

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

VOLUME I

CORPORATE OVERVIEW

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VOLUME I

CORPORATE OVERVIEW

1 **3.0 Overview of Tab 3**

2 Tab 3 outlines the Corporate Strategic Plan, organizational structure, and management
3 control processes. Section 3.1 and 3.2 discuss Centra Gas Manitoba Inc.'s ("Centra")
4 profile and franchise areas, Section 3.3 provides an overview of the Corporate Strategic
5 Plan, Section 3.4 reviews the Corporation's organizational structure and provides a
6 description of its business units and the key activities associated with each business
7 unit, and Section 3.5 outlines the Corporation's management cost control process.

8

9 **3.1 Centra's Profile**

10 Centra is a wholly-owned subsidiary of Manitoba Hydro, and is the principal distributor of
11 natural gas in the Province of Manitoba. Centra's mandate is to acquire, manage, and
12 distribute supplies of natural gas to meet Manitoba market requirements in a safe, cost-
13 effective, reliable and environmentally appropriate manner.

14

15 Centra serves approximately 268,000 customers in the residential, commercial, and
16 industrial sectors through approximately 9,500 km of transmission and distribution
17 mains. Approximately 2,000,000 10³m³ of natural gas will be distributed in the 2013/14
18 Test Year through Centra's network of transmission and distribution mains.

19

20 **3.2 Centra's Franchise Areas**

21 Centra provides service to customers in its service territory in Manitoba by maintaining

1 and renewing franchise agreements and crossing agreements with over 105
2 municipalities. Since the last General Rate Application, new franchises have been
3 applied for and approved by The Public Utilities Board in 2011 within the Rural
4 Municipalities of Ste. Anne, Portage la Prairie, Rockwood, Roland and Thompson, and in
5 2012 within the Rural Municipalities of Rosedale, Whitewater, Portage la Prairie, Ste.
6 Anne, Woodworth, and South Norfolk and Grey.

7

8 In 2011, Centra also renewed its franchise rights granted pursuant to the Greater
9 Winnipeg Gas Distribution Act in 18 municipalities, including Winnipeg, East St. Paul,
10 West St. Paul, Selkirk, Stonewall, Beausejour, Gimli, Garson, Winnipeg Beach,
11 Dunnotar, Brokenhead, MacDonald, Rockwood, Rosser, St. Andrews, St. Clements,
12 Springfield and Tache.

13

14 A map of Centra's current and pending franchise areas is included as Appendix 3.1 to
15 this Tab.

16

17 **3.3 Corporate Strategic Plan**

18 The Corporate Strategic Plan ("CSP") sets out the Corporation's vision, mission, goals
19 and strategies across both electric and natural gas operations. The CSP describes
20 corporate operating principles as well as strategies, targets and measures in respect of
21 the nine organizational goals which are:

- 22 1. Improve safety in the workplace.
- 23 2. Provide exceptional customer value.
- 24 3. Strengthen working relationships with Aboriginal peoples.

- 1 4. Maintain financial strength.
- 2 5. Extend and protect access to North American energy markets and profitable
- 3 export sales.
- 4 6. Attract, develop and retain a highly motivated workforce that reflects the
- 5 demographics of Manitoba.
- 6 7. Protect the environment in everything we do.
- 7 8. Promote cost effective energy conservation and innovation.
- 8 9. Be recognized as an outstanding corporate citizen and a driver of economic
- 9 development in Manitoba.

10

11 Using the CSP as a guide, Business Units develop supporting business plans that
12 establish priorities and clarify for staff how their efforts contribute to the overall success
13 of the Corporation.

14

15 A copy of the 2012/13 Corporate Strategic Plan is provided as Appendix 3.2 to this Tab.
16 The CSP is updated annually with input from and approval by Centra's Board of
17 Directors.

18

19 **3.4 Current Organization**

20 Centra is integrated within the organizational structure of Manitoba Hydro. Manitoba
21 Hydro's organizational structure of one Corporate Group and six Business Units is
22 depicted on Figure 3.2.1 at page 10 of this Tab.

23

24

1 Corporate Group

2 The Corporate Group includes the Office of the President & Chief Executive Officer,
3 General Counsel & Corporate Secretary, Public Affairs Division, Internal Audit, Research
4 and Development, Corporate Planning & Strategic Review, and Subsidiary Operations.

