

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

**VOLUME I**

**FINANCIAL RESULTS & FORECAST**

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**VOLUME I**

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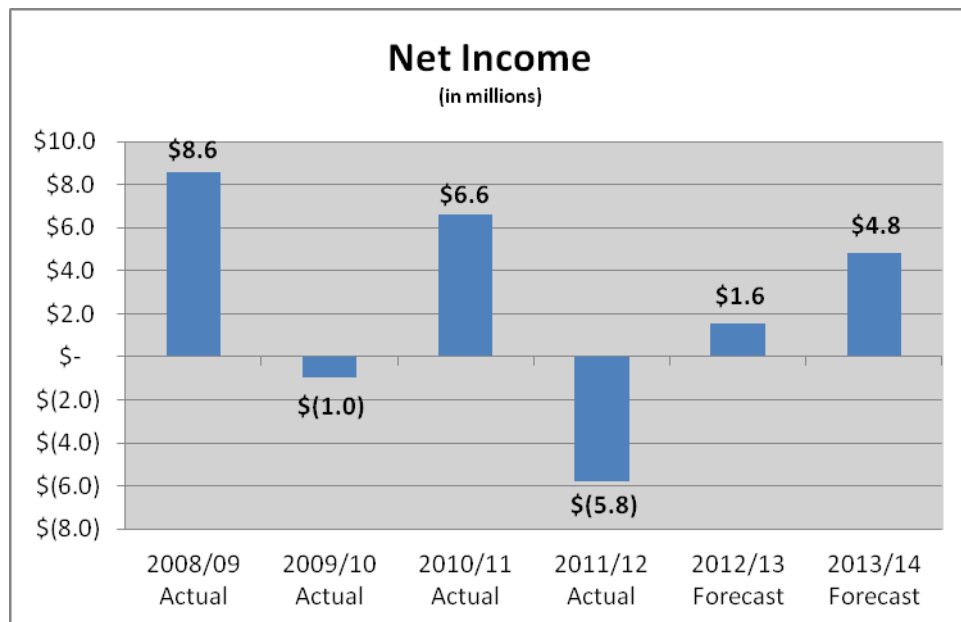
1 **5.0 Overview of Tab 5**

2 Tab 5 provides explanations of the actual and forecast revenues and expenses for  
3 Centra Gas Manitoba Inc. ("Centra") for 2008/09 to 2013/14, and outlines the significant  
4 year over year changes. Section 5.1 provides a summary of Centra's financial results  
5 and forecast for 2008/09 to 2013/14, and Sections 5.2 to 5.12 discuss the revenue and  
6 cost components for 2008/09 to 2013/14.

7

8 **5.1 Summary of Financial Results & Forecast**

9 The following provides a summary of actual and forecast net income for Centra for  
10 2008/09 to 2013/14.



11

12 Please see the following for a breakdown of the Income Statement.

**CENTRA GAS MANITOBA INC.**  
**Statement of Income**

**Schedule 5.1.0**  
**(\$000'S)**

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2013/14 Forecast
<b>Revenues</b>						
Revenue at Approved Rates	577,728	451,885	402,663	327,713	318,588	312,426
Additional Revenue Required*					-	5,746
	<u>577,728</u>	<u>451,885</u>	<u>402,663</u>	<u>327,713</u>	<u>318,588</u>	<u>318,172</u>
Cost of Gas	430,759	315,840	260,835	197,099	175,576	168,279
Gross Margin	146,969	136,045	141,828	130,615	143,012	149,893
Other Income	1,901	1,924	1,394	991	1,705	1,866
	<u>148,869</u>	<u>137,969</u>	<u>143,222</u>	<u>131,605</u>	<u>144,717</u>	<u>151,758</u>
<b>Expenses</b>						
Operating & Administrative	59,803	60,951	60,644	62,117	67,300	68,800
Finance Expense	20,158	18,921	17,888	18,464	17,901	17,296
Depreciation & Amortization	24,901	23,697	25,591	25,501	27,620	30,091
Capital & Other Taxes	23,412	23,351	20,490	19,274	18,334	18,750
Corporate Allocation	12,000	12,000	12,000	12,000	12,000	12,000
	<u>140,273</u>	<u>138,919</u>	<u>136,612</u>	<u>137,356</u>	<u>143,155</u>	<u>146,937</u>
Net Income	<u>8,596</u>	<u>(950)</u>	<u>6,609</u>	<u>(5,751)</u>	<u>1,562</u>	<u>4,821</u>

1 \* Additional Revenue Required reflects a 2.0% rate increase effective August 1, 2013.

2

3 **2009/10 Actual vs. 2008/09 Actual**

4 Centra's net income decreased in 2009/10 from 2008/09 primarily due to a decrease in  
5 gross margin resulting from milder than normal winter weather and less natural gas  
6 being consumed. Please see Appendix 5.1 and 5.2 for Centra's audited financial  
7 statements for the years ending March 31, 2009 and March 31, 2010, respectively.

8

9 **2010/11 Actual vs. 2009/10 Actual**

10 Centra's net income increased in 2010/11 from 2009/10 primarily due to an increase in  
11 gross margin resulting from colder winter weather which increased the consumption of  
12 natural gas, as well as a decrease in capital & other taxes due to reduced property taxes  
13 resulting from the 2010 provincial property tax reassessment. Please see Appendix 5.3  
14 for Centra's audited financial statements for the year ending March 31, 2011.

15

1 **2011/12 Actual vs. 2010/11 Actual**

2 Centra's net income decreased in 2011/12 from 2010/11 primarily due to a decrease in  
3 gross margin resulting from milder winter weather and less natural gas being consumed.  
4 Please see Appendix 5.4 for Centra's audited financial statements for the year ending  
5 March 31, 2012.

6

7 **2012/13 Forecast vs. 2011/12 Actual**

8 Centra's net income is forecasted to increase in 2012/13 from 2011/12 primarily due to  
9 an increase in gross margin resulting from the assumption of normal weather. This  
10 increase in revenue is partially offset by increases in operating, maintenance and  
11 administration expense ("OM&A") and depreciation & amortization. Please see  
12 Appendix 5.5 and 5.6 for the Quarterly Reports of the Manitoba Hydro-Electric Board for  
13 the 3 months and 6 months ended June 30, 2012 and September 30, 2012, respectively,  
14 which include segmented information with respect to natural gas operations.

15

16 **2013/14 Forecast vs. 2012/13 Forecast**

17 Centra's net income is forecasted to increase in 2013/14 from 2012/13 primarily due to  
18 the proposed 2.0% general revenue increase. This increase in revenue is partially offset  
19 by increases in OM&A and depreciation & amortization.

