

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

**VOLUME I**

**DEFERRED COSTS**

---

1 Appendix 5.9 describes the components of Centra Gas Manitoba Inc.'s ("Centra")  
2 deferred regulatory costs and deferred taxes. Section 1 provides a description of its  
3 deferred regulatory costs for 2008/09 through 2013/14, and Section 2 discusses the one-  
4 time tax liability that resulted from the purchase of Centra by Manitoba Hydro.

5

6 **1. Deferred Regulatory Costs**

7 Centra has a number of deferred costs or credits that it treats as regulatory assets and  
8 liabilities:

- 9 • Investment in Demand Side Management ("DSM") (Gas Power Smart costs)
- 10 • Deferred taxes
- 11 • Site restoration costs
- 12 • Regulatory costs
- 13 • Purchased Gas Variance Accounts ("PGVA")

14

15 The investment in DSM, site restoration costs and regulatory costs are deferred and  
16 amortized over appropriate amortization periods. The amortization of these deferred  
17 regulatory costs is included in Depreciation and Amortization expense as provided in  
18 Tab 5, Section 5.7 of the Application. The amortization of deferred taxes is included in  
19 Capital and Other Taxes as provided in Tab 5, Section 5.8 of the Application.  
20 Information related to PGVAs is provided in Tab 10, Section 10.4 and 10.8 of this  
21 Application.

1 Descriptions of deferred regulatory costs follow. The fiscal year when amortization  
2 begins, and the fiscal year when costs are fully amortized, are identified below; please  
3 note that amortization may begin part way through a fiscal year:

4

5 Gas Supply Portfolio Optimization

6 Centra performed a comprehensive review of its gas supply, storage and transportation  
7 portfolio. The costs in this account are consulting costs that Centra is amortizing over  
8 five years beginning in 2005/06 and were fully amortized in 2010/11.

9

10 Cost of Gas Hearings

11 This account captures costs relating to Cost of Gas hearings. This account includes  
12 actual costs for the 2006/07 Cost of Gas hearing, which were amortized over two years  
13 beginning in 2006/07 and were fully amortized in 2008/09. This account includes the  
14 actual costs for the 2010/11 Cost of Gas hearing, which were amortized over one year  
15 beginning in 2010/11 and were fully amortized in 2011/12. This account includes costs  
16 pertaining to the 2011/12 Cost of Gas hearing, which will be amortized over one year  
17 and will be fully amortized in 2012/13. Also included are forecast costs related to a  
18 2014/15 Cost of Gas Hearing which Centra expects to incur in 2013/14.

19

20 Cost of Service Review

21 This account captures costs related to the 2010 Cost of Service Review. This review,  
22 performed by Christensen Associates, entailed an evaluation of the Cost of Service  
23 methodologies for both Manitoba Hydro and Centra and made recommendations where  
24 appropriate. This account reflects costs apportioned to gas operations. These costs will  
25 be amortized over 5 years starting in 2013/14.

1 General Rate Applications

2 This account captures costs relating to General Rate Applications (“GRA”). GRA costs  
3 are normally amortized over the period for which the approved rates are in place. The  
4 2007/08 & 2008/09 GRA costs were amortized over two years, beginning in 2007/08 and  
5 were fully amortized in 2008/09. The 2009/10 & 2010/11 GRA costs were amortized over  
6 two years, beginning in 2009/10 and were fully amortized in 2011/12. The 2013/14 GRA  
7 will be amortized over two years beginning in 2013/14 and will be fully amortized in  
8 2014/15.

9

10 Gladstone Austin Natural Gas Co-op

11 This account records the regulatory costs associated with the purchase of the assets of  
12 the Gladstone Austin Natural Gas Co-op. These costs were amortized over five years,  
13 beginning in 2004/05 and were fully amortized in 2008/09.

14

15 Shoal Lake Expansion

16 This account captures costs relating to the Application to approve the franchise  
17 agreement to expand natural gas service to the Town of Shoal Lake that were amortized  
18 over five years beginning in 2006/07, and were fully amortized in 2011/12.