5

6 The President & Chief Executive Officer leads the Corporation, provides overall policy
7 administration, and oversees the fulfillment of its mandate and mission.

8

9 The General Counsel & Corporate Secretary area provides legal, insurance, corporate
10 security, regulatory, intellectual property and compliance services.

11

12 The Public Affairs Division provides the Corporation with media relations and customer
13 communication, Internet and Intranet communications, creative writing and graphics,
14 photography and audio/visual services, forms management, and policies and procedures
15 administration.

16

17 Internal Audit provides an independent, objective assurance and consulting function
18 designed to add value and improve the Corporation's operations. Internal Audit has a
19 direct reporting relationship to the Audit Committee of the Board and reports
20 administratively to the President & CEO.

21

22 Research and Development is responsible for allocating, managing and administering
23 the corporate research and development investments in accordance with corporate
24 needs and priorities. The primary driver of the program is to support research and

1 development that generates direct operational and/or economic benefits for the
2 Corporation including projects with outcomes that increase efficiency, reduce costs, or
3 improve the quality of service to customers.

4

5 The Human Rights and Respectful Workplace Advisor acts in an independent, objective
6 role and provides advice to employees, management and the Human Resources
7 Division in relation to human rights and respectful workplace issues. Responsibilities
8 also include educational training, resolution of disputes, investigation of complaints of
9 discrimination or harassment and representation of the Corporation on complaints to
10 outside agencies such as the Manitoba Human Rights Commission.

11

12 The Corporate Planning & Strategic Review Division includes the Corporate Analysis,
13 Corporate Environmental Management, Corporate Planning & Development, Corporate
14 Review, Economic Analysis, and Economic Development Coordination functions. The
15 Division brings together several planning and coordinating functions to perform
16 corporate level examinations of subjects or issues that are strategically significant to
17 Manitoba Hydro.

18

19 Corporate Relations

20 The Corporate Relations Business Unit is responsible for building and maintaining
21 relationships with Aboriginal communities and the Provincial government. The Business
22 Unit consists of the Aboriginal Relations Division and the Government Relations and
23 Current Issues Department.

24

1 The Aboriginal Relations Division is the focal point for Manitoba Hydro's management of
2 all internal and external Aboriginal issues. The Government Relations and Current
3 Issues Department is responsible for liaising with the office of the Minister responsible
4 for Manitoba Hydro.

5

6 Finance & Administration

7 The Finance & Administration Business Unit promotes fiscal responsibility throughout
8 the Corporation and provides professional services to other Business Units and to
9 external stakeholders. The Finance & Administration Business Unit consists of eight
10 divisions and one department as follows: Corporate Controller, Human Resources,
11 Corporate Safety & Health, Information Technology Services, Rates & Regulatory
12 Affairs, Gas Supply, Treasury, Corporate Services, and the Corporate Risk Management
13 Department.

14

15 A number of services are provided by the Business Unit including:

- 16 – Management and financial accounting, budgeting and financial forecasting,
17 controllership, and the management of the International Financial Reporting
18 Standards project;
- 19 – Employee relations, employee compensation, learning and development,
20 employment equity and human resource services;
- 21 – Employee safety and health, and technical training;
- 22 – Development, maintenance and enhancement of Information Technology Systems
23 for employee, customer, engineering and integrated systems, infrastructure and
24 operations, client services, and document services;

- 1 – Development of rates and policies which includes rate design, cost of service, load
2 research and business investment policy, and regulatory services;
- 3 – Gas procurement, direct purchase market administration, and gas market analysis;
- 4 – Financial market, debt and investment, cash management, and corporate banking
5 services; and
- 6 – Purchasing, materials management, property management, fleet services and
7 corporate facilities management.

8

9 The Finance & Administration Business Unit is also responsible for corporate risk
10 management, recommending and monitoring the Corporation's financial targets, external
11 financial reporting, and supporting and providing policy guidance to other Business
12 Units, and subsidiaries of the Corporation.

