CENTRA GAS MANITOBA INC.
TRANSPORTATION & STORAGE PORTFOLIO APPLICATION

EXECUTIVE SUMMARY

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1.0 Overview

Centra Gas Manitoba Inc. is applying to the Public Utilities Board of Manitoba for an Order approving the fixed costs associated with the proposed contractual arrangements for natural gas storage and related inter-state transportation with the ANR Pipeline Company and the Great Lakes Gas Transmission Limited Partnership. The proposed arrangements provide for total annual storage capacity of 15,500,000 GJ with 217,764 GJ/day of storage deliverability, with related pipeline capacity on GLGT and ANR.

These arrangements are not a significant departure from Centra's current ANR/GLGT arrangements, and will provide continued reliable access to storage and the U.S. market in a cost effective manner. The total annual fixed cost for these arrangements is approximately $14 million USD, which will remain fixed for each year of the seven year term, beginning April 1, 2013. The fixed cost of these arrangements is approximately $3 million USD per year less than the fixed costs related to the current U.S. storage and transportation portfolio.

1.1 Introduction

Centra's current storage and transportation portfolio includes twenty-year contracts with ANR and GLGT for Michigan storage and related transportation that expire March 31, 2013. GLGT connects ANR transportation and storage facilities in Michigan to TransCanada Pipelines Ltd. at Emerson, Manitoba. The annual fixed cost of these contracts is approximately $17 million out of a total natural gas transportation and storage cost of approximately $50 million and total annual revenue requirement in excess of $300 million.

Centra utilizes U.S. transportation and storage arrangements to minimize costs associated with unutilized demand charges on the TCPL Mainline. As well, these arrangements enhance reliability and provide for diversity and security of supply.

Centra conducted an examination of storage and transportation options to replace the existing contracts, including consideration of sources of supply. Potential storage options in Alberta, Saskatchewan, southern Ontario, the U.S. upper Midwest, and other Michigan storage operators were reviewed. After considering these potential storage options with respect to portfolio reliability, cost, flexibility, and access to liquid supply, two leading proposals were identified. These proposals were then comprehensively modeled with respect to costs and storage and transportation capacities to determine the most appropriate transportation and storage portfolio.

The following table details the characteristics of the proposed transportation and storage portfolio and compares it to the existing arrangements:

	Current ANR/GLGT Portfolio		Proposed ANR/GLGT Portfolio	
	Capacity (Dth)	Cost (USD)	Capacity (Dth)	Cost (USD)
ANR Storage - Seasonal				
Capacity	14,700,000	$ 5,880,000	7,677,318	$ 2,318,550
Deliverability	200,310	$ 4,605,528	89,400	$ 1,716,480
ANR Storage - Annual				
Capacity	N/A	N/A	7,013,846	$ 2,191,827
Deliverability	N/A	N/A	117,000	$ 2,246,400
Storage totals - Capacity	14,700,000		14,691,164	
- Deliverability	200,310		206,400	
- Cost		$ 10,485,528		$ 8,473,257
ANR Transportation				
Crystal Falls to storage (summer)	49,711	$ 1,391,908	50,200	$ 1,379,245
Joliet Hub to storage (summer)	N/A	N/A	7,000	$ 192,325
Storage to GLGT (winter)	197,706	$ 296,559	204,363	$ 310,632
Joliet Hub to storage (winter)	N/A	N/A	40,000	$ 60,800
ANR SW (annual)	7,450	$ 500,640	N/A	N/A
ANR SE (summer)	21,212	$ 1,447,719	N/A	N/A
GLGT Transportation				
Emerson to Crystal Falls (summer)	50,567	$ 1,875,328	50,500	$ 1,075,347
ANR to Emerson (winter)	225,000	$ 1,033,875	224,363	$ 2,557,738
Annual fixed costs:		$ 17,031,556		$ 14,049,344

1.1.1 Attributes of the Proposed Portfolio

Reliability is a primary consideration for Centra's storage and transportation portfolio. ANR and GLGT have provided exemplary service in meeting Centra's transportation and storage needs. Most importantly, the transportation service from storage to the Manitoba service area has met Centra's diverse and highly unpredictable requirements including accommodating late-night modifications made by Centra to the required gas volumes in response to Manitoba winter weather variability, thus mitigating pipeline balancing fees.

As well, the proposed ANR/GLGT portfolio will provide considerable flexibility to accommodate different sources of supply to fill storage. Centra will continue to hold transportation capacity from Emerson sufficient to fill storage with up to approximately two-thirds Canadian gas sourced from the AECO hub in the WCSB. Alternatively, Centra may acquire gas for storage fill from the Chicago and Michigan markets if economic relative to Western Canadian Sedimentary Basin supply transported on TCPL. With the ability to source U.S. gas near storage in Chicago and Michigan, Centra will no longer hold ANR transportation capacity from the Oklahoma and Louisiana supply basins, resulting in transportation cost savings.

Centra has also added the rights to cycle storage and to inject and withdraw out of season. These rights, combined with discounted winter transportation from the Chicago market to storage, give Centra increased options to economically manage its storage levels and winter purchases with less reliance on WCSB supply transported on TCPL. With this access to the Chicago market, Centra will be well connected to two of the most liquid supply hubs in North America (AECO and Chicago).

All of the new ANR and GLGT reservation rates are discounted below ANR's and GLGT's FERC-regulated tariff rates, meaning that the rates cannot increase, but can decrease in the event the tariff reservation rates fall below Centra's discounted rates. The seven-year term of the new ANR and GLGT contracts fixes these rates for Centra and provides for the continued economic access to the U.S. market. In addition, the proposed ANR and GLGT services will contain a contractual right of first refusal. ROFR assures Centra the option to retain the prescribed storage and transportation services with ANR and GLGT at the end of the seven-year term by matching any competing bids from other parties (rate and term).

The proposed arrangements maintain the exemplary level of reliable service provided by ANR and GLGT, increase operational flexibility, enable Centra to access the Chicago market, and result in annual cost savings of approximately $3 million USD from the current ANR/GLGT portfolio.

1.2 Summary of this Application

The following Tabs constitute the Application:

Tab 2 of this filing includes the Letter of Application to the PUB setting out the approvals being requested by Centra.

Tab 3 of this filing includes two tables. The first table provides abbreviated units of measurement and a description of them. The second table provides abbreviated terms and a full description of those terms. The abbreviated units of measurement or abbreviated terms will be used throughout the entirety of this Application.

Tab 4 of this filing is a chronological detail of the events and submissions that took place since the 2009/10 & 2010/11 General Rate Application.

Tab 5 of this filing provides for an update to the discussion of the North American natural gas market and the TCPL Mainline tolls situation.

Tab 6 of this filing provides a description of Centra's transportation and storage arrangements that were in place on November 1, 2010 at the commencement of the 2010/11 Gas Year.

Tab 7 of this filing is the evaluation process Centra undertook in the consideration of a wide range of transportation, storage and associated supply options in anticipation of the expiration of the current arrangements set to expire on March 31, 2013.

Tab 8 of this filing provides details on the costs and attributes of the proposed transportation and storage arrangements to commence April 1, 2013.