20

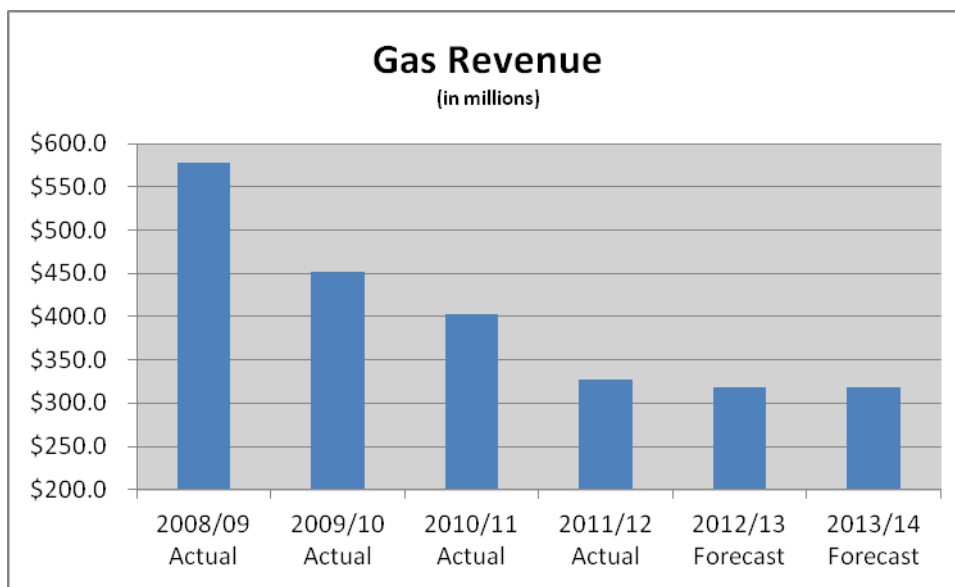
21 The following sections review each component of the Statement of Income. A  
22 description of each component, the explanation of the year over year changes and the  
23 detailed schedule is provided.

24

1 **5.2 Gas Revenue**

2 Gas revenue is comprised of gas sales to Centra's customers. Customers are  
3 aggregated in the following customer classes: Small General Service ("SGS")  
4 Residential, SGS Commercial, Large General Service ("LGS"), High Volume Firm  
5 ("HVF"), Mainline Firm, Interruptible Sales, Power Stations and Special Contract.

6



7

8

9 Please see the following schedule for a breakdown of Gas Revenue.

**CENTRA GAS MANITOBA INC.**  
**Revenue by Class**

**Schedule 5.2.0**  
**(\$000'S)**

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2013/14 Forecast
SGS Residential*	277,222	220,937	204,098	171,771	181,808	183,940
SGS Commercial	42,511	32,303	29,749	23,567	25,909	26,630
LGS	185,283	138,101	120,289	96,047	99,796	99,683
High Volume Firm	35,827	28,362	24,435	19,323	18,650	19,955
Mainline Firm	3,673	2,782	2,823	2,250	2,356	2,434
Interruptible Sales	30,234	26,471	18,688	12,038	12,603	12,804
Power Stations	1,266	1,553	978	1,253	739	939
Special Contract	1,713	1,376	1,602	1,464	1,712	1,709
<b>Total</b>	<b>577,728</b>	<b>451,885</b>	<b>402,663</b>	<b>327,713</b>	<b>343,572</b>	<b>348,093</b>
Other:						
Cost of Gas Adjustment					-	1,592
Rate Rider Amortization					(24,985)	(37,260)
Additional Revenue					-	5,746
<b>Total Revenue</b>					<b>318,588</b>	<b>318,172</b>

1 \* The SGS Residential revenue is net of amounts received for FRP funding.

2

3 SGS customers are residential or small commercial customers receiving service through  
4 one residential sized meter. Annual consumption for SGS customers is less than  
5 680,000 cubic metres (m<sup>3</sup>).

6

7 LGS customers are commercial customers receiving service through one meter larger  
8 than a residential sized meter. Annual consumption for LGS customers is less than  
9 680,000 cubic metres (m<sup>3</sup>).

10

11 HVF customers receive gas through one meter, where annual consumption equals or  
12 exceeds 680,000 m<sup>3</sup>. These customers may elect to receive either Firm Sales Service or  
13 Firm Transportation Service.

14

1 Mainline Firm customers receive gas through one meter where the customer is served  
2 directly from Centra's transmission system or through dedicated distribution facilities at  
3 pressures in excess of medium pressure and whose annual gas requirements equal or  
4 exceed 680,000 m<sup>3</sup>. These customers may elect to receive either Firm Sales Service or  
5 Firm Transportation Service.

6

7 Interruptible customers receive gas through one meter where the service may be  
8 interrupted by Centra from time to time upon notice to the customer. Interruptible Service  
9 is available to customers whose annual gas requirements equal or exceed 680,000 m<sup>3</sup>.  
10 These customers may elect to receive either Sales Service or Transportation Service.

11

12 Power Station class is service provided to electrical generating stations which use  
13 natural gas through a written agreement between Centra and the customer.

14

15 Special Contract service is provided through a written agreement between Centra and a  
16 customer.

17

18 All customer classes pay a Basic Monthly Charge ("BMC") and a volumetric based  
19 Distribution (to customers) charge. SGS, LGS, HVF, Mainline Firm and Interruptible  
20 customers also pay a Primary Gas charge, a Supplemental Gas charge, and a  
21 Transportation (to Centra) charge. In addition, HVF, Mainline and Interruptible  
22 customers pay a Monthly Demand charge.

23

1 Power Station customers pay the BMC, a Distribution (to customers) charge and a  
2 Monthly Demand charge.

3

4 The gas cost adjustment on Schedule 5.2.0 reflects the difference between the cost of  
5 gas sold (based on the Weighted Average Cost of Gas or "WACOG") approved by The  
6 Public Utilities Board ("PUB") and the forecast cost of gas sold at the time of the  
7 preparation of the IFF. Changes in the cost of gas sold are passed-through to Centra's  
8 customers without any margin impact.

9

10 Rate riders are added or subtracted from the base rates in order to recover or refund  
11 Purchased Gas Variance Account ("PGVA") balances.

12

13 Additional Revenue reflects the proposed 2.0% general revenue increase for 2013/14.

14

15 The following sections highlight the year over year changes in Gas Revenue from  
16 2008/09 through 2013/14:

17

18 ***2009/10 Actual vs. 2008/09 Actual***

19 The 2009/10 decrease is primarily due to a decline in the price of Primary and  
20 Supplemental Gas and milder winter weather resulting in less natural gas being  
21 consumed. This was partially offset by an increase in revenue due to rate riders being in  
22 a net refund position in 2008/09 and changing to a net collection position in 2009/10.

23

24



1    **2010/11 Actual vs. 2009/10 Actual**

2    The 2010/11 decrease is primarily due to a decline in the price of Primary and  
3    Supplemental Gas. This was partially offset by an increase in revenue due to colder  
4    winter weather which increased the consumption of natural gas and an increase in the  
5    number of customers.

6

7    **2011/12 Actual vs. 2010/11 Actual**

8    The 2011/12 decrease is primarily due to warmer weather resulting in less natural gas  
9    being consumed and a decline in the price of Primary and Supplemental Gas, partially  
10   offset by an increase in the number of customers.