19

20 Gas Deferred Site Clean-up

21 This account captures costs relating to environmental site assessments, environmental  
22 monitoring and remediation of contaminated sites at 121-123 Annabella Street, 35-38  
23 Sutherland Avenue, and 12th Street in Portage La Prairie. These costs are being  
24 amortized over 15 years.

25

1 Competitive Landscape Proceeding

2 The Competitive Landscape proceeding was a generic hearing that occurred in 2007.  
3 The hearing reviewed the competitive landscape of the retail Primary Gas market since  
4 the introduction of gas marketers and the introduction of the Western Transportation  
5 Service in Manitoba. The costs of this proceeding are being amortized over five years  
6 beginning in 2008/09 and will be fully amortized in 2012/13.

7

8 Gas Supply Acquisition Contracting

9

10 Centra engaged a consultant to assist in acquiring new gas supplies to replace or renew  
11 expiring contracts. Costs to replace the contract expiring on October 31, 2007 were  
12 amortized for four years and were fully amortized in 2010/11. Costs to replace the  
13 contract expiring on October 31, 2009 are being amortized over three years, beginning  
14 in 2009/10 and will be fully amortized in 2012/13.

15

16 Evaluation of Storage & Transportation Options

17 Centra undertook a public consultation process in the course of examining the future  
18 design of its gas supply, transportation and storage portfolio. This process included the  
19 engagement of an outside consultant to prepare and present on a report that identified  
20 portfolio options for Centra. On March 23, 2012 Centra filed the Transportation &  
21 Storage Portfolio Application with the PUB seeking approval of the fixed costs  
22 associated with proposed contractual arrangements for U.S. natural gas storage and  
23 related inter-state transportation with ANR Pipeline Company and the Great Lakes Gas  
24 Transmission Limited Partnership, effective April 1, 2013. The hearing on this matter  
25 concluded on July 4, 2012, and the PUB approved Centra's Application by Order dated  
26 August 23, 2012. The costs associated with these processes are being amortized over

1 five years beginning in 2012/13 and will be fully amortized in 2017/18.

2

3 Fixed-Rate Primary Gas Service

4 The PUB conditionally approved Centra's Application for entry into the fixed-price and  
5 fixed-term market in Order 156/08 on December 2, 2008. The costs of this proceeding  
6 are being amortized over five years beginning in 2009/10 and these costs will be  
7 recovered from those customers electing to use Centra's Fixed-Rate Primary Gas  
8 Service.

9

10 Greater Winnipeg Gas Franchise Agreement

11 On August 26, 2011, Centra filed an Application seeking approval of amendments to the  
12 Schedule (franchise agreement) of *The Greater Winnipeg Gas Distribution Act*, as well  
13 as changes to the generic form of franchise agreement used for contractual natural gas  
14 franchises. On November 16, 2011, the PUB approved the changes to the Schedule of  
15 the Act and to the generic franchise agreement, subject to certain amendments. The  
16 costs were fully amortized in 2011/12.

17

18 Investment in Demand Side Management

19 This account captures the costs to provide incentive-based conservation programs to  
20 reduce gas consumption and greenhouse gas emissions in Manitoba. For 2008/09 these  
21 costs were amortized over 5 years and commencing in 2009/10 these costs are  
22 amortized over 10 years.

23

24 Please see Schedules 5.9.1 to 5.9.6 attached to this Appendix for the continuity  
25 schedules of the deferred regulatory costs for 2008/09 through 2013/14.

1 **9.1 Deferred Taxes**

2 In accordance with Order 118/03, Centra is amortizing the one-time tax liability that  
 3 resulted from the purchase of Centra by Manitoba Hydro over a 30-year period.

4

5 The following table provides the calculation of deferred taxes that is included as part of  
 6 Capital and Other Taxes.

