

**CENTRA GAS MANITOBA INC.
TRANSPORTATION & STORAGE PORTFOLIO APPLICATION
PROPOSED GAS PORTFOLIO**

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**CENTRA GAS MANITOBA INC.
TRANSPORTATION & STORAGE PORTFOLIO APPLICATION
PROPOSED TRANSPORTATION & STORAGE PORTFOLIO**

8.0 Introduction

This Tab provides a description of and justification for Centra's proposed transportation and storage arrangements to take effect April 1, 2013.

8.1 Proposed Transportation and Storage Arrangements (April 1, 2013)

The following sections provide the specific components of the proposed arrangements. The term sheet covering these arrangements is provided as Attachment 1 to this Tab. Refer to Attachment 2 to this Tab which provides service capacities in both gigajoules and decatherms.

8.1.1 Great Lakes Gas Transmission Transportation

Centra will contract for the use of 53,280 GJ/day of Firm Transportation capacity on GLGT from April 1 to October 31 of each Gas Year. This transportation capacity enables WCSB supply destined for Michigan storage to be transported from Emerson, Manitoba to Crystal Falls, Michigan where GLGT interconnects with ANR Pipeline. Centra will also contract for firm winter capacity of 236,716 GJ/day from the ANR/GLGT interconnect in Michigan to Emerson, to facilitate the transport of storage gas and Farwell purchases. Attachments 3 and 4 to this Tab are the summer and winter operating maps depicting the services of the proposed portfolio.

8.1.2 ANR Pipeline Transportation

1 There are four transportation components associated with ANR Pipeline. The first is the
2 Firm Transportation from Crystal Falls to ANR storage. This capacity of 52,964 GJ/day
3 is only available during the summer storage injection period to move gas to storage, and
4 can be used to transport either WCSB supply or Chicago supply to storage.

5
6 The second component is the summer Firm Transportation Service for 7,385 GJ/day
7 from Joliet Hub to ANR storage. During the summer this capacity will be used to assist
8 in refilling storage with Chicago supply accessed via ANR's Joliet Hub.

9
10 The third component is winter Firm Transportation capacity of 215,614 GJ/day from ANR
11 storage to the ANR/GLGT interconnect in Michigan, which facilitates winter storage
12 withdrawals.

13
14 The fourth component is winter Firm Transportation capacity of 42,202 GJ/day from
15 Joliet Hub to ANR storage, which will enable Centra to manage its storage levels with
16 access to Chicago supply.

17
18 With the ability to source U.S. supply near storage in Chicago and Michigan, Centra will
19 no longer hold ANR transportation capacity from the Oklahoma and Louisiana supply
20 basins, resulting in transportation cost savings.

21 22 **8.1.3 ANR Storage**

23 Centra's proposed ANR storage contracts will provide combined winter deliverability of
24 217,764 GJ/day. The total contracted storage capacity is 15,500,000 GJ, or 15.5 PJ,
25 and the maximum summer daily injection capacity is 88,571 GJ/day.

1

2 ANR Storage – Seasonal Storage Component

3 The proposed portfolio includes 8.1 PJ of seasonal storage capacity, which has the
4 same characteristics as Centra's current ANR storage service, which limits injections to
5 summer and withdrawals to winter and allows storage gas to be cycled up to 1.0 times
6 annually.