11

12   **2012/13 Forecast vs 2011/12 Actual**

13   The 2012/13 forecasted decrease is primarily due to rate riders being in a small net  
14   collection position in 2011/12 and changing to a large net refund position in 2012/13.  
15   This is partially offset by an increase in revenue resulting from the assumption of normal  
16   weather in 2012/13 as compared to the warmer than normal weather experienced in  
17   2011/12.

18

19   **2013/14 Forecast vs 2012/13 Forecast**

20   The 2013/14 forecasted decrease is primarily due to an increase in rate rider  
21   amortization as the PGVA for Primary Gas is forecasted to be in a larger refund position  
22   in 2013/14 compared to 2012/13. This is partially offset by the proposed general revenue  
23   increase of 2.0% effective August 1, 2013.

24

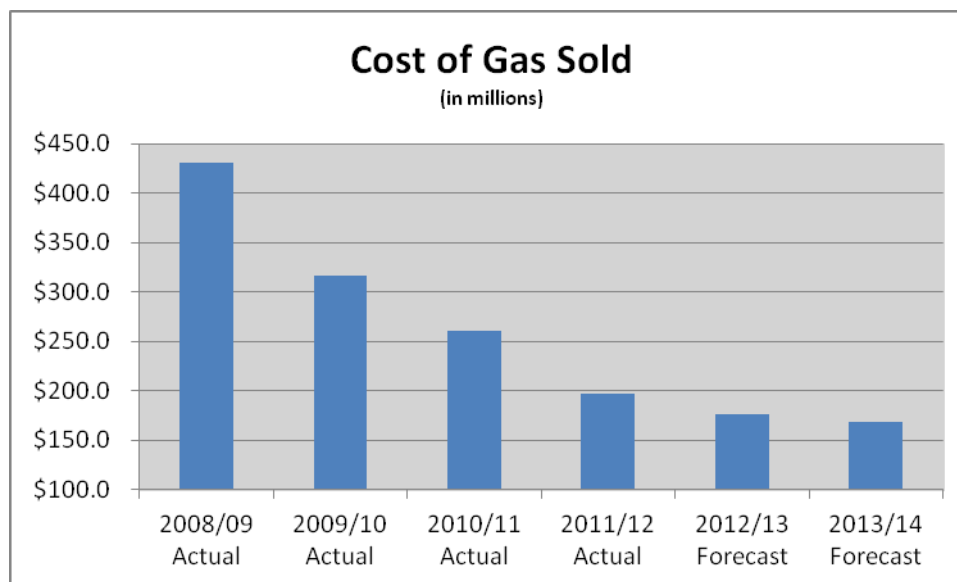
1 **5.3 Cost of Gas Sold**

2 The cost of gas sold is comprised of all upstream expenses, and a small amount of  
3 downstream costs, incurred in the procurement and delivery of natural gas to the  
4 Manitoba marketplace. Commodity supply costs include both Primary Gas that is  
5 sourced from Western Canada, representing the majority of Centra's supply, and  
6 Supplemental Gas which includes supplies from U.S. sources. Transportation costs are  
7 incurred as gas is moved from both Alberta and the U.S to Manitoba, including deliveries  
8 to and from Michigan-based storage facilities. Lastly, downstream costs relate to  
9 Unaccounted for Gas costs on Centra's distribution system as well as Minell Pipeline  
10 charges.

11  
12 With the exception of the Fixed Rate Primary Gas Service ("FRPGS") that was  
13 introduced in February 2009, the cost of gas sold is regulated on a pass-through basis.  
14 As such, customers face no mark-up on the cost of gas and Centra accordingly earns no  
15 profit on these costs. The pass-through mechanism is facilitated through the use of  
16 PGVAs. PGVAs capture the differences between the WACOG embedded in rates  
17 charged to customers and the actual incurred gas cost.

18  
19 Non-Primary Gas PGVA balances are periodically refunded to or collected from  
20 customers through the use of rate riders, designed to clear the respective PGVA's over a  
21 subsequent period. The Primary Gas PGVA is distinct from the Supplemental Gas,  
22 Transportation and Distribution PGVAs in that the Primary Gas base WACOG rate and  
23 associated PGVA rate rider is adjusted quarterly in accordance with the PUB approved  
24 rate setting methodology. By comparison, non-Primary Gas base WACOG rates and

1 rate riders are adjusted on a periodic basis through either a Cost of Gas or General Rate  
2 Application, typically on an annual basis.



3  
4  
5

Please see the following schedule for a breakdown of Cost of Gas Sold.

**CENTRA GAS MANITOBA INC.**  
**Cost of Gas Sold**

**Schedule 5.3.0**  
**(\$000'S)**

	2008/09 Total	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2013/14 Forecast
SGS Residential	182,769	133,242	112,456	87,189	89,300	90,766
SGS Commercial	30,914	21,853	18,549	13,763	14,595	15,038
LGS	155,573	110,867	92,280	69,945	70,800	70,884
High Volume Firm	30,843	23,602	19,692	14,652	13,896	15,006
Mainline Firm	2,226	1,352	1,441	909	1,028	1,082
Interruptible Sales	27,721	24,048	16,584	10,152	10,649	10,804
Power Stations	435	579	(130)	197	176	252
Special Contract	200	(154)	14	(130)	118	115
FRPGS - FV Change in Commodity Derivatives	77	451	(52)	420	-	-
<b>Total</b>	<b>430,759</b>	<b>315,840</b>	<b>260,835</b>	<b>197,099</b>	<b>200,561</b>	<b>203,947</b>
Other:						
Cost of Gas Adjustment					-	1,592
Baseload Increment Charges					-	-
Rate Rider Amortization					(24,985)	(37,260)
<b>Total Cost of Gas Sold</b>					<b>175,576</b>	<b>168,279</b>

6  
7  
8  
9

The breakdown by customer class represents the cost of gas sold to each of the customer classes.

1 The fair value change in commodity derivatives is the change in the mark-to-market  
2 position of the derivatives in place for FRPGS. The mark-to-market position is the net  
3 gain/loss that Centra would incur if all outstanding derivatives were realized at the end of  
4 the fiscal year.

5

6 The gas cost adjustment reflects the difference between the cost of gas sold (based on  
7 the WACOG) approved by the PUB and the forecasted cost of gas sold at the time of the  
8 preparation of the IFF. Changes in the cost of gas sold are passed through to Centra's  
9 customers without any margin impact.

10

11 Rate riders are added or subtracted from the base rates in order to recover or refund the  
12 PGVA balances.

13

14 The following sections highlight the year over year changes in the Cost of Gas Sold from  
15 2008/09 through 2013/14:

16

17 ***2009/10 Actual vs. 2008/09 Actual***

18 The 2009/10 decrease is primarily due to a decline in the price of Primary and  
19 Supplemental Gas and milder winter weather resulting in less natural gas being  
20 consumed. This was partially offset due to rate riders being in a net refund position in  
21 2008/09 and changing to a net collection position in 2009/10.

