

JEMPLP/CENTRA I-1

Reference: Tab13 Pages 8 and 9 of 11 - SRP

- a) Is the proposed risk adder sufficient, considering there is no hedging to protect against price risk movements?**

ANSWER:

Please see Centra's responses to PUB/Centra I-122(a), PUB/Centra I-122(c), and PUB/Centra I-122(e).

JEMPLP/CENTRA I-1

Reference: Tab13 Pages 8 and 9 of 11 - SRP

b) How will the proposed procurement process restrict future losses?

ANSWER:

With respect to how the proposed Self-Insurance mechanism will restrict future losses under the FRPGS, please see the response to JEMPLP/Centra I-1(a).

Centra's proposed Self-Insurance mechanism for managing the risks associated with the FRPGS will not affect the procurement of physical Primary Gas supplies in any way. Primary Gas supplies will continue to be acquired to serve Centra's Primary Gas customers in aggregate, with no distinction made between customers electing variable quarterly rate Primary Gas Service and the FRPGS. The cost of physical Primary Gas supplies charged to the FRPGS will be based on Centra's overall monthly weighted average cost of Primary Gas.

JEMPLP/CENTRA I-1

Reference: Tab13 Pages 8 and 9 of 11 - SRP

c) Please explain how Centra will recover loses already incurred on the Fixed Rate Primary Gas Service Program?

ANSWER:

The results of the Fixed Rate Primary Gas Service Program are shown in Tab 13, Appendix 13.2 of this Application and gains and shortfalls will continue to be reflected in Centra's annual Net Income.

JEMPLP/CENTRA I-2

**Reference: Tab 13 Appendix 13.4- Fixed Rate Primary Gas Service (FRPGS)- Mark-
to Market Projections**

Please provide an update with the most current information at end of March 2013.

ANSWER:

Please see Centra's response to PUB/Centra I-127.

JEMPLP/CENTRA I-3

Reference: Reference: Tab 13 Appendix 13.2 Page 7 of 9

Program Cost Rate start up for 2008/09 all costs – broken down by item

ANSWER:

Please see the schedule below.

FRPGS program start up costs - broken down by item	
Regulatory Costs	
MH Activity charges	197,800
PUB advisor charges	98,800
MH overhead	53,400
Intervenor costs	24,900
Office Supplies	6,300
Meals & Transportation	800
Total Regulatory Costs	382,000
Start-up Costs	
MH Activity charges	69,200
Advertising	27,300
MH overhead	18,700
Meals & Transportation	1,000
Total Start-up costs	116,200
Total Regulatory & Start-up costs	498,200
Annual Amortization (5 years amortization period)	99,600

JEMPLP/CENTRA I-4

Reference: Tab 13 Fixed Rate Primary Gas Service (FRPGS)

- a) Does Centra believe that its Fixed Rate Primary Gas Service (FRPGS) is working as envisioned? Please explain.**

ANSWER:

Centra believes its FRPGS is proceeding as envisioned in terms of effectively providing greater choice of Primary Gas rates and supplier options for consumers. Centra recognizes that subscription to the FRPGS is lower than forecast. The market conditions that occurred over the past several years affected program participation and contributed to financial losses. However, the resulting customer uptake is consistent with the findings of the Manitoba Hydro Natural Gas Customer Research Report, filed on June 14, 2007, as it relates to the premium customers are willing to pay for a Fixed Rate offering.

As indicated in the above mentioned survey report, customer interest declines as the fixed rate premium, when compared to the quarterly rate, increases. When the FRPGS launched in 2008, the premium for fixed rate products respective to the quarterly rate ranged from -5% to 20% for one, three, and five year terms. Under the most current offerings, the premium for FRPGS products has risen to 75% to 96% for one, three, and five year terms. The price premium is calculated by dividing the FRPGS billed rate by the quarterly rate. The following chart outlines the detailed price premiums for the first and most recent enrolment periods.

Centra Gas Manitoba Inc. 2013/14 General Rate Application

	FRPGS Term	Billed Rate \$/cu.m	Differential Price Gap Compared to Quarterly Rate
Quarterly Rate		\$0.2799	
FRPGS Enrolment Period 1 February 19 to March 12, 2009 May 1, 2009 Flow Date	1-year	\$0.2670	-5%
	3-year	\$0.3234	16%
	5-year	\$0.3349	20%
Quarterly Rate		\$0.0967	
FRPGS Enrolment Period 15 February 8 to March 11, 2013 May 1, 2012 flow Date	1-year	\$0.1690	75%
	3-year	\$0.1804	87%
	5-year	\$0.1900	96%

JEMPLP/CENTRA I-4

Reference: Tab 13 Fixed Rate Primary Gas Service (FRPGS)

b) Should the Fixed Price Gas Offerings Service be discontinued? Please explain.

ANSWER:

For the reasons outlined in Centra's response to CAC/Centra I-28(c), Centra intends to continue the Fixed Rate Primary Gas Service.

JEMPLP/CENTRA I-4

Reference: Tab 13 Fixed Rate Primary Gas Service (FRPGS)

- c) Should the FPRGS be offered at reduced discrete intervals with capped enrollments? Please explain the response.**

ANSWER:

Please see Centra's response to PUB/Centra I-121(a). Centra does not intend to cap enrollments beyond the measures as identified in Tab 13, section 13.2.5.

