12       carbon monoxide poisoning, natural gas leaks, *Call Before you Dig*, Emergency  
13       Preparedness, and Youth Safety Programs;
- 14       • The provision of immediate response to non-major emergencies; and
- 15       • The oversight of contractors excavating in the vicinity of high pressure lines.

16

17   Distribution Maintenance

18   This program includes costs related to:

- 19       • Maintaining the above and below ground natural gas distribution system  
20       including policy and procedure documentation, maintenance of pipeline rights-of-  
21       way, and minor repairs of transmission mains, distribution mains, distribution  
22       isolation valves, service lines, customer meter and pressure regulator  
23       installations and cathodic protection apparatus;

- 1       • Facility damage response and minor repair;
- 2       • Tool and equipment inventory management, repair and maintenance; and
- 3       • Conducting various natural gas leakage surveys to detect natural gas leakage
- 4           from pipelines and specified installations including transmission lines, distribution
- 5           mains and services, business districts, public buildings, and special surveys.
- 6

7    Emergency

8    This program includes costs associated with the provision of 24-hour service to respond

9    to major natural gas emergencies including major gas leaks, explosions, fires, over-

10   pressure, and loss of pressure.

11

12   Station Maintenance

13   This program includes costs for all aspects of maintaining the Corporation's natural gas

14   regulating stations. This maintenance includes system monitoring, odorization

15   inspection and maintenance, and operation and maintenance of internal stations

16   (includes Gate Stations, Regulator Stations, and Farm Taps). In addition, this program

17   captures the costs for maintenance and emergency response to large volume

18   customers' station facilities.

19

20   System Maintenance & Support

21   This program includes costs associated with performing analysis of the existing

22   distribution and transmission system to ensure sufficient capacity such that there is no

23   interruption in gas supply to existing customers. Other activities included are

1 maintaining facility records, supporting the electronic Geographic Information System  
2 (“eGIS”), providing technical support to other departments, product assessments, and  
3 work related to greenhouse gas emission and Polychlorinated Biphenyls (“PCBs”).

4

5 System Integrity

6 This program includes costs associated with implementing various programs to manage  
7 the integrity of the pipelines and associated facilities. These programs allow Centra to  
8 mitigate and reduce the overall risk associated with the operation of the pipeline  
9 systems, thereby increasing the safety and reliability for customers and the public.

10 System integrity programs include:

- 11 • Cathodic protection monitoring;
- 12 • Close interval survey;
- 13 • A-frame survey;
- 14 • Stress corrosion cracking investigations;
- 15 • Geotechnical unstable area instrumentation monitoring;
- 16 • Water crossings depth of cover survey; and
- 17 • Pipeline depth of cover survey.

18

19 Other activities included are maintenance of integrity related data, performing  
20 engineering and risk assessments, and implementation of integrity management system  
21 procedures.

22

23

1 Meter Reading

2 Costs included in this program relate to the provision of integrated utility meter reading  
3 in all communities in which Centra provides natural gas service.

4  
5 Meter Changes

6 This program includes costs related to the removal, installation, and exchange of natural  
7 gas meters undertaken to support overall compliance with requirements of *The*  
8 *Electricity and Gas Inspection Act*.

9  
10 ***Customer Care & Marketing***

11 Billing Inquiries & Collections

12 This program includes costs associated with:

- 13 • Billing support – gas billing costs including postage, paper, envelopes, and  
14 Banner support activity;
- 15 • Bill printing and insertion operations;
- 16 • Joint mailing – a portion of the costs associated with combining gas and electric  
17 bills in one envelope;
- 18 • Customer billing – activity for gas billing adjustments;
  - 19 • Revenue accounting – activity for uploading Banner into SAP and month-  
20 end reconciliations;
  - 21 • Miscellaneous billing – activity for billing non-Banner gas accounts; and
  - 22 • Contract administration – activity for Banner contracts related to gas  
23 operations

- 1       • The Customer Contact Centre's receiving and responding to customers' natural  
2       gas inquiries, complaints, and requests for such items as natural gas emergency  
3       call response, requests for service work, underground locates, billing information,  
4       changes to account data, rate information, and natural gas purchase options;
- 5       • Payment processing – activity for a pro-rated portion of pre-authorized payment  
6       applications, equal payment plan applications, NSF cheques, and chargebacks  
7       entered in Banner; and,
- 8       • The collection of delinquent natural gas customer accounts, including costs of  
9       telephone collection activity by both the Credit and Collections department, and  
10      the Customer Contact Centre.