22

23

24

1    **2010/11 Actual vs. 2009/10 Actual**

2    The 2010/11 decrease is primarily due to a decline in the price of Primary and  
3    Supplemental Gas. This was partially offset due to colder winter weather which  
4    increased the consumption of natural gas and also an increase in the number of  
5    customers.

6

7    **2011/12 Actual vs. 2010/11 Actual**

8    The 2011/12 decrease is primarily due to a decline in the price of primary and  
9    supplemental gas and warmer weather resulting in less natural gas being consumed.

10

11   **2012/13 Forecast vs 2011/12 Actual**

12   The 2012/13 forecasted decrease is primarily due to rate riders being in a small net  
13   collection position in 2011/12 and changing to a large net refund position in 2012/13.  
14   This is partially offset by an increase in the cost of gas resulting from the assumption of  
15   normal weather in 2012/13 as compared to the warmer than normal weather  
16   experienced in 2011/12.

17

18   **2013/14 Forecast vs 2012/13 Forecast**

19   The 2013/14 forecasted decrease is primarily due to an increase in rate rider  
20   amortization as the PGVA for Primary Gas is forecasted to be in a larger refund position  
21   in 2013/14 compared to 2012/13. This decrease is partially offset by a gas cost  
22   adjustment due to a forecasted increase in the price of natural gas.

23

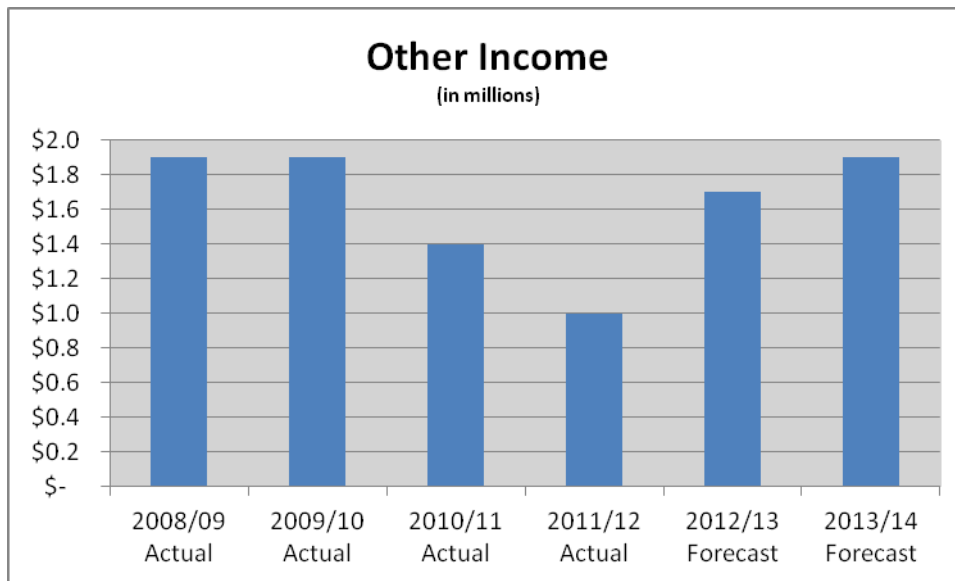
1 Centra will provide additional materials on its gas supply and costs in Volume II of this  
2 Application.

3

4 **5.4 Other Income**

5 Other income consists mainly of late payment charges, administration charges to  
6 brokers, and rental income from conversion burners. Effective 2012/13, Centra has  
7 made a change in the presentation such that the recovery of operating expenses are  
8 now classified as Other Income instead of being offset against OM&A. This change in  
9 presentation does not impact net income or total revenue requirement.

10



11

12

13 Please see the following schedule for a breakdown of Other Income.

14

15

16

**CENTRA GAS MANITOBA INC.  
Other Income**

**Schedule 5.4.0  
(\$000'S)**

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2013/14 Forecast
Late Payment Charge	1,731	1,702	1,205	1,018	1,037	1,201
Broker Revenue	135	121	98	69	48	38
Other Revenue	34	100	91	(97)	619	627
<b>Total Other Income</b>	<b>1,901</b>	<b>1,924</b>	<b>1,394</b>	<b>991</b>	<b>1,705</b>	<b>1,866</b>
Year over year \$ change		23	(530)	(403)	714	161
Year over year % change		1.2%	-27.6%	-28.9%	72.1%	9.4%

1

2 Please see the following for a description of Other Income components:

3

4 Late payment charge includes revenue from charges to customers whose accounts are  
5 in arrears.

6

7 Broker revenue is the revenue collected from natural gas brokers for billing services  
8 provided by Centra to broker customers.

9

10 Other revenue includes miscellaneous revenue, such as the revenue from the rental of  
11 conversion burners, revenues attributable to recovery of lost gas costs associated with  
12 pipe damage and gains received on the sale of land. This component also includes the  
13 re-classification of operating expense recoveries from OM&A in the 2012/13 fiscal year  
14 and thereafter.

15

16 The following sections highlight the year over year changes from 2008/09 through  
17 2013/14:

18

19

1 **2009/10 Actual vs. 2008/09 Actual**

2 No significant change.

3

4 **2010/11 Actual vs. 2009/10 Actual**

5 The 2010/11 decrease is primarily due to a decrease in late payment charges resulting  
6 from lower gas revenue as well as the continued economic recovery.

7

8 **2011/12 Actual vs. 2010/11 Actual**

9 The 2011/12 decrease is primarily due to a decrease in late payment charges resulting  
10 from lower gas revenue, as well as a decrease in miscellaneous operating revenue.

11

12 **2012/13 Forecast vs 2011/12 Actual**

13 The 2012/13 forecasted increase is due to the implementation of a presentation change  
14 that reclassifies operating expense recoveries from OM&A to Other Income as well as a  
15 return to normal levels of miscellaneous operating revenue.

