

MANITOBA) **Order No. 123/14**
)
THE PUBLIC UTILITIES BOARD ACT) **October 30, 2014**

BEFORE: Régis Gosselin, B ès Arts, MBA, CGA, Chair
Marilyn Kapitany, B.Sc. (Hon), M.Sc., Member
Neil Duboff, BA (Hons), LLB, TEP, Member

**INTERIM ORDER IN RESPECT OF CENTRA GAS MANITOBA INC.'S
PRIMARY GAS RATES AND
NON-PRIMARY GAS RATE RIDERS
EFFECTIVE NOVEMBER 1, 2014**

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1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (Board) approves Centra Gas Manitoba Inc.'s (Centra) October 15, 2014 interim *ex parte* Application for a new Primary Gas rate and varies Centra's July 31, 2014 interim Application for Non-Primary Gas Rate Riders.

In respect of Centra's two Applications and by this Order:

- The Board grants Centra's interim *ex parte* Application for a new November 1, 2014 Primary Gas rate, resulting in a Primary Gas billed rate of \$0.1665/m³ compared to an existing Primary Gas rate of \$0.1551/m³. On its own, this represents an annual bill increase of approximately 2.8% (or \$24 per year) for a typical residential consumer.
- The Board grants Centra's interim Application for Non-Primary Gas Rate Riders in part and approves, effective November 1, 2014:
 - Supplemental Gas rate riders sufficient to recover approximately \$23.3 million (50 percent of the forecast October 31, 2014 Supplemental Gas Purchased Gas Variance Account balance) over a period of two years; and
 - Rate riders with respect to Centra's Transportation and Distribution Purchased Gas Variance Accounts, Centra's Heating Value Margin Deferral Accounts, and its Prior Period deferral account to dispose of the balances in these deferral accounts over a one-year timeframe.

Centra attributes the currently projected net Supplemental Gas PGVA balance of \$46.7 million owing by consumers to Centra to extreme weather conditions and unusual market circumstances experienced during the 2013/14 winter heating season. Specifically, the cold winter increased total gas supply requirements for the 2013/14 gas year from a weather-normalized amount of 47.9 million gigajoules (GJ) to 55.5 million GJ, an increase of almost 16 percent.

Centra further cited high price volatility at markets served directly off the TransCanada Pipelines Mainline, caused by a combination of cold weather, declining storage inventories across North America, and extraordinarily high TransCanada Pipelines discretionary transportation services tolls. Those tolls were enabled by the National Energy Board's 2013 decision to grant TransCanada Pipelines unfettered discretion to set prices for short-term discretionary transportation services. As a result, the market prices for gas at hubs where Centra purchased its Supplemental Gas were extraordinarily high during the three-month period from January to March 2014. This is the timeframe when most of the PGVA balance was incurred.

The resulting combined annual bill impact from the revised Primary Gas rate and the Non-Primary Gas rate riders is an increase of 5.0% (or \$43 per year) for a typical residential customer. Annual bill impacts for customers in other classes (except T-service customers) range from increases of 3.2% to 12.5%, depending on customer class and annual consumption.

2.0 PROCEDURAL HISTORY

2.1 Centra's Applications

Interim Application for Non-Primary Gas Rate Riders

On July 31, 2014, Centra Gas Manitoba Inc. (Centra) applied to the Public Utilities Board of Manitoba ("Board") for an interim order pursuant to section 47(2) of *The Public Utilities Board Act* for approval of changes to its Transportation (to Centra) and Distribution (to Customers) sales and transportation rates to reflect the implementation of new Non-Primary Gas rate riders, effective November 1, 2014.

In its Application, Centra sought rate riders to dispose of an estimated net balance in the Non-Primary Gas Purchased Gas Variance Accounts (PGVA) of \$45.7 million owing to Centra as of October 31, 2014. The balance consists of \$46.7 million owing to Centra which accumulated in Centra's Supplemental Gas PGVAs and a collective net balance of \$1.0 million owing to consumers in Centra's other Non-Primary Gas deferral accounts.

Given the size of the Supplemental Gas PGVA, and the impact on consumers' bills, Centra sought to recover the balance accrued in this account over a 24-month period rather than the usual 12-month period, but suggested disposing of the other deferral accounts over a 12-month period as has been past practice. The 24-month period for recovery of the Supplemental Gas PGVA is longer than typical. Centra sought the requested relief on an interim basis, seeking final approval after completion of the 2013/14 gas year and as part of its next regulatory proceeding.