13

14 Power Supply

15 The Power Supply Business Unit provides for the current and future supply of electricity
16 to Manitobans, as well as to export customers in both Canada and the United States.
17 Power Supply is also responsible for optimizing the use of its facilities within the
18 interconnected, international electricity market to achieve the lowest cost for Manitoba
19 electricity consumers, giving due regard to the environment, safety and reliability.

20

21 Transmission

22 The Transmission Business Unit designs, constructs and maintains transmission
23 facilities throughout the province. Supporting the transmission facilities and operations,
24 Transmission provides licensing and environmental assessment services, and detailed

1 system planning analysis. Transmission is also responsible for the installation and
2 maintenance of electrical apparatus in transmission and distribution stations, on
3 distribution lines and within customer-owned facilities.

4

5 Customer Service & Distribution

6 The Customer Service & Distribution Business Unit provides Manitoba customers safe
7 and reliable energy products and services through the engineering, construction,
8 operation and maintenance of Manitoba Hydro's electrical and natural gas distribution
9 networks. Its key functions range from the development and maintenance of distribution
10 facilities for effective system capacity and performance, to meeting the specific energy
11 requirements of residential and commercial customers in a cost efficient, safe and
12 environmentally considerate manner. The Business Unit is also the key response
13 provider to customer outages and emergencies.

14

15 The Customer Service & Distribution Business Unit is comprised of four divisions and
16 one department: the Distribution Engineering & Construction Division Winnipeg, the
17 Distribution Engineering & Construction Division Rural, the Customer Service Operations
18 Division Winnipeg & North Region, the Customer Service Operations Division South
19 Region, and the Business Unit Support Services Department.

20

21 The Business Unit's key responsibility is to take delivery of electricity from Manitoba
22 Hydro's transmission system at 66 or 69 kilovolt (kV) stations and natural gas from the
23 TransCanada Pipeline, and distribute that energy to approximately 537,000 electric
24 customers and 268,000 natural gas customers within the province.

1 Customer Care & Marketing

2 The Customer Care & Marketing Business Unit is the contact between Manitoba Hydro
3 and its domestic customers. It is responsible for corporate marketing, energy use
4 optimization, customer relationships, billing and collections. The Business Unit consists
5 of three divisions as well as related support functions. The three divisions are Consumer
6 Marketing & Sales, Industrial & Commercial Solutions, and Business Support Services.
7 The organizational structure of the Business Unit is customer centric, with dedicated
8 staff who provide customer service to Key Accounts, Major Accounts, Energy Services &
9 Sales Accounts and to core customers at large. The Business Communications, Power
10 Smart Planning, Evaluation & Research, and Affordable Energy Departments are also
11 part of this Business Unit.