16

17 **2013/14 Forecast vs 2012/13 Forecast**

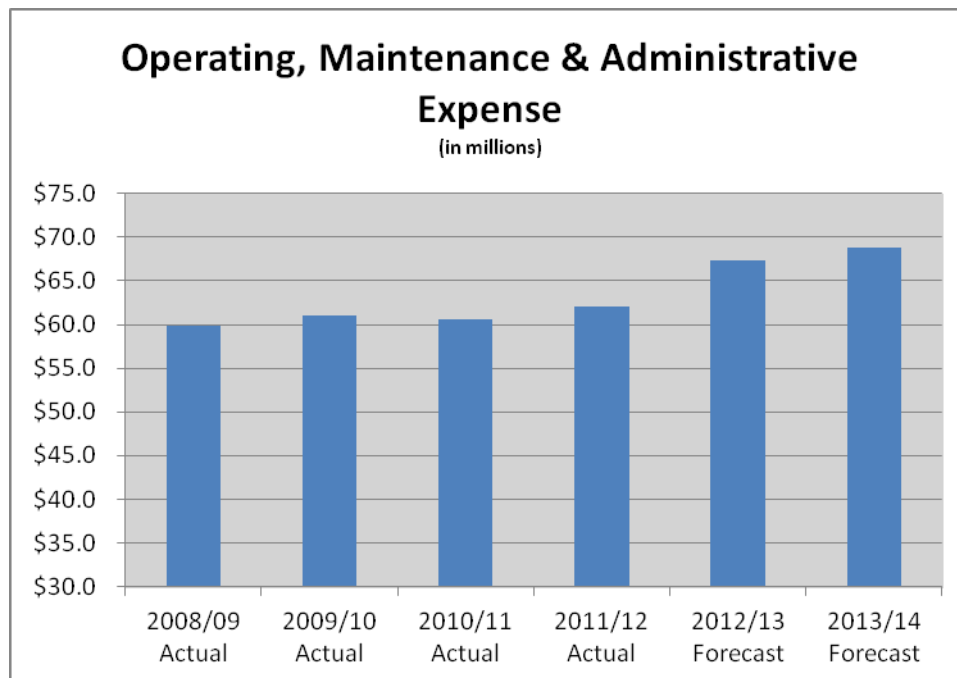
18 The 2013/14 forecasted increase is due to the assumption of Late Payment Charge  
19 based on normal weather.

20



1 **5.5 Operating, Maintenance & Administrative Expense**

2 OM&A expenses are comprised primarily of labour, material, and overhead costs  
3 associated with operating and maintaining the facilities of the Corporation and providing  
4 services to customers.



5  
6  
7  
8

Please see the following schedule for a breakdown of OM&A.

<b>CENTRA GAS MANITOBA INC.</b>		<b>Schedule 5.5.0</b>					
<b>Operating, Maintenance &amp; Administrative Expense by Business Unit</b>		<b>(\$000'S)</b>					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
	Actual	Actual	Actual	Actual	Forecast	Forecast	
1							
2							
3							
4	President & CEO	1,374	1,222	972	1,122	891	909
5	Finance & Administration	6,549	6,742	6,693	6,377	6,187	6,311
6	Power Supply	47	220	477	317	404	412
7	Transmission	224	255	250	99	194	197
8	Customer Service & Distribution	38,078	40,288	37,941	39,565	38,493	39,263
9	Customer Care & Marketing	19,765	18,670	17,845	18,195	17,575	17,926
10	Corporate Allocations & Adjustments	1,769	1,460	1,660	1,718	6,559	6,844
11							
12	Program View	67,806	68,857	65,838	67,392	70,303	71,863
13							
14	Less: Depreciation, Interest & Taxes included in above	(8,003)	(7,906)	(5,194)	(5,275)	(3,003)	(3,063)
15							
16	Operating, Maintenance & Administrative Expense	59,803	60,951	60,644	62,117	67,300	68,800
17							
18	Year over year \$ change		1,148	(307)	1,473	5,183	1,500
19	Year over year % change		1.9%	-0.5%	2.4%	8.3%	2.2%

9  
10

1 Over the period examined in this Application, accounting changes have had a significant  
 2 impact on the OM&A costs presented. The following table provides a breakdown of  
 3 OM&A after accounting changes, highlighting the impact of these items:

4

**CENTRA GAS MANITOBA INC.**  
**OPERATING, MAINTENANCE & ADMINISTRATIVE COSTS**  
*(in millions of dollars)*

	Actuals				Forecast		Average Annual Increase
	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	
Centra Gas OM&A	\$ 59.8	\$ 61.0	\$ 60.6	\$ 62.1	\$ 67.3	\$ 68.8	
Less Accounting Changes:							
CGAAP Changes	(1.0)	(1.0)	(3.0)	(3.1)	(6.9)	(7.2)	
Reclassifications					(0.6)	(0.6)	
Net Centra Gas OM&A after Accounting Changes	\$ 58.8	\$ 59.9	\$ 57.6	\$ 59.0	\$ 59.8	\$ 61.0	
Year over Year % Increase Net of Accounting Changes	4.5%	1.9%	-3.9%	2.5%	1.3%	2.0%	1.4%
CPI	2.2%	0.4%	2.0%	2.8%	1.8%	2.1%	1.9%

5

6

7 The following sections highlight the year over year changes from 2008/09 through  
 8 2013/14:

9

10 **2009/10 Actual vs. 2008/09 Actual**

11 The increase is mainly attributable to higher meter change activity.

12

13 **2010/11 Actual vs. 2009/10 Actual**

14 The decrease is primarily due to lower program costs in various programs including  
 15 distribution maintenance, billing inquiry and collections and regulating station  
 16 maintenance as well as a lower uncollectible account write-off. These decreases were

1 partially offset by accounting changes related to the removal of interest and general  
2 administrative costs from overhead.

3

4 ***2011/12 Actual vs. 2010/11 Actual***

5 The increase is primarily related to higher metering activities in both urban and rural  
6 locations in anticipation of the new Measurements Canada standards.

7

8 ***2012/13 Forecast vs. 2011/12 Actual***

9 The increase is primarily due to accounting changes including the removal of building  
10 depreciation & operating costs, information technology infrastructure and support costs  
11 from overhead capitalized, the reclassification of operating expense recoveries to Other  
12 Revenue and the impact of the change in the discount rate on pension and other  
13 benefits.

14

15 ***2013/14 Forecast vs. 2012/13 Forecast***

16 The increase from the 2012/13 forecast to 2013/14 forecast is primarily due to  
17 escalation.

18

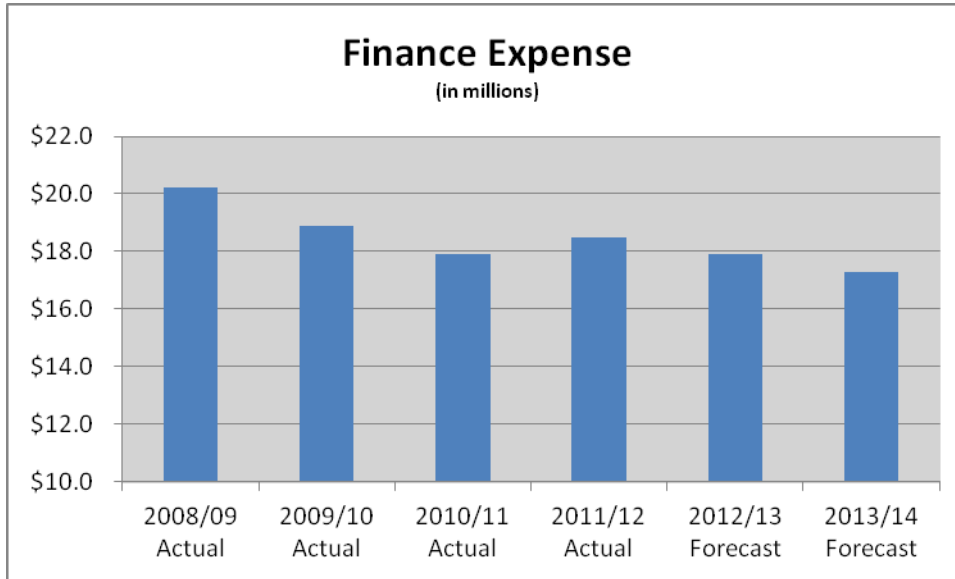
19 Appendix 5.7 will provide additional information on OM&A costs, which will be filed with  
20 Volume II of the Application.