Interim Ex Parte Application for Primary Gas Rates Effective November 1, 2014

On October 15, 2015, Centra applied to the Board for a new quarterly Primary Gas rate effective November 1, 2014. Centra states that the applied-for rate reflects the October 1, 2014 12-month futures prices for Western Canadian supplies for the period from November 1, 2014 to October 31, 2015 (weighted for the cost of gas in storage), as well

as a rate rider to collect from customers the forecast October 31, 2014 balance in the Primary Gas Purchased Gas Variance Account over a 12-month period beginning on November 1, 2014.

2.2 Interveners

On August 1, 2014, the Board requested comments from past interveners on the review process and timeline proposed by Centra for the adjudication of Centra's interim Application for Non-Primary Gas Rate Riders. In response, the Board received comments from the Consumers Association of Canada (Manitoba) Inc. (CAC) and Just Energy Manitoba Inc. (Just Energy), both of which requested an oral hearing.

The Board also received applications for intervener status from CAC, Just Energy, and Shell Energy North America (Canada) Inc. (Shell).

On August 8, 2014, Centra responded to the comments of CAC and Just Energy and reiterated its view that a written process would be sufficient, proposing that any oral component of the review take place at the next regulatory proceeding. Centra also advised that some of its key witnesses would be engaged in an intervention before the National Energy Board in September 2014.

On August 18, 2014, by way of Board Order 93/14, the Board granted intervener status to each of CAC, Just Energy, and Shell.

Reflecting the fact that quarterly interim applications for Primary Gas rates are usually dealt with on an *ex parte* basis, through a process known to and supported by interveners, the Board did not invite parties to apply for Intervener status in respect of the October 15, 2014 Application.

2.3 Procedural Directions of the Board

In Order 93/14 issued on August 8, 2014, the Board issued a procedural direction that the hearing of Centra's interim Application for Non-Primary Gas Rate Riders would proceed based on one round of written Information Requests followed by written submissions unless ordered otherwise by the Board. The Board also reserved October 2 and 3, 2014 in case additional information from Centra was sought and an oral hearing would be required.

By way of a letter dated September 5, 2014, Centra advised the Board that it was currently intervening in TransCanada Pipeline Ltd.'s (TCPL) Application for Approval of Mainline 2013-2030 Settlement before the National Energy Board, which would have a significant impact on Centra and Manitoba gas consumers. Centra suggested that it was no longer advisable for Centra to continue with the interim Application for Non-Primary Gas Rate Riders, as its gas supply management team was engaged in the National Energy Board hearing, and Centra had concerns that the public release of certain information as part of the Information Request process in the Public Utilities Board proceeding could prove to be detrimental to Centra's customers. For these reasons, Centra requested an adjournment of its interim Application for Non-Primary Gas Rate Riders *sine die*, i.e., without a fixed return date.

On September 12, 2014, the Board advised that it was not prepared to grant an adjournment of the Application *sine die*, but that it was prepared to accommodate Centra's schedule and granted a timetable extension of approximately one month.

By way of a letter dated September 15, 2014, Centra acknowledged the Board's direction of September 12, 2014 and stated that it was withdrawing its application. Centra stated that it based its decision on its plan to file a Cost of Gas Application in January 2015 and the need to receive and review the National Energy Board's decision in the TCPL proceeding.

On September 22, 2014, CAC wrote to the Board and indicated that Centra's intended withdrawal of its Application created a dilemma for the Board, as a delay in recovery until August 1, 2015 would cause a serious disconnect between Centra incurring most of the \$46.7 million Supplemental Gas PGVA balance in January, February and March 2014 and the recovery in rates. CAC also suggested that another winter as cold as the previous one would result in higher incremental rates being sought. On the other hand, CAC indicated that an interim Application would produce only limited and perhaps outdated information by the time the full Cost of Gas Application is filed in January 2015. CAC stated that it would leave it in the hands of the Board to determine the best overall approach to take.

On October 6, 2014, the Board advised Centra that the Board's rate-setting jurisdiction as set out in section 77 of *The Public Utilities Board Act* is not limited to active applications before the Board, and that Centra's withdrawal constituted a request to review and vary the Board's earlier procedural Order 93/14 in respect of the Application. The Board further stated that it was not prepared to accept the withdrawal of the Application but would request the filing of confidential responses to selected Information Requests of the Board. Following the receipt of answers to these Information Requests, the Board would determine whether it had sufficient information to approve temporary rate riders on a time-limited basis, and possibly require a one-day *in camera* hearing on October 28, 2014. In light of this Order, no such hearing is required.

2.4 Responses to Information Requests

On October 15, 2014, Centra filed confidential responses to selected PUB Information Requests 1a-d, 3b, c, 4 c, e, 5c, 7c, d, 8c, 9d-g, 12a, and 17a-d dealing with Centra's interim Application for Non-Primary Gas Rate Riders. These responses were considered by the Board in issuing this Order.