JEMPLP/CENTRA I-4

Reference: Tab 13 Fixed Rate Primary Gas Service (FRPGS)

- d) How have the hedging loses to date on the FRPGS program been recovered, proposed to be recovered? What is the timing on the recovery of the loses/gains? Please explain fully.**

ANSWER:

Please see Centra's response to JEMPLP/Centra I-1(c).

JEMPLP/CENTRA I-4

Reference: Tab 13 Fixed Rate Primary Gas Service (FRPGS)

- e) **Provide a table that shows the gains or losses by year since the inception of the program?**

ANSWER:

This information to March 31, 2012 can be found at page 7 of Appendix 13.2 of Centra's Application. Information for the fiscal year ending March 31, 2013 is not yet available.

JEMPLP/CENTRA I-5

Reference: Tab 15 Appendix 15.3

- a) What was the cost of the Survey on “Options for Large Customers to Manage Natural Gas Costs”?**

ANSWER:

The “Options for Large Customers to Manage Natural Gas Costs” survey was administered by NRG Research Group and distributed electronically to Centra’s high volume natural gas customers. The total cost paid to NRG Research Group was \$4,600 plus applicable taxes.

JEMPLP/CENTRA I-5

b) How were the participants of the survey determined?

ANSWER:

The survey was distributed electronically to all of Centra's large volume (non T-service) customers. Participation was voluntary and completed via an online web survey. Follow-up phone calls were made approximately two weeks after distributing the survey in an effort to increase the response rate. An overall response rate of 40% was achieved.

JEMPLP/CENTRA I-5

Reference: Tab 15 Appendix 15.3

- c) How was the survey funded, and how are the costs of the survey recovered? Is the cost included in Appendix 13.2 under program operating costs? If not, why not? Please explain fully.**

ANSWER:

The survey was undertaken with customers in the High Volume Firm, Interruptible and Main Line customer classes, and was designed to examine large volume customer preferences with respect to several issues, including quarterly Primary Gas rates, hedging for quarterly Primary Gas rates, levelized billing options, and fixed rate contract options.

The cost of conducting this survey was charged to general marketing expenses, as this survey covered a wide range of topics for large volume customers.

JEMPLP/CENTRA I-6

Reference: Tab 8 Schedule 8.25 and 8.45 forecast of customers

a) How does Centra forecast the customers in each class?

ANSWER:

The Residential, Small Commercial and Large General Service customers are first forecast combining all supply services (System Supply, WTS and FRPGS). This is described in the Methodology section of the 2012 Natural Gas Forecast (Tab 8 Appendix 8.1) on pages 44 to 48.

The number of customers for the High Volume Firm, Mainline Firm, Interruptible, Power Stations and Special Contract is forecast to remain constant throughout the forecast period. Customers in these classifications seldom change classes and the total number has not significantly changed over time.

The FRPGS customer forecast methodology within each rate class is explained in the response to PUB/Centra I-69(a).

For WTS, the historical percentage of WTS customers within each class is adjusted to reflect market conditions such as how many brokers are actively signing customers in Manitoba. This forecast percentage is then applied to the forecast for each rate class.

System Supply customers are calculated as the total forecasted customers in each class less the forecasted WTS and FRPGS customers.

JEMPLP/CENTRA I-6

Reference: Tab 8 Schedule 8.25 and 8.45 forecast of customers

b) Please provide Centra's forecast for the next 3 years?

ANSWER:

The annual Customer and Volume forecast are provided on pages 32 and 33 of the 2012 Natural Gas Forecast (Tab 8 Appendix 8.1).

JEMPLP/CENTRA I-7

- a) **Please explain why Centra does not break the Cost of Gas and the rate rider out on the customer invoice?**

ANSWER:

Centra is uncertain how the “Cost of Gas” is defined for the purposes of this question.

Centra’s “Cost of Gas” is currently already separated into many components including:

- Primary Gas;
- Supplemental Gas-Firm;
- Supplemental Gas-Interruptible;
- Transportation to Centra (which reflects the costs of upstream Transportation and Storage assets); and
- Distribution to Customer (which includes unaccounted for gas).

For larger volume customers, in addition to the above bill components, the Cost of Gas is further segregated into:

- Transportation to Centra-Demand
- Distribution to Customer-Demand

The further segregation of the Cost of Gas could conceivably add eight or more additional line items to an already complex bill. Centra’s current rate structure is unbundled to a larger degree than most other natural gas utilities in Canada as well as Manitoba Hydro’s electricity rates and Centra is of the view that further rate detail on the customer invoice would lead to further customer confusion and is unnecessary.

As outlined on pages 16 and 17 of Tab 11 of the Application, Centra is considering the simplification of its rate structure (and bill presentation) as part of an upcoming review which will also address Order 65/11 which directed Centra to examine the issue of bill simplification.

JEMPLP/CENTRA I-7

b) What would be required to show the items separately?

ANSWER:

Centra is currently in the initial stages of examining commodity rate re-bundling in order to simplify its rate structure and bills. Centra has not investigated what additional administrative complexities would be involved with further rate and bill unbundling.