21

22

1 **5.6 Finance Expense**

2 Finance expense consists of costs associated with the Corporation's financing activities.  
3 The largest component of finance expense is gross interest expense on the  
4 Corporation's portfolio of short and long term debt, as well as the Provincial Debt  
5 Guarantee Fee. Finance expense is also affected or partially offset by a number of other  
6 components including: the amortization of debt discounts; interest on common assets;  
7 and interest capitalized for capital projects under construction.



8

9

1 Please see the following schedule for a breakdown of Finance Expense.

<b>CENTRA GAS MANITOBA INC.</b>	<b>Schedule 5.6.0</b>					
<b>Finance Expense</b>	<b>(\$000'S)</b>					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Actual	Actual	Actual	Forecast	Forecast
Interest on Long Term Debt/Advances	13,753	14,305	14,142	14,390	13,336	12,544
Provincial Guarantee Fee on Long Term Debt	2,380	2,357	2,977	2,977	2,977	2,950
Amortization of Debt Discounts	1,256	1,262	298	318	167	-
Interest on Short Term Debt	2,758	342	131	102	22	284
Provincial Guarantee Fee on Short Term Debt	902	1,025	165	126	71	25
Interest on Common Assets	2,384	2,398	2,805	2,703	2,896	3,020
Interest on Inventory	25	104	93	104	148	151
Interest Capitalized	(3,347)	(3,027)	(2,861)	(2,512)	(2,002)	(2,047)
Other	48	154	138	257	286	369
<b>Total Finance Expense</b>	<b>20,158</b>	<b>18,921</b>	<b>17,888</b>	<b>18,464</b>	<b>17,901</b>	<b>17,296</b>
Year over year \$ change		(1,237)	(1,033)	577	(563)	(605)
Year over year % change		-6.1%	-5.5%	3.2%	-3.1%	-3.4%

2

3

4

Interest rates for long term advances to Centra are based on the associated cost of financing that was incurred by Manitoba Hydro at the time of the advance. Information related to Centra's debt issues will be filed as part of Volume II.

7

8

The Provincial Guarantee Fee is an annual fee payable to the Province of Manitoba that is calculated using a rate of 1.00% multiplied by the gross outstanding debt at March 31st of the previous fiscal year.

11

12

Amortization of debt discounts is the amortization of the debt discounts associated with refinancing Centra's long term debt that existed at acquisition.

14

15

Interest rates for intercompany short term advances to Centra are based on the associated cost of short term Canadian dollar financing for Manitoba Hydro.

17

1 Finance expense with respect to common assets is treated in the same manner as  
2 depreciation expense and property tax, with finance expense being pooled and allocated  
3 to gas and electric operations through the integrated cost allocation methodology.

4

5 Interest on inventory represents the cost of carrying Centra inventory.

6

7 Interest capitalized is the reduction to finance expense as a result of capitalizing carrying  
8 costs on the deferred balances. It also includes the capitalization of interest during  
9 construction.

10

11 ***2009/10 Actual vs. 2008/09 Actual***

12 Finance expense was lower year over year primarily due to a decrease in the short term  
13 debt interest expense as a result of lower short term interest rates. The actual short-term  
14 debt rate for the fiscal year 2009/10 was 0.41% vs. the actual rate for the fiscal year  
15 2008/09 of 2.38%.

16

17 ***2010/11 Actual vs. 2009/10 Actual***

18 Finance expense was lower year over year primarily due to a decrease in long term debt  
19 interest expense as a result of lower weighted average interest rates on long term debt.  
20 The actual long-term debt rate for the fiscal year 2010/11 was 4.75% vs. the actual rate  
21 for the fiscal year 2009/10 of 5.65%.

22

23

24

25

1    **2011/12 Actual vs. 2010/11 Actual**

2    Finance expense was higher in 2011/12 compared to 2010/11 due to higher interest  
3    expense on the floating rate long-term debt. The actual long-term debt rate for fiscal year  
4    2011/12 was 4.82% vs. the actual rate for the fiscal year 2010/11 of 4.75%.

5

6    **2012/13 Forecast vs. 2011/12 Actual**

7    The projected Finance Expense in 2012/13 is lower primarily due to reduced refinancing  
8    interest rates on Centra's maturing long term debt. As a result, the weighted average  
9    cost of Centra's long-term debt is 4.50% in the 2012/13 forecast vs. 4.82% in the  
10   2011/12 actuals.

11

12   **2013/14 Forecast vs. 2012/13 Forecast**

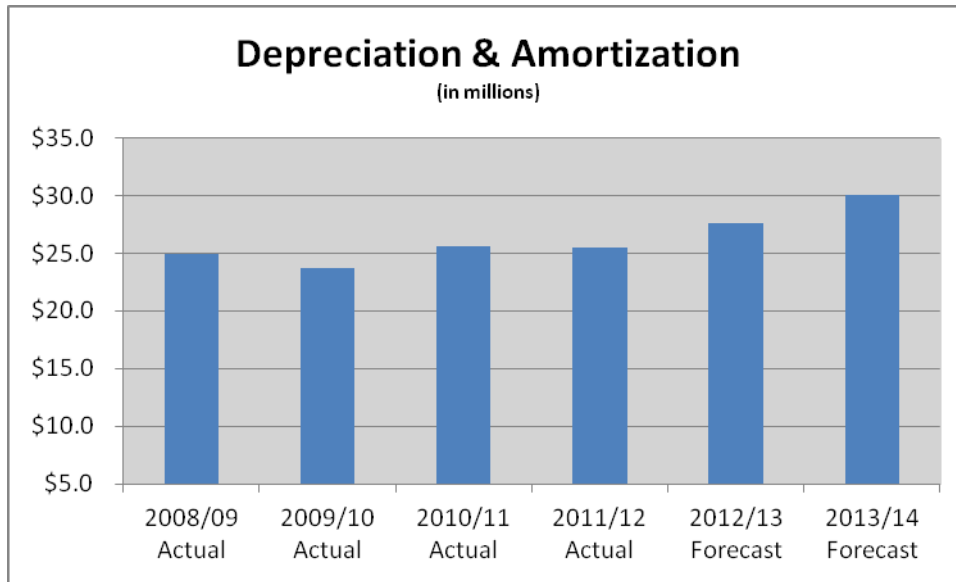
13   The projected Finance Expense in 2013/14 is lower primarily due to reduced refinancing  
14   interest rates on Centra's maturing long term debt. As a result, the weighted average  
15   cost of Centra's long-term debt is 4.25% in the 2013/14 forecast vs. 4.50% in the  
16   2012/13 forecast.