11

12      Customer Relations

13      This program includes costs related to:

- 14      • Providing consultation service to residential and small commercial customers  
15      pursuing the extension of natural gas service to their home or business, including  
16      quoting on the costs of extension, collection of extension fees, application  
17      processing, and consultation services;
- 18      • The provision of integrated customer support services for large commercial and  
19      industrial customers served by natural gas, including managing the interactions  
20      with the commercial customers and providing information on system reliability,  
21      rate and regulatory issues, equipment efficiencies, operating best practices and  
22      government supported energy efficiency programs. In addition, this group

- 1 provides technical support to groups responsible for customer service to smaller  
2 customers;
- 3 • Providing residential customers with information on ongoing programs and new  
4 developments and issues related to natural gas service. Examples include the  
5 provision of information related to Primary Gas rates and quarterly rate  
6 adjustments, the Energy Finance Plan, the Customer Contribution Time Payment  
7 Plan, and a variety of energy saving tips;
  - 8 • Gas system expansion initiatives including the development of projects, non-  
9 routine main extensions, administration of project funding, and franchise  
10 agreements;
  - 11 • Marketing assistance regarding load surveys and customer sign-ups;
  - 12 • Consultation with municipal officials on the potential expansion of natural gas  
13 service; and
  - 14 • Provision of French Language services as outlined by the Provincial French  
15 Language Services Secretariat.

16

17 Customer Safety

18 This program includes costs related to:

- 19 • Providing customers with safety information on a wide variety of topics such as  
20 carbon monoxide poisoning, natural gas leaks, *Call Before you Dig*, Emergency  
21 Preparedness, and Youth Safety Programs; and
- 22 • Development and maintenance of the company's emergency preparedness plan.

23



1 Quality Assessment

2 This program includes costs related to the Natural Gas Quality Assessment Program  
3 including regular independent reviews of standards, procedures and processes which  
4 contribute to safety, environment, financial soundness and continuous improvement of  
5 the gas operations.

6

7 Load Forecast

8 This program includes costs related to data analysis, model development and database  
9 development associated with the preparation of the Natural Gas Volume Forecast  
10 required for the preparation of financial, gas supply and DSM market potential forecasts.

11

12 Meter Repair and Calibration

13 This program includes costs related to meter shop services, including the provision of  
14 meters for both new and replacement installations as well as testing, repair, and sealing  
15 of existing natural gas meters.

**Centra Gas Manitoba Inc.**  
**2013/14 General Rate Application**  
**Operating, Maintenance & Administrative Expense**

