

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

**VOLUME II**

**PROPOSED RATES & CUSTOMER IMPACTS**

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1 **12.0 Overview of Tab 12**

2 The purpose of this Tab is to provide the proposed rate schedules for which Centra Gas  
3 Manitoba Inc. ("Centra") is seeking approval to be implemented August 1, 2013.

4

5 The billed rates that Centra charges to its customers are made up of two components:  
6 base rates and rate riders. Centra's base rates reflect an estimate of gas costs and non-  
7 gas costs for the 2013/14 Test Year. The calculation of the base rates is discussed in  
8 Tab 11. Rate riders are temporary rate changes designed to either recover or refund the  
9 balances of Centra's various Purchased Gas Variance Accounts ("PGVA") and other gas  
10 cost deferral accounts. This Tab contains a discussion of the allocation of the deferral  
11 account balances to October 31, 2012 (with carrying costs to July 31, 2013) to develop  
12 rate riders, as well as the customer rate impacts of the requested billed rates.

13

14 Changes to Centra's Primary Gas rate are handled separately in accordance with the  
15 Quarterly Rate Setting Methodology ("RSM") and process approved by The Public  
16 Utilities Board ("PUB").

17

18 Centra's proposed rates reflect a 2.0% general revenue increase effective August 1,  
19 2013. Centra's base rates also reflect changes to non-Primary Gas costs over those  
20 currently embedded in rates.

21

1 The result of the Cost Allocation Study and implementation of rate riders is a proposed  
2 2.8% or \$20 annual bill increase to the typical residential customer on August 1, 2013.  
3 Other customer classes will have bill impacts that range from a 4.0% increase to an  
4 8.0% decrease depending on usage and load factor.

5

6 **12.1 Customer Bill Impacts – August 1, 2013**

7 Schedule 12.1.0 provides the annual bill impacts of the proposed sales rates to be  
8 implemented August 1, 2013 for the various customer classes. The bill impacts vary by  
9 size of customer load, and, for customers paying demand charges, the customer's load  
10 factor. Note that Schedule 12.1.0 includes not only the bill impacts of the proposed  
11 2.0% general revenue increase but it also includes the impacts of new rate riders  
12 proposed for implementation August 1, 2013. The Primary Gas rates remain constant  
13 and therefore, do not contribute to the impacts. The impact resulting from changes to  
14 the Primary Gas Overhead component as described in Tab 11 have not been reflected  
15 in the bill impacts. The impact of this change will be incorporated in the August 1, 2013  
16 Primary Gas Application.

17

18 The change in the billed rates proposed for August 1, 2013 will result in the typical  
19 residential customer's annual bill increasing by approximately 2.8% or \$20 compared to  
20 the February 1, 2013 billed rates. The typical residential customer usage has been  
21 updated to 2.4 10<sup>3</sup>m<sup>3</sup> to reflect the continued effects of conservation efforts as discussed  
22 in Tab 8. The annual bill impacts of the proposed billed rates for the SGS and other  
23 customer classes are summarized in the table below (the details of which are provided  
24 on page 1 of Schedule 12.1.0).

2013/14 Test Year			Annual Impacts Billed Rates	
Customer Class	Consumption (10 <sup>3</sup> M <sup>3</sup> )	Load Factor	\$ Impact	% Change
SGS	11.3		\$95	3.4%
	2.4		\$20	2.8%
	1.0		\$8	2.1%
LGS	679.9		\$3,794	3.0%
	11.3		\$63	2.1%
HVF	850	25%	\$6,670	4.0%
	12,600	75%	(\$76,131)	-4.1%
Mainline	41,000	75%	(\$161,612)	-2.9%
	2,833	40%	(\$38,254)	-8.0%
Interruptible	850	25%	\$4,152	3.1%
	14,164	75%	(\$40,170)	-2.2%

1

2

3 The rate riders serve to increase the annual bill impact for Small General Service  
 4 (“SGS”) and Large General Service (“LGS”) customers and decrease the annual bill  
 5 impact for other customer classes, depending on load factor and usage. The allocated  
 6 portion of the Transportation PGVA (owing to Centra) more than offsets the remaining  
 7 gas deferral balances which are in a refund position for the SGS and LGS classes. The  
 8 larger volume customers are impacted to a larger extent by the gas deferral balances  
 9 which are in a refund position.