17

18

1 **5.7 Depreciation & Amortization**

2 Depreciation and Amortization expenses are calculated using a straight line remaining  
3 life basis. The asset categories include: Transmission, Distribution, and General Plant.  
4 The amortization of non-refundable customer contributions, regulated assets and  
5 intangible assets are also included.



6

7



1 Please see the following schedule for a breakdown of Depreciation and Amortization.

<b>CENTRA GAS MANITOBA INC.</b>		<b>Schedule 5.7.0</b>				
<b>Depreciation Expense</b>		<b>(\$'000'S)</b>				
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Actual	Actual	Actual	Forecast	Forecast
<b>Intangible Assets</b>						
Franchises & Consents	2	2	2	1	1	1
Land Rights	40	50	54	58	59	59
Computer System Development	-	1,395	1,348	626	530	530
Other Distribution Development (SCADA)	-	-	-	-	330	793
	<u>42</u>	<u>1,447</u>	<u>1,404</u>	<u>686</u>	<u>921</u>	<u>1,384</u>
<b>Transmission Plant</b>						
Land	-	-	-	-	-	-
Structures & Improvements - M&R	15	16	17	20	20	20
Structures & Improvements - Other	3	3	3	2	2	2
Mains - Transmission	1,384	1,475	1,520	1,599	1,654	1,668
Measuring & Regulating Equipment	160	181	192	145	146	149
Other Transmission Equipment	0	-	-	-	-	-
Amortization of Customer Contributions: Mains	(250)	(319)	(321)	(331)	(354)	(502)
Amortization of Customer Contributions: Measuring & Regulating Equipment	-	-	-	(0)	(2)	(5)
	<u>1,312</u>	<u>1,356</u>	<u>1,410</u>	<u>1,434</u>	<u>1,466</u>	<u>1,333</u>
<b>Distribution Plant</b>						
Land	-	-	-	-	-	-
Structures & Improvements	43	43	43	28	30	32
Structures & Improvements - M&R	56	56	59	64	66	70
Services	6,298	6,555	6,781	6,167	6,347	6,555
Regulators	1,103	1,150	1,197	1,014	1,049	1,123
Mains - Distribution	2,689	2,771	2,842	2,999	3,146	3,259
Measuring & Reg. Equipment	1,306	1,330	1,339	1,101	1,134	1,171
Telemetry Equipment	202	208	168	199	200	203
Meters	1,467	1,469	1,499	1,708	1,794	1,999
AMR/ERT Modules	9	1	-	-	-	-
Computer Equipment - Hardware	-	-	8	37	87	94
Amortization of Customer Contributions: Services	(238)	(272)	(277)	(170)	(170)	(171)
Amortization of Customer Contributions: Regulators	-	-	-	-	-	-
Amortization of Customer Contributions: Mains	(341)	(304)	(308)	(218)	(223)	(229)
Amortization of Customer Contributions: Measuring & Regulating Equipment	(130)	(141)	(141)	(90)	(91)	(91)
Amortization of Customer Contributions: Meters	(17)	(17)	(14)	(2)	(2)	(2)
	<u>12,448</u>	<u>12,850</u>	<u>13,195</u>	<u>12,836</u>	<u>13,366</u>	<u>14,014</u>
<b>General Plant</b>						
Land	-	-	-	-	-	-
Structures & Improvements	179	178	161	137	137	137
Leasehold Improvements	125	-	-	-	-	-
Office Furniture & Equipment	73	73	42	53	30	24
Computer Equipment - Hardware	1	-	-	-	-	-
Computer System Development	1,582	-	-	-	-	-
Transportation Equipment	-	-	-	138	143	26
Heavy Work Equipment	6	6	6	-	-	-
Tools & Work Equipment	195	195	195	183	136	119
Communication Struct. & Equip.	96	27	2	-	-	-
Other General Equipment	8	-	-	-	-	-
	<u>2,263</u>	<u>479</u>	<u>406</u>	<u>511</u>	<u>446</u>	<u>306</u>
<b>Depreciation on Common Assets</b>						
	<u>3,698</u>	<u>3,709</u>	<u>3,810</u>	<u>4,049</u>	<u>4,407</u>	<u>4,621</u>
Other	1,125	769	1,185	751	751	1,235
Investment in Demand Side Management	4,013	3,087	4,181	5,234	6,264	7,198
<b>Deferred Asset Amortization</b>	<u>5,139</u>	<u>3,857</u>	<u>5,366</u>	<u>5,985</u>	<u>7,015</u>	<u>8,433</u>
<b>Other</b>						
Leasehold Improvements	(10)	616	-	-	-	-
Amount transferred to Common Asset Pool	10	(616)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Depreciation &amp; Amortization Expense</b>	<u>24,901</u>	<u>23,697</u>	<u>25,591</u>	<u>25,501</u>	<u>27,620</u>	<u>30,091</u>
Year over year \$ change		(1,204)	1,894	(90)	2,119	2,470
Year over year % change		-4.8%	8.0%	-0.4%	8.3%	8.9%

2

3 Common assets are those fixed assets including administrative facilities, office furniture

4 and equipment, computer systems, tools, work equipment, and vehicles that are used to

5 support both gas and electric operations. The interest, depreciation, and other costs

6 related to the ownership and operation of these assets are applied and allocated to gas

7 and electric operations in accordance with the integrated cost allocation methodology.

1 The following sections highlight the year over year changes from 2008/09 through  
2 2013/14:

3

4 ***2009/10 Actual vs. 2008/09 Actual***

5 The 2009/10 decrease is primarily due to the change in the amortization period for  
6 Demand Side Management programs (“DSM”) from 5 years to 10 years effective April 1,  
7 2009 as directed in Order 128/09.

8

9 ***2010/11 Actual vs. 2009/10 Actual***

10 The 2010/11 increase is primarily due to the amortization of the costs of the 2009/10  
11 DSM program additions, 2009/10 GRA and 2010/11 Cost of Gas hearing.

12

13 ***2011/12 Actual vs. 2010/11 Actual***

14 The 2011/12 decrease is primarily due to the implementation of new depreciation rates  
15 effective April 1, 2011, which is substantially offset by net capital additions placed into  
16 service.

17

18 In preparation for the conversion to IFRS in 2014/15, and as part of Centra’s regular  
19 depreciation review, a new depreciation study was initiated in 2009 and completed in  
20 October, 2011. Centra implemented the new service life estimates effective April 1,  
21 2011 and will implement further changes to be IFRS compliant effective April 1, 2014.

22

23 Please see Appendix 5.8 for a discussion of the Depreciation Study and the associated  
24 depreciation rates, a letter from Gannett Fleming Inc. containing the depreciation rates to

1 be used under Canadian Generally Accepted Accounting Principles, and the full IFRS  
2 compliant Depreciation Study.