**Appendix 5.7**  
**Page 17 of 23**  
**February 25, 2013**

1 The following schedule provides the Business Unit Program View breakdowns:

**CENTRA GAS MANITOBA INC.**  
**Operating & Administrative Expense by Program - 2008/09 to 2013/14**

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Test Year	2013/14 Test Year	Avg Annual % Inc (Dec)	Notes
<b>President &amp; CEO</b>								
Audit	143	189	291	235	221	225	12.6%	
Liability Claims	358	147	(250)	7	80	82	128.8%	1
Public Affairs	814	814	891	874	512	522	-6.4%	2
Research & Development	60	72	40	6	79	80	218.3%	
<b>Total President &amp; CEO</b>	<b>1,374</b>	<b>1,222</b>	<b>972</b>	<b>1,122</b>	<b>891</b>	<b>909</b>		
<b>Finance &amp; Administration</b>								
IT - Distribution/ Metering Systems	181	123	134	102	121	124	-5.2%	
IT - Banner System	1,088	1,019	1,074	1,093	1,095	1,117	0.6%	
Gas Accounting	378	324	314	332	342	348	-1.4%	
Gas Regulatory	1,652	2,199	1,905	1,525	1,949	1,988	5.9%	3
Gas Supply	2,937	2,801	2,955	3,036	2,368	2,416	-3.3%	
Treasury	260	259	282	280	312	318	4.2%	
Property Tax Administration	53	18	30	9	-	-		
<b>Total Finance &amp; Administration</b>	<b>6,549</b>	<b>6,742</b>	<b>6,693</b>	<b>6,377</b>	<b>6,187</b>	<b>6,311</b>		
<b>Power Supply</b>								
Environmental Management	47	220	477	317	404	412	95.8%	4
<b>Total Power Supply</b>	<b>47</b>	<b>220</b>	<b>477</b>	<b>317</b>	<b>404</b>	<b>412</b>		
<b>Transmission</b>								
System Support & Communication Systems	224	255	250	99	194	197	9.9%	
<b>Total Transmission</b>	<b>224</b>	<b>255</b>	<b>250</b>	<b>99</b>	<b>194</b>	<b>197</b>		
<b>Customer Service &amp; Distribution</b>								
Billing Inquiries & Collections	2,088	2,563	2,376	1,895	1,772	1,807	-1.9%	
Customer Inspections	10,356	10,518	9,750	9,718	8,982	9,162	-2.3%	
Customer Relations	627	1,572	1,614	1,659	1,501	1,531	29.7%	5
Dispatch	2,982	2,511	2,768	3,095	2,793	2,849	-0.3%	
Customer Safety	2,228	2,152	2,166	1,936	1,922	1,961	-2.4%	
Distribution Maintenance	8,362	8,407	7,417	7,385	7,252	7,397	-2.3%	
Emergency	218	14	17	110	-	-		6
Station Maintenance	5,406	5,502	4,998	5,660	5,760	5,875	1.9%	
System Maintenance & Support	613	698	642	463	635	648	3.5%	
System Integrity	1,062	1,163	1,316	1,247	1,380	1,407	6.0%	7
Meter Reading	1,829	1,861	1,928	1,970	2,015	2,056	2.4%	
Meter Changes	2,306	3,325	2,948	4,429	4,480	4,569	17.2%	8
<b>Total Customer Service &amp; Distribution</b>	<b>38,078</b>	<b>40,288</b>	<b>37,941</b>	<b>39,565</b>	<b>38,493</b>	<b>39,263</b>		
<b>Customer Care &amp; Marketing</b>								
Billing Inquiries & Collections	10,557	9,543	8,374	8,286	8,374	8,542	-4.0%	
Customer Relations	6,485	6,643	6,473	6,390	6,262	6,387	-0.3%	
Customer Safety	303	286	212	324	308	314	3.7%	
Quality Assessment	258	470	649	671	565	576	22.0%	9
Load Forecast	156	166	158	173	192	196	4.8%	
Meter Repair & Calibration	2,007	1,562	1,978	2,351	1,874	1,911	1.0%	
<b>Total Customer Care &amp; Marketing</b>	<b>19,765</b>	<b>18,670</b>	<b>17,845</b>	<b>18,195</b>	<b>17,575</b>	<b>17,926</b>		
<b>Corporate Allocations &amp; Adjustments</b>								
Depreciation, Interest & Taxes <sup>(1)</sup>	(8,003)	(7,906)	(5,194)	(5,275)	(3,003)	(3,063)	-15.0%	10
Other	1,769	1,460	1,660	1,718	6,559	6,844	57.2%	11
<b>Total Corporate Allocations &amp; Adjustments</b>	<b>(6,234)</b>	<b>(6,446)</b>	<b>(3,534)</b>	<b>(3,557)</b>	<b>3,556</b>	<b>3,781</b>		
<b>Operating &amp; Administrative Expense</b>	<b>59,803</b>	<b>60,951</b>	<b>60,644</b>	<b>62,117</b>	<b>67,300</b>	<b>68,800</b>	<b>2.9%</b>	

<sup>(1)</sup> Depreciation, Interest & Taxes are included in the individual programs.

2

3

1 The following provides the program view explanations:

2 1) The decrease in the Liability Claims program is due to fewer gas-related insurance  
3 claims experienced in 2009/10 through 2011/12 and planned in 2012/13 and  
4 2013/14.

5  
6 2) The decrease in the Public Affairs program is primarily due to decreased activity  
7 hours spent on providing gas-related communications to the public, media, and to  
8 the employees of Manitoba Hydro.

9  
10  
11 3) The increase in the Gas Regulatory program is due to the timing of General Rate  
12 Applications, Cost of Gas Hearings and other regulatory matters.

13  
14 4) The increase in the Environmental Management program is due to increased  
15 environmental monitoring costs at 35 Sutherland Avenue.

16  
17 5) The increase in the Customer Relations program is primarily due to revising the  
18 allocation of customer inquiry costs in order to better reflect the number of gas  
19 customers.