10

11 The table below shows the impacts by customer class of the change in base rates  
 12 proposed in this Application, compared to the February 1, 2013 rates (See Schedule  
 13 12.1.0, page 2). The annual base rate increase for the typical residential customer is  
 14 approximately 2.1% or \$16. The base rate impacts are driven by an increase in non-gas  
 15 costs, partially offset by a decrease in non-Primary Gas costs, which results in an overall  
 16 base bill increase for most customer classes.

17

2013/14 Test Year			Annual Impacts Base Rates	
Customer Class	Consumption (10 <sup>3</sup> M <sup>3</sup> )	Load Factor	\$ Impact	% Change
SGS	11.3		\$78	2.6%
	2.4		\$16	2.1%
	1.0		\$7	1.6%
LGS	679.9		\$2,589	1.9%
	11.3		\$43	1.3%
HVF	850	25%	\$3,602	2.0%
	12,600	75%	\$15,104	0.7%
Mainline	41,000	75%	\$25,251	0.4%
	2,833	40%	(\$12,408)	-2.3%
Interruptible	850	25%	\$6,346	4.2%
	14,164	75%	\$52,684	2.5%

1

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

4

5 **12.2 Proposed Rate Schedules**

6 The following sets of rate schedules are included in this Tab:

- 7 1. Existing approved base and billed rates approved in Order 10/13, effective  
 8 February 1, 2013 (Schedule 12.2.0, Pages 1 to 4); and  
 9 2. Proposed base and billed rates to be implemented August 1, 2013  
 10 (Schedule 12.2.1, Pages 1 to 4).

11

12 The proposed August 1, 2013 base and billed rates reflect changes to both non-Primary  
 13 Gas costs and non-gas costs for the 2013/14 Test Year. The proposed billed rates also  
 14 include rate riders to dispose of the estimated balances of the PGVA and other gas cost  
 15 deferral accounts as at October 31, 2012 (including carrying costs to July 31, 2013) of  
 16 approximately \$0.01 million (owing to Centra). All rate riders are proposed to be  
 17 disposed over a 12-month period beginning August 1, 2013 and ending July 31, 2014.

1 **12.3 Proposed Non-Primary Gas Rate Riders – effective August 1, 2013**

2 In Order 54/12, the PUB approved Centra’s request to remove the rate riders (other than  
3 the Primary Gas rate rider), such that Centra’s current base and billed rates are  
4 identical. As part of this Application, Centra is proposing to implement a number of rate  
5 riders to recover from customers \$0.01 million in non-Primary Gas PGVA balances that  
6 accumulated between November 1, 2010 and October 31, 2012 (with carrying costs and  
7 rate rider amortizations to July 31, 2013). Centra has allocated the net deferral amount  
8 to the various rate classes and calculated rate riders consistent with past practice. The  
9 various components of this combined amount are allocated to rate classes on Schedules  
10 12.3.0(a) and 12.3.0(b) as discussed below. This combined total excludes the Primary  
11 Gas PGVA account that is cleared by way of the Quarterly RSM and Process.

12

13 **12.4 Rate Rider Calculations**

14 The balances in the Supplemental Gas, Transportation and Distribution PGVAs arise as  
15 a result of the differences between the actual gas cost inflows and the offsetting  
16 Weighted Average Cost of Gas (“WACOG”) outflows for each of the two Gas Years,  
17 November 1, 2010 to October 31, 2011 and November 1, 2011 to October 31, 2012  
18 (Schedules 12.3.0(a) and (b) respectively). In addition, the PGVA balances include  
19 forecast carrying costs for all PGVA accounts to July 31, 2013. The process of allocating  
20 the resulting balances among the rate classes is accomplished by first allocating the cost  
21 inflows to each rate class (i.e. the cost responsibility of each rate class), and then  
22 identifying what portion of the WACOG outflows was “paid for” by each rate class over  
23 the two Gas Years.