7

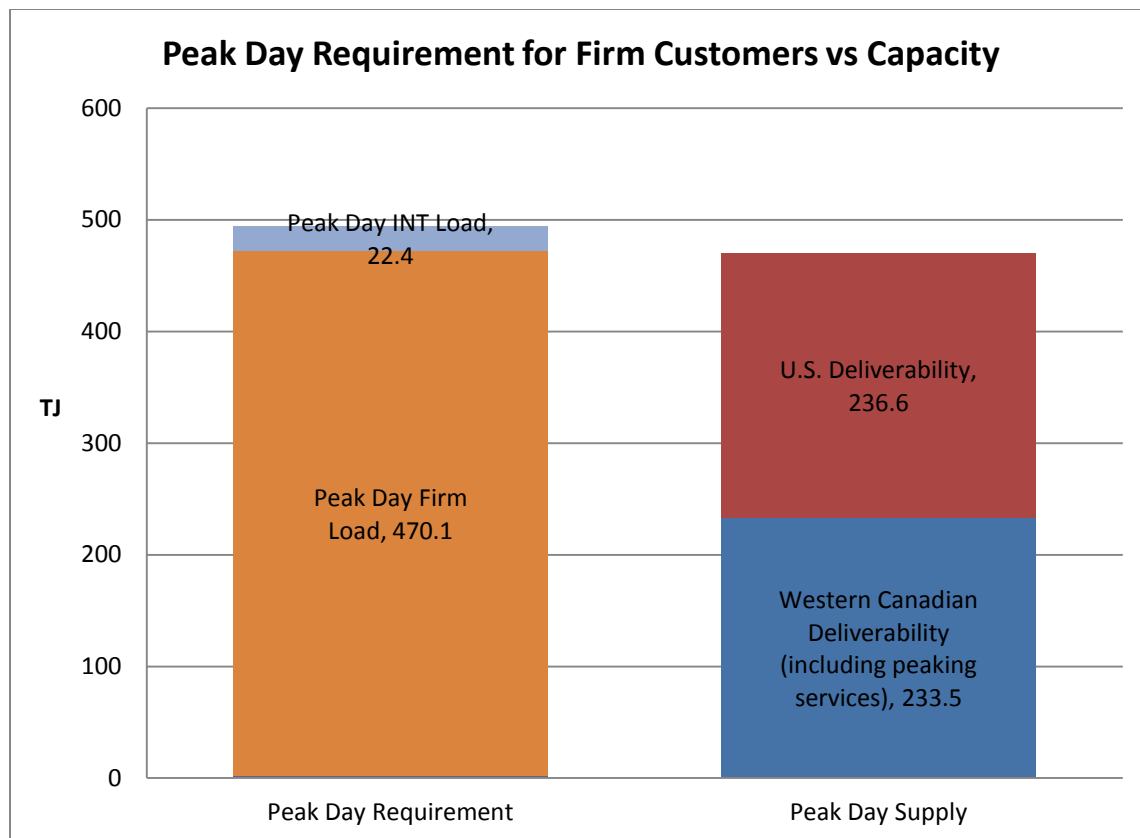
8 ANR Storage – Annual Storage Component

9 The proposed portfolio includes 7.4 PJ of annual storage capacity, which allows both
10 injections and withdrawals in any season and allows storage gas to be cycled up to 1.42
11 times annually as per ANR's tariff. Centra can inject up to 42,286 GJ/day into the annual
12 storage including the winter months. Winter injections, combined with the ability to cycle
13 storage up to 1.42 times, effectively provides Centra with the ability to cycle an additional
14 3.1 PJ (7.4 PJ x 42%) of gas through storage annually. This flexibility will allow Centra
15 to hold less TCPL capacity to Manitoba in winter, as the ability to refill storage in winter
16 reduces the need to manage storage levels with WCSB purchases. Centra has
17 combined the annual storage with firm winter transportation from the Joliet Hub to
18 storage to access Chicago supply.

19

20 **8.2 Peak Day Requirements**

21 The deliverability to meet the firm peak day requirement is shown in the chart below. As
22 indicated in this chart, the U.S. deliverability represents just over half of the peak day
23 supply requirements.



1

2

3 **8.3 Proposed Portfolio Costs**

4 Most of the costs associated with the use of ANR and GLGT transportation and storage
5 services are related to the rates for “reserving” Centra’s right to the capacity for the
6 duration of the contracts. On a reservation rate basis, the proposed portfolio will reduce
7 annual fixed costs for U.S. storage and transportation arrangements from \$17 million
8 USD under the current portfolio to \$14 million USD, which is a reduction of 18%. Please
9 refer to Attachment 5 to this Tab. Variable costs associated with the proposed portfolio
10 are expected to be similar to those experienced under the current arrangements
11 (approximately \$1 million USD per year).

12

13

8.4 Justification of Proposed Portfolio

There are a number of compelling reasons that support the appropriateness of the proposed portfolio.