12

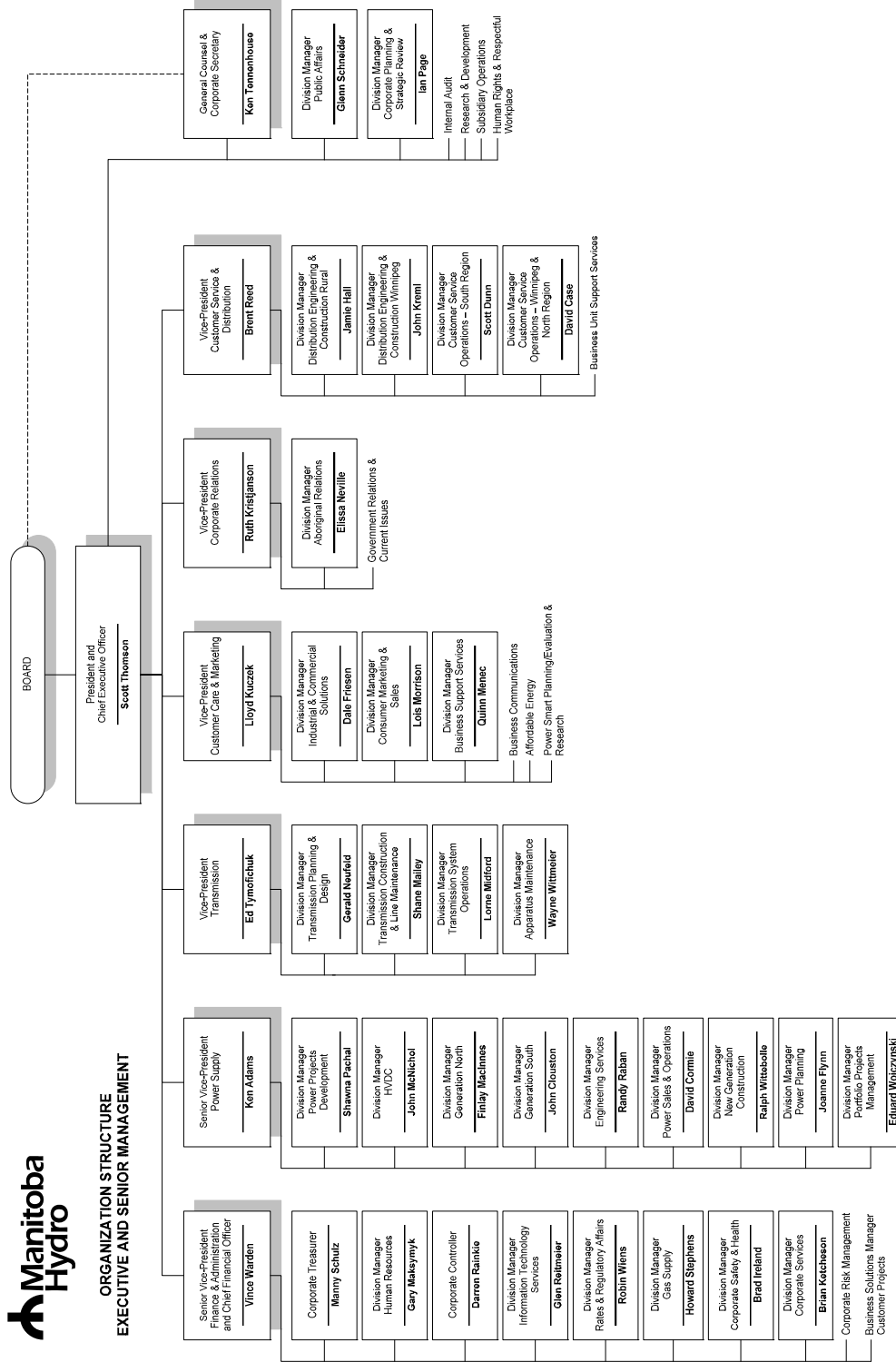
13 A variety of services are offered to both electric and natural gas customers including
14 Customer Contact services, meter reading, billing, collections, customer care, 24-hour
15 emergency response, electrical inspections, service extensions and modifications, and
16 public safety and education programs throughout the province.

17

18 The Customer Care & Marketing Business Unit is also responsible for Manitoba Hydro's
19 Power Smart demand side management programs.

20

1 Figure 3.2.1- Organizational Chart
 2



1 **3.5 Management Control Process**

2 Management cost control is continuous through the planning/budgeting and operating
3 cycle. Cost control encompasses establishing a plan or standard and monitoring results
4 against that plan. The formalized management cost control process consists of a
5 planning and budgeting process, as well as monthly reporting and variance analysis to
6 ensure that costs incurred and resource allocations are consistent and in line with
7 operating and capital plans. Management cost control also encompasses ongoing
8 process controls that ensure that expenditures and staffing decisions are appropriate
9 and properly authorized. In addition to ensuring that costs are kept to reasonable levels,
10 the processes allow management to:

- 11 – Prioritize programs and projects;
- 12 – Manage changing conditions;
- 13 – Provide changes in corporate direction;
- 14 – Establish communication on performance; and
- 15 – React to unforeseen conditions on a timely basis.

16
17 Operating, Maintenance and Administrative Costs

18 Centra establishes an overall forecast for its operating and administrative expenses by
19 taking into consideration the following factors;

- 20 – Costs of providing ongoing services;
- 21 – Special or non-recurring maintenance projects;
- 22 – Current and expected economic conditions;
- 23 – Changing business requirements;
- 24 – Accounting changes and other items significant to the process; and

1 – Productivity improvements.