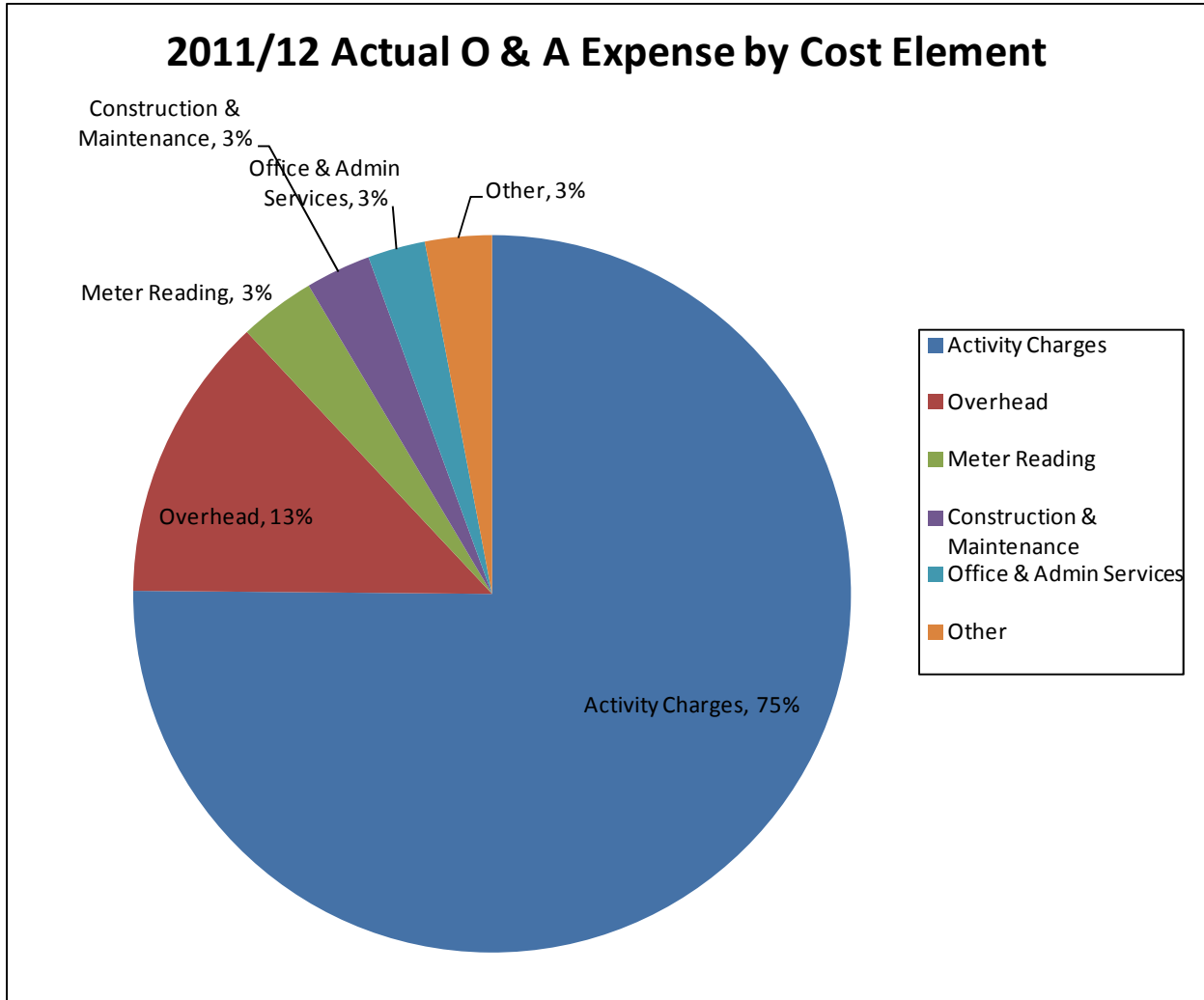
20  
21 6) The forecast for Emergency program is lower as Centra does not forecast natural  
22 gas emergencies due to their volatility from year to year.

23

- 1 7) The increase in the System Integrity program is due to increased initiatives such as  
2 External Corrosion Direct Assessments, Pipeline River Crossing Inspections, Depth  
3 of Cover Investigations and Close Interval Surveys.  
4
- 5 8) The increase in the Meter Change program is due to higher metering activities in  
6 both urban and rural locations in anticipation of the new Measurement Canada  
7 standards.  
8
- 9 9) The increase in the Quality Assessment program is due to the commencement of  
10 the Natural Gas Quality Assessment Program in 2009.  
11
- 12 10) The decrease in Depreciation, Interest and Taxes is due to the removal of interest  
13 on common assets and motor vehicles in 2010/11 and the removal of depreciation  
14 costs for administration buildings and information technology infrastructure  
15 previously included in gas programs in 2012/13.  
16
- 17 11) Corporate Allocations and Adjustments have increased primarily due to reallocation  
18 of information technology support costs previously included in activity rates and the  
19 administrative building and information technology costs previously included in the  
20 common overhead rate.  
21

1 **5.0 Cost Element Overview**

2 The following chart provides a graphical depiction of the major cost element  
3 components of OM&A expenditures for 2011/12 actual expenditures.