Reliability

Reliability is a primary consideration for Centra's transportation and storage portfolio. Since 1993, ANR and GLGT have provided very high reliability in the delivery of gas from storage to Manitoba, which has included accommodating intra-day and late-night modifications made by Centra to the required gas volumes in response to Manitoba winter weather variability. Intra-day and late-night changes to storage withdrawals enable Centra to respond to weather-driven changes in daily market demand, thus mitigating pipeline balancing fees. Centra is confident that it will continue to receive highly reliable service from ANR and GLGT.

Security of Supply and Rate Stability

Gas held in storage reduces the amount of winter gas purchases Centra needs to make to serve its market during the coldest months of the year, providing security of supply. Also, gas is purchased and injected into storage throughout the April to October period each year which effectively distributes the purchasing of commodity across a seven-month period at the prevailing market prices experienced during the summer season. For rate setting determination, storage gas is valued at the overall weighted average cost of the summer storage fill, which promotes stability in the commodity rate. Maintaining storage capacity at 15.5 PJ will avert any erosion of these benefits in comparison to the current portfolio.

1 Flexibility, Diversity, and Supply Liquidity

2 The proposed portfolio will provide considerable flexibility to accommodate different
3 sources of supply to fill storage. Centra will continue to hold summer GLGT
4 transportation capacity from Emerson sufficient to fill storage with up to approximately
5 two-thirds Canadian gas sourced from the WCSB. Alternatively, Centra may acquire all
6 gas for storage refill from the Chicago and Michigan markets when these purchases
7 become economic relative to the cost of WCSB-sourced gas.

8

9 The ANR contracts have a number of valuable features that enhance the ability for
10 Centra to access U.S. supply near storage at the Chicago and Michigan markets:

- 11 1) the summer ANR contract from the Joliet Hub to storage enables Centra to
12 directly purchase supply at Chicago and deliver it into storage;
13 2) the summer ANR contract from Crystal Falls to storage can also be used to
14 receive Chicago supply at the Joliet Hub for storage injection if those purchases
15 are more economic than WCSB sourced supply; and
16 3) Centra can also choose to receive gas at the ANR storage injection point in
17 Michigan from counterparties, with no requirement to hold associated
18 transportation capacity for injections.

19

20 This access to the U.S. market provides Centra with portfolio diversity from WCSB
21 supply transported on TCPL from Alberta.

22

23 Centra has also added the rights to cycle storage and to inject and withdraw out of
24 season for just under half of its total storage capacity. These rights, combined with
25 discounted winter transportation from the Chicago market to storage, give Centra

1 increased options to economically manage its storage levels and winter purchases with
2 less reliance on WCSB supply transported on TCPL. With this access to the Chicago
3 market, Centra will be well connected to two of the most liquid supply hubs in North
4 America (AECO and Chicago).

5
6 Rates, Term, and Renewal Rights

7 All of the new ANR and GLGT reservation rates are discounted below ANR's and
8 GLGT's FERC-regulated tariff rates. These contracted rates cannot increase for the
9 term of the arrangements, but would decrease in the event the tariff reservation rates fall
10 below Centra's discounted rates. The seven-year term of the new ANR and GLGT
11 contracts secures these discounted rates and the associated economic access to the
12 U.S. market for Centra. Please see Attachment 5 for a comparison of the proposed
13 services, current services, and rates relative to ANR's and GLGT's tariff rates.

14
15 All of the new services will contain a contractual ROFR, including the GLGT winter
16 transportation to Emerson on which Centra currently does not have a ROFR. These
17 rights assure Centra that it can retain the prescribed storage and transportation services
18 with ANR and GLGT at the end of the seven-year term by matching any competing bids
19 from other parties (rate and term), at rates that cannot exceed ANR's and GLGT's FERC
20 regulated tariff rates. The ROFRs are "contractual" rather than "regulatory" ROFRs, as
21 unlike tariff-rate contracts, ROFR does not automatically apply to discounted contracts
22 unless the shipper and ANR/GLGT agree to this. Centra's contractual ROFRs have the
23 same terms as regulatory ROFRs.

1 **8.5 Conclusion**

2 Centra's proposed portfolio is not a significant departure from its current ANR/GLGT
3 portfolio that has served Centra's ratepayers well for many years. With increased
4 flexibility, greater access to the Chicago market, ROFR on all services, and a reduction
5 in annual ANR/GLGT costs of \$3 million USD, Manitoba ratepayers will continue to be
6 served reliably and economically as of April 1, 2013.