3

4 ***2012/13 Forecast vs. 2011/12 Actual***

5 The 2012/13 forecast increase is primarily due to additional depreciation & amortization  
6 on the in-service amounts of DSM programs, and Gas SCADA.

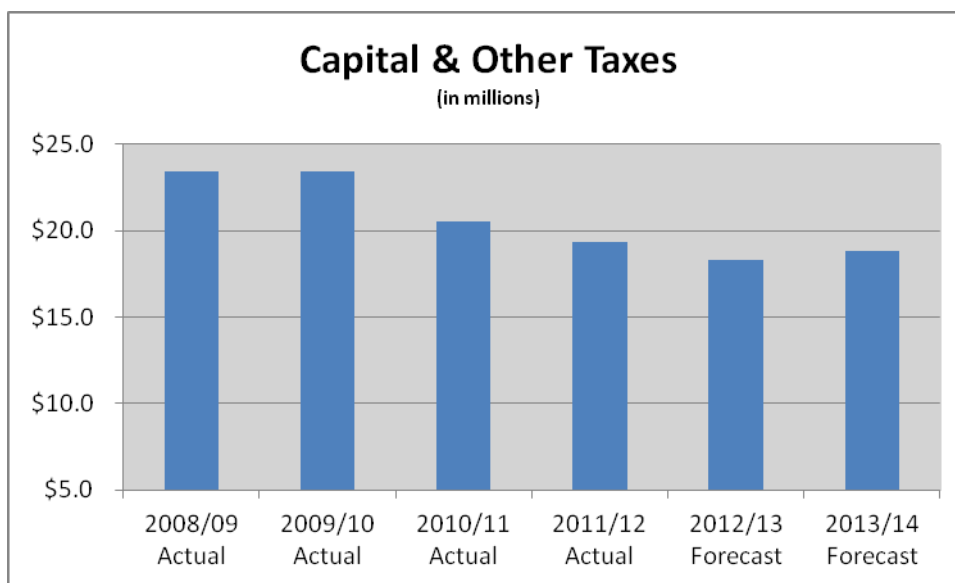
7

8 ***2013/14 Forecast vs. 2012/13 Forecast***

9 The 2013/14 forecast increase is primarily due to additional depreciation & amortization  
10 on the in-service amounts of DSM programs, and Gas SCADA.

1 **5.8 Capital & Other Taxes**

2 Capital and Other Taxes is comprised of payments made to the Province of Manitoba for  
3 capital and payroll taxes, business and property taxes paid to the various municipalities  
4 in Manitoba and deferred taxes related to the one-time tax payment made by Centra as  
5 a result of the acquisition by Manitoba Hydro in 1999.



6

7

8 Please see the following schedule for a breakdown of Capital & Other Taxes.

**CENTRA GAS MANITOBA INC.**  
**Capital and Other Taxes**

**Schedule 5.8.0**  
**(\$000'S)**

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2013/14 Forecast
Corporation Capital Tax	2,452	2,377	2,398	2,323	2,304	2,516
Municipal Taxes	15,436	14,836	10,844	11,561	10,861	11,187
Payroll Tax	700	788	802	800	793	807
Taxes on Common Assets	24	380	421	221	160	170
Deferred Income Taxes	4,800	4,654	4,508	4,369	4,216	4,070
City of Winnipeg Audit Settlement		316	1,517			
<b>Total Taxes</b>	<b>23,412</b>	<b>23,351</b>	<b>20,490</b>	<b>19,274</b>	<b>18,334</b>	<b>18,750</b>
Year over year \$ change		(61)	(2,861)	(1,216)	(940)	416
Year over year % change		-0.3%	-12.3%	-5.9%	-4.9%	2.3%

9

10

11

1 Please see the following for a description of Capital & Other Tax components:

2

3 The Corporation pays capital tax to the Province of Manitoba at a rate at 0.5% which is  
4 applied to the taxable capital of the company.

5

6 Municipal taxes are paid based upon the assessed value of property owned by Centra.

7 Taxable property consists mainly of pipelines, services, meters and regulating  
8 equipment all of which are assessed based on standard values determined by the  
9 Province.

10

11 Payroll tax is assessed at a rate of 2.15% on Manitoba Hydro's gross payroll. As Centra  
12 has no employees and therefore no direct payroll, this tax amount is an allocation from  
13 Manitoba Hydro to Centra based on the relative percentage of activity charges made to  
14 Centra.

15

16 Taxes on common assets represents Centra's share of property tax paid on  
17 administrative facilities.

18

19 The City of Winnipeg performed an audit of the company's billing system for the period  
20 of August 1, 1999 to December 31, 2010. This audit resulted in a settlement being paid  
21 to the City of Winnipeg, which was recorded in 2009/10 and 2010/11.

22

1 Deferred income taxes represents the one-time tax liability that was triggered by the  
2 acquisition of the company by Manitoba Hydro. In accordance with Order 118/03,  
3 Centra deferred the resulting liability and is amortizing the amount over a 30-year period.  
4 The following highlights the year over year changes from 2008/09 through 2013/14:

5

6 ***2009/10 Actual vs. 2008/09 Actual***

7 There was no significant change in total taxes paid in 2009/10 compared to 2008/09.  
8 The year over year decrease is due to the reduction in property taxes in calendar year  
9 2010 that resulted from the province-wide property reassessment, which is partially  
10 offset by the portion of the City of Winnipeg settlement that was recorded in 2009/10, as  
11 well as an increase in taxes on common assets.

12

13 ***2010/11 Actual vs. 2009/10 Actual***

14 The 2010/11 decrease is primarily due to reduced property taxes that resulted from the  
15 2010 provincial property reassessment for the full fiscal year. Property taxes paid with  
16 respect to calendar year 2010 compared to 2009 decreased by approximately \$4.0  
17 million. This was partially offset by the portion of the City of Winnipeg settlement that  
18 was recorded in 2010/11.

19

20 ***2011/12 Actual vs. 2010/11 Actual***

21 The 2011/12 decrease was largely due to the fact that the City of Winnipeg settlement  
22 amount was recorded in the prior year with no related amount in the current year. This  
23 was offset somewhat by an increase in property taxes recorded. Calendar year 2012  
24 was a reassessment year in Manitoba and it was anticipated that total annual property

1 taxes would increase by approximately \$1 million, a portion of which was recorded in  
2 fiscal 2012.

3

4 ***2012/13 Forecast vs. 2011/12 Actual***

5 The 2012/13 forecast decrease is primarily due to an adjustment to correct for the fact  
6 that the 2011/12 actual property taxes were lower than originally recorded.

7

8 ***2013/14 Forecast vs. 2012/13 Forecast***

9 No significant change other than a modest increase due to inflationary impacts on  
10 property and payroll taxes.

11

12 **5.9 Corporate Allocation**

13 The amount of \$12.0 million allocated to Centra represents Centra's share of the total  
14 annual costs required to amortize the costs incurred by Manitoba Hydro to acquire  
15 Centra in 1999.

16

17