4

5

1 The following table provides a summary of Centra's actual and forecast costs over the 6  
2 year period, along with explanations for those cost elements that have significantly  
3 increased or decreased.

**CENTRA GAS MANITOBA INC.**  
**Operating & Administrative Expense by Cost Element - 2008/09 to 2013/14**

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Test Year	2013/14 Test Year	Avg Annual % Inc (Dec)	Notes
Activity Charges	42,413	44,410	45,918	46,574	41,453	42,282	0.1%	1
Primary Costs:								
External Course, Awards	26	24	26	21	9	9	-14.6%	
Material	1,476	1,294	1,184	1,170	1,337	1,364	-1.1%	
Travel	124	87	102	79	135	137	7.4%	
Donations, Grants & Sponsorships	348	333	393	476	358	365	2.4%	
Memberships	142	170	176	188	180	184	5.7%	
Bad Debt & Collection Expense	2,135	2,086	1,613	1,435	1,559	1,590	-5.1%	2
Office Administration & Other	1,585	1,562	1,557	1,608	1,596	1,628	0.5%	
Computer Equipment & Maintenance	546	563	522	452	547	557	1.1%	
Meter Reading Charges (primarily MHUS)	2,288	2,425	1,949	2,130	2,126	2,169	-0.5%	
Banking/Cash Management Services	192	222	220	255	284	290	8.8%	
Construction & Maintenance Services	1,051	1,240	947	1,823	1,138	1,160	10.3%	3
Purchased Services	1,929	1,988	1,772	1,506	2,124	2,166	4.0%	
Promotional Items/Customer Incentives	40	25	57	71	27	28	11.5%	
Gas-PUB & Advisory Services	722	766	491	496	473	482	-6.3%	4
Operating Expense Recoveries	(561)	(537)	(620)	(598)	-	-		5
Other	5	4	1	(1)	(5)	(5)	21.4%	
Total Primary Costs	12,047	12,251	10,390	11,110	11,887	12,125	0.5%	
Corporate Allocations & Adjustments	1,769	1,460	1,660	1,718	6,559	6,844	57.2%	6
Overhead	11,577	10,735	7,870	7,990	10,403	10,611	0.0%	7
Total Program Costs	67,806	68,857	65,838	67,392	70,302	71,862	1.2%	
Depreciation, Interest and Taxes	(8,003)	(7,906)	(5,194)	(5,275)	(3,003)	(3,063)	-15.0%	8
Operating and Administrative	59,803	60,951	60,644	62,117	67,300	68,800	2.9%	

4  
5 **Cost Change Explanations**

6 1) Activity Charges have declined primarily due to changes in Manitoba Hydro's costing  
7 methodology. The change in methodology reallocates support costs previously  
8 included in activity rates to either the common overhead rate or as a direct allocation  
9 to gas operations (included in Corporate Allocations and Adjustments). The  
10 reallocation of costs between activity, overhead rates and corporate allocations will  
11 simplify the transition to IFRS and assist with comparative year reporting. This  
12 decrease has been partially offset by increased activity hours due to the Meter  
13 Compliance Program.

- 1 2) Bad Debt and Collection Expense has declined due to improved uncollectible gas  
2 accounts.
- 3  
4 3) Construction and Maintenance Services expense has increased due to the  
5 outsourcing of the meter exchange activity in 2011/12 subsequently replaced with  
6 internal labour.
- 7
- 8 4) PUB and Advisory Services expenses have decreased due to lower Public Utilities  
9 Board Billings primarily due to engineering work that has been internalized by Centra  
10 staff.
- 11
- 12 5) Operating Expense Recoveries have been eliminated due to the accounting  
13 reclassification of certain miscellaneous third party revenue items to Other Revenue.  
14 Items reclassified include special read fees, disconnect fees, burner tip service  
15 materials, gas damages and collection agency fees.
- 16
- 17 6) Corporate Allocations and Adjustments have increased primarily due to reallocation  
18 of information technology support costs previously included in activity rates and the  
19 administrative building and information technology costs previously included in the  
20 common overhead rate.
- 21
- 22 7) Overhead costs have increased due to the reallocation of departmental support  
23 costs previously included in activity rates to the common overhead rate. This

1        increase was partially offset by the removal of administrative building and  
2        information technology costs from the common overhead rate to a direct allocation to  
3        gas operations (included in Corporate Allocations and Adjustments).

4

5    8) The reduction in Depreciation, Interest and Taxes is due to the removal of interest  
6        on common assets and motor vehicles in 2010/11, and the removal of depreciation  
7        costs for administration buildings and information technology infrastructure in  
8        2012/13, previously included in gas programs.