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2013/14 Forecast
Opening Balance	\$ 37,889	\$ 36,084	\$ 34,280	\$ 32,476	\$ 30,672	\$ 28,867
Ending Balance	36,084	34,280	32,476	30,672	28,867	27,063
Average Balance	36,986	35,182	33,378	31,574	29,770	27,965
Amortization	1,804	1,804	1,804	1,804	1,804	1,804
Carrying Costs on Average Balance	2,996	2,850	2,704	2,565	2,412	2,266
7 Income Taxes	<u>\$ 4,800</u>	<u>\$ 4,654</u>	<u>\$ 4,508</u>	<u>\$ 4,369</u>	<u>\$ 4,216</u>	<u>\$ 4,070</u>

**CENTRA GAS MANITOBA INC.**  
**Deferred Costs Continuity Schedule**

**Schedule 5.9.1**

**2008/09 Actual**

**(\$000'S)**

	Balance Mar 31/08	Additions	Amortization	Balance Mar 31/09	
	[1]	[2]	[3]	[4]	
1					
2					
3					
4					
5					
6	Gas Supply Portfolio Optimization	224	-	96	128
7	Cost of Gas Hearings	171	-	171	-
8	Cost of Service	-	-	-	-
9	General Rate Applications	536	90	536	89
10	Gladstone Austin Natural Gas Co-op	13	-	13	-
11	Shoal Lake Expansion	69	-	20	49
12	Gas Deferred Site Clean-up	1,987	293	151	2,129
13	Competitive Landscape Proceedings	563	30	118	475
14	Gas Supply Acquisition Contracting	75	118	21	172
15	Evaluation of Storage & Transportation Options	-	-	-	-
16	Fixed Rate Primary Gas Service	-	497	-	497
17	Greater Winnipeg Gas Franchise Agreement	-	-	-	-
18		<u>3,638</u>	<u>1,026</u>	<u>1,125</u>	<u>3,539</u>
19					
20	Investment in Demand Side Management	<u>18,987</u>	<u>9,567</u>	<u>4,013</u>	<u>24,540</u>
21					
22	Total	<u><u>22,625</u></u>	<u><u>10,593</u></u>	<u><u>5,139</u></u>	<u><u>28,079</u></u>

**CENTRA GAS MANITOBA INC.**  
**Deferred Costs Continuity Schedule**

**Schedule 5.9.2**

**2009/10 Actual**

**(\$000'S)**

	Balance Mar 31/09	Additions	Amortization	Balance Mar 31/10	
	[1]	[2]	[3]	[4]	
1					
2					
3					
4					
5					
6	Gas Supply Portfolio Optimization	128	-	96	32
7	Cost of Gas Hearings	-	-	-	-
8	Cost of Service Review	-	-	-	-
9	General Rate Applications	89	658	218	529
10	Gladstone Austin Natural Gas Co-op	-	-	-	-
11	Shoal Lake Expansion	49	-	20	30
12	Gas Deferred Site Clean-up	2,129	61	170	2,019
13	Competitive Landscape Proceedings	475	5	120	360
14	Gas Supply Acquisition Contracting	172	64	46	190
15	Evaluation of Storage & Transportation Options	-	-	-	-
16	Fixed Rate Primary Gas Service	497	1	100	399
17	Greater Winnipeg Gas Franchise Agreement	-	-	-	-
18	Deferred Charges	3,539	789	769	3,558
19					
20	Investment in Demand Side Management	24,540	10,938	3,087	32,392
21					
22	Total	28,079	11,727	3,857	35,950



**CENTRA GAS MANITOBA INC.**  
**Deferred Costs Continuity Schedule**

**Schedule 5.9.3**

**2010/11 Actual**

**(\$000'S)**

	Balance Mar 31/10	Additions	Amortization	Balance Mar 31/11	
	[1]	[2]	[3]	[4]	
1					
2					
3					
4					
5					
6	Gas Supply Portfolio Optimization	32	-	32	-
7	Cost of Gas Hearings	-	326	250	76
8	Cost of Service Review	-	16	-	16
9	General Rate Applications	529	-	397	132
10	Gladstone Austin Natural Gas Co-op	-	-	-	-
11	Shoal Lake Expansion	30	-	20	10
12	Gas Deferred Site Clean-up	2,019	453	174	2,297
13	Competitive Landscape Proceedings	360	-	131	229
14	Gas Supply Acquisition Contracting	190	-	81	108
15	Evaluation of Storage & Transportation Options	-	-	-	-
16	Fixed Rate Primary Gas Service	399	-	100	299
17	Greater Winnipeg Gas Franchise Agreement	-	-	-	-
18	Deferred Charges	<u>3,558</u>	<u>795</u>	<u>1,185</u>	<u>3,167</u>
19					
20	Investment in Demand Side Management	<u>32,392</u>	<u>10,527</u>	<u>4,181</u>	<u>38,737</u>
21					
22	Total	<u><u>35,950</u></u>	<u><u>11,322</u></u>	<u><u>5,366</u></u>	<u><u>41,905</u></u>