2

3 The overall forecast is apportioned to each of the business units and for the electric and
4 gas operations. This apportionment is based on previously approved staffing levels and
5 costs for each year with consideration given to the specific business, economic and
6 other factors that affect each of the business units or utilities. The Vice-President in
7 charge of each business unit oversees the approved operating expenditures among the
8 programs, division and utility operations for which they are responsible. Detailed
9 departmental budgets support the approved business units' budgets.

10

11 The operating forecasts and detailed budgets form the basis for the operating,
12 maintenance and administrative expense forecasts included in the Integrated Financial
13 Forecast, which is presented to Centra's Board of Directors for approval on an annual
14 basis.

15

16 Capital Expenditures

17 The Capital Expenditure Forecast ("CEF") for the current year and subsequent ten-year
18 period is submitted annually to Centra's Board of Directors for approval. Since capital
19 construction projects typically span several years, each year's CEF is presented to
20 Centra's Board of Directors as a revision to the previous year's approved CEF. In
21 addition to the identification of new projects, changes to previously approved projects
22 are also identified.

23

24 Business units initiate capital expenditure proposals to meet energy load growth

1 demands within the Province, to respond to specific customer service extension
2 requirements and to improve the efficiency and reliability of the energy delivery system.
3 Once the need for a capital project is identified, a Capital Project Justification (“CPJ”) is
4 prepared by the initiating department. The CPJ contains detailed information relative to
5 each project such as system load growth statistics, business case analysis, risk
6 assessment, and other pertinent details. The requirement and justification for the project
7 is reviewed at the department, division and business unit level before the CPJ is
8 forwarded to the Executive Committee for approval.

9

10 CPJs are reviewed by the Executive Committee to confirm the need for the project
11 based on the following criteria: system reliability, safety, efficiency, customer service,
12 environmental impacts and corporate efficiency. Further consideration is given to the
13 priority of proposed projects and whether projects of lesser priority can be displaced so
14 overall funding levels remain within the Centra Board of Directors approved CEF limits.
15 Risks of not proceeding with the project are also assessed based on information
16 provided with the CPJ. All projects are assessed for environmental impacts.

17

18 During the year, actual expenditures on projects are reported monthly to the Executive
19 Committee. Variance explanations are provided for any significant variances from the
20 approved CEF. This information is also reported to Centra’s Board of Directors at their
21 regularly scheduled meetings.

22

23 Each Vice-President oversees the approved capital projects for which they are
24 responsible. When detailed capital project budgets exceed annual capital spending

1 targets, contingency accounts (business unit or corporate target adjustments) are
2 established and managed through deferrals of capital projects until reflected in the
3 detailed forecasts.

4

5 Integrated Financial Forecast

6 The Integrated Financial Forecast (“IFF”) is the primary planning document for projecting
7 the future financial direction of Centra and the basis for recommending any rate changes
8 that may be necessary.

9

10 The IFF is based on various component forecasts from across the Corporation including:

- 11 – Economic Outlook
- 12 – Power Smart Plan
- 13 – Natural Gas Volume Forecast
- 14 – Revenue Forecast
- 15 – Purchased Gas Cost Budget
- 16 – Capital Expenditure Forecast
- 17 – Operating, Maintenance & Administrative Expense Forecast
- 18 – Existing Debt and Finance Expense
- 19 – Depreciation on Existing Assets and the latest Depreciation Study

20

21 Monthly Reporting and Variance Analysis

22 Operating and capital expenditures are recorded and compared to the amounts
23 budgeted on a monthly basis. Variance analyses are then prepared and provided to
24 management to assist them in controlling costs and in meeting their planned objectives

1 and targets.

2

3 Process Controls

4 Controls are in place to ensure that all operating and capital expenditures are
5 appropriately authorized, executed, recorded and reported. The controls include:

6 – Policies that delegate authority for making purchasing and resourcing decisions to
7 appropriate levels within the organization;

8 – Purchasing and payment processes that provide for stringent procedural
9 requirements that are specific to the nature and costs of the materials or services
10 being sought; and a standardized accounting framework and methodology that
11 provides for thorough, accurate and consistent recording, classification and reporting
12 of operating and capital expenditures.

13 – Labour approval processes that authorize the payment to hourly employees and
14 payment of overtime costs. This process also includes the approval of time
15 allocation to capital and operating projects/programs.

16