24

1 Schedules 12.3.0(a), 12.3.0(b), 12.3.0(c) summarize the allocation results. Lines 2 to 14  
2 of Schedules 12.3.0(a) and 12.3.0(b) deal with PGVA cost inflows and WACOG outflow  
3 amounts that are related to fixed costs. Lines 21 to 36 of Schedules 12.3.0(a) and  
4 12.3.0(b) deal with PGVA cost inflows and WACOG outflow amounts that are related to  
5 variable costs.

6

7 For each item, the total allocated cost components in Schedule 12.3.0 (a) and (b) can be  
8 tied to the summation of the 2010/11 and 2011/12 Gas Year deferral balances contained  
9 in Schedule 10.11.0 of Tab 10, as identified in the bottom portion of 12.3.0 (a) and (b)  
10 under "Summary of Schedule". Schedule 12.3.0(c) totals the amounts in Schedules  
11 12.3.0 (a) and (b) and reconciles to the total rate rider balance on Schedule 10.11.0.

12

13 Schedule 12.3.1 provides the calculation of the proposed rate riders. The Schedule  
14 shows the costs allocated to the rate classes and the balances to be recovered/refunded  
15 in each rate. The following table provides the class allocation of the rate rider balances:

16

<b>2010/11 &amp; 2011/12 Gas Year Deferral Balances by Rate Class (\$000's)</b>	Total	SGS	LGS	HVF	Mainline	Interr.	SC	PS
2011/12 Gas Year Deferrals	2,698.1	1,722.3	1,437.5	-48.6	-167.6	20.5	-175.1	-90.9
2010/11 Gas Year Deferrals	-2,684.4	-681.4	-551.2	-340.6	-132.7	-531.8	-228.0	-218.7
17 Total Impact of Gas Cost Deferrals	13.7	1,040.9	886.3	-389.2	-300.3	-511.2	-403.1	-309.6

18

19 The table above includes the Supplemental Gas PGVA balances allocated to each  
20 customer class. Centra has calculated the refund of the Supplemental PGVA amount  
21 through a rate rider applied to the Distribution (to Customer) charge for all customer  
22 classes as it has done on several occasions in the past and as approved by the PUB in  
23 Order 131/04. This practice is used as Supplemental Gas volumes are more prone to

1 variation during the year (and from year to year) as these volumes are more susceptible  
2 to weather fluctuations. For several customer classes (Mainline, Power Stations and  
3 Interruptible), when combined with the Distribution PGVA, the rate rider more than  
4 offsets the Distribution base rate. For both Mainline and Interruptible, Centra proposes a  
5 separate line item on the bill to refund these balances between August 1, 2013 and July  
6 31, 2014. For the Power Stations Centra proposes a lump sum refund of (\$309,593) to  
7 be netted against its Minimum Annual Gross Margin Amount<sup>1</sup> in August 2013. Given  
8 that this class consists of effectively one customer with unpredictable usage, a refund  
9 through a volumetric charge could result in either a substantial over or under disposal of  
10 the balance. A lump sum payment applied to the Minimum Annual Gross Margin  
11 Amount avoids this situation, is administratively simple and is consistent with the  
12 treatment afforded to the Special Contract Class.

13

14 For the Special Contract class, a total residual of (\$403,122) is to be refunded, shown in  
15 Schedule 12.3.1. The refund stems from both a reduction in UFG costs as well as an  
16 allocated portion of the heating value deferral account.

17

18 The Special Contract customer has requested and Centra agreed to bill the full refund or  
19 recovery rather than implement a rate rider. Consistent with past practice, the amount of  
20 \$403,122 will be refunded to the Special Contract customer as a lump sum payment in  
21 August of 2013, assuming PUB approval of rates flowing from this Application.

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<sup>1</sup> The Minimum Annual Gross Margin Amount is the amount paid to Centra by the Power Station customer as per contract. If the Basic Monthly Charges and Demand Charges paid by the Power Station customer to Centra do not total the Minimum Annual Gross Margin Amount for each station, the Power Station customer must pay the difference.

- 1 Centra has included a Timeline as Appendix 12.1 which depicts the beginning and
- 2 expiration of the various base rate and rate riders.