**CENTRA GAS MANITOBA INC.**  
**Deferred Costs Continuity Schedule**

**Schedule 5.9.4**

**2011/12 Actual**

**(\$000'S)**

	Balance Mar 31/11	Additions	Amortization	Balance Mar 31/12
	[1]	[2]	[3]	[4]
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
Gas Supply Portfolio Optimization	-	-	-	-
Cost of Gas Hearings	76	241	44	274
Cost of Service Review	16	43	-	59
General Rate Applications	132	-	132	-
Gladstone Austin Natural Gas Co-op	-	-	-	-
Shoal Lake Expansion	10	-	10	-
Gas Deferred Site Clean-up	2,297	5	205	2,098
Competitive Landscape Proceedings	229	-	131	98
Gas Supply Acquisition Contracting	108	-	73	36
Evaluation of Storage & Transportation Options	-	170	-	170
Fixed Rate Primary Gas Service	299	-	100	199
Greater Winnipeg Gas Franchise Agreement	-	58	58	-
Deferred Charges	<u>3,167</u>	<u>517</u>	<u>751</u>	<u>2,934</u>
Investment in Demand Side Management	<u>38,737</u>	<u>10,299</u>	<u>5,234</u>	<u>43,803</u>
Total	<u><u>41,905</u></u>	<u><u>10,816</u></u>	<u><u>5,985</u></u>	<u><u>46,737</u></u>

**CENTRA GAS MANITOBA INC.**  
**Deferred Costs Continuity Schedule**  
**2012/13 Forecast**

**Schedule 5.9.5**

**(\$000'S)**

	Balance Mar 31/12	Additions	Amortization	Balance Mar 31/13
	[1]	[2]	[3]	[4]
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
Gas Supply Portfolio Optimization	-	-	-	-
Cost of Gas Hearings	274	-	274	-
Cost of Service Review	59	40	-	99
General Rate Applications	-	553	-	553
Gladstone Austin Natural Gas Co-op	-	-	-	-
Shoal Lake Expansion	-	-	-	-
Gas Deferred Site Clean-up	2,098	-	205	1,893
Competitive Landscape Proceedings	98	-	98	-
Gas Supply Acquisition Contracting	36	-	35	-
Evaluation of Storage & Transportation Options	170	305	40	435
Fixed Rate Primary Gas Service	199	-	100	100
Greater Winnipeg Gas Franchise Agreement	-	-	-	-
Deferred Charges	2,934	897	751	3,080
Investment in Demand Side Management	43,803	9,346	6,264	46,885
<b>Total</b>	<b>46,737</b>	<b>10,243</b>	<b>7,015</b>	<b>49,965</b>

**CENTRA GAS MANITOBA INC.**  
**Deferred Costs Continuity Schedule**  
**2013/14 Forecast**

**Schedule 5.9.6**

**(\$000'S)**

	Balance Mar 31/13	Additions	Amortization	Balance Mar 31/14
	[1]	[2]	[3]	[4]
1				
2				
3				
4				
5				
6	-	-	-	-
7	-	486	447	38
8	99	-	7	92
9	553	279	381	450
10	-	-	-	-
11	-	-	-	-
12	1,893	-	205	1,688
13	-	-	-	-
14	-	-	-	-
15	435	-	95	340
16	100	-	100	-
17	-	-	-	-
18	<u>3,080</u>	<u>764</u>	<u>1,235</u>	<u>2,610</u>
19				
20	<u>46,885</u>	<u>8,769</u>	<u>7,198</u>	<u>48,456</u>
21				
22	<u><u>49,965</u></u>	<u><u>9,533</u></u>	<u><u>8,433</u></u>	<u><u>51,066</u></u>