3.0 PRIMARY GAS RATES EFFECTIVE NOVEMBER 1, 2014

3.1 Introduction

Centra is a wholly-owned subsidiary of Manitoba Hydro, and is Manitoba's largest natural gas distributor. Centra's rates are subject to the approval of the Board pursuant to provisions of *The Public Utilities Board Act*. The five components of natural gas rates billed to Centra's customers are:

- Primary Gas - gas received from Western Canada which is priced quarterly by Centra, or gas purchased from either Centra or independent gas marketers and brokers under fixed-rate contracts;
- Supplemental Gas - gas that is required to meet the needs of Centra's customers during periods of peak load or other seasonal requirements, and includes gas sourced from locations other than Western Canada. Supplemental Gas is applicable to the majority of customers, whether they purchase quarterly-priced Primary Gas from Centra or fixed-rate gas through contracts;
- Transportation (to Centra) - applicable to the majority of customers and is the cost of transporting natural gas to Manitoba, including pipeline charges and the cost of gas storage facilities;
- Distribution (to Customer) - applicable to all customers and recovers the cost of delivering natural gas to a customer's home or business, including the cost of pipelines and facilities, as well as the operation and maintenance costs for the distribution system and a small cost component related to unaccounted-for gas; and
- Basic Monthly Charge - applicable to all customers and recovers costs related to customer service including meter reading and billing, as well as the cost of the service line and the meter.

Centra's Primary Gas rate is subject to amendment quarterly, on the first day of February, May, August, and November. These regularly scheduled quarterly Primary Gas rate reviews occur in accordance with the Board-approved Rate Setting Methodology, which is formula-driven and relies on established accounting and rate setting conventions. Quarterly Primary Gas rate setting does not involve a public hearing, reflecting the formulaic nature of the Rate Setting Methodology and furthering the objective of least-cost regulation through the deferral of a public review of rates to the annual Cost of Gas hearing or General Rate Application.

Non-Primary Gas components of Centra's rates, for all customers including those receiving natural gas through fixed-rate contracts, are also periodically reviewed and approved by the Board. These Non-Primary Gas rate reviews occur either through the annual Cost of Gas hearing, which also provides for the finalization of past interim quarterly Primary Gas rate changes, or in the context of a General Rate Application.

Order 85/14, dated July 24, 2014, is the most recent Order setting Centra's Primary Gas rate. Order 89/13, dated August 2, 2013 and arising out of Centra's 2013/14 General Rate Application, approved Non-Primary Gas Base rates (Basic Monthly Charge, Supplemental Gas, Transportation, and Distribution rates).

3.2 Centra's Application for Primary Gas Rates

On October 15, 2014 Centra applied to the Board for approval of the Primary Gas rate effective November 1, 2014. The Application was filed in accordance with the Board-approved Rate Setting Methodology. The Rate Setting Methodology determines a Primary Gas rate based on the forecast of natural gas prices and includes several factors that reflect the costs Centra incurs in providing Primary Gas to its customers.

Centra's Primary Gas rate is based on futures prices at the AECO trading hub in Alberta. Table 1 reflects the 12 month futures price strip for natural gas taken by Centra on October 1, 2014 and used in the calculation of the November 1, 2014 Primary Gas rate. The futures strip prices for April and July 2014 from previous quarterly rate applications are also shown in Table 1. As can be seen from the table, the October 2014 futures prices have decreased compared to the July futures prices.

Table 1: AECO Futures Price (Cdn\$/GJ)

	Nov/14	Dec/14	Jan/15	Feb/15	Mar/15	Apr/15	May/15	Jun/15	Jul/15	Aug/15	Sep/15	Oct/15
Apr Strip	4.4850	4.5400	4.5900	4.5775	4.5375	3.7250	-	-	-	-	-	-
Jul Strip	4.2225	4.3000	4.3550	4.3450	4.2650	3.6500	3.6300	3.6025	3.6225	-	-	-
Oct Strip	4.0771	4.0650	4.1525	4.1350	3.9900	3.5775	3.5100	3.5125	3.5375	3.5450	3.5625	3.6350

Table 2 summarizes Centra’s Application for quarterly Primary Gas rates effective November 1, 2014. The table shows Primary Gas costs and rate calculations for the last year. In calculating Primary Gas rates, Centra used the Board-approved Rate Setting Methodology.

Table 2: Current and Historical Primary Gas Rate Calculations

	Component	Costs and Proposed Rates Nov 1/13	Costs and Proposed Rates Feb 1/14	Costs and Proposed Rates May 1/14	Costs and Proposed Rates August 1/14	Costs and Proposed Rates Nov 1/14
1	Date of Forward Price Strip	October 1, 2013	January 6, 2014	April 1, 2014	July 2, 2014	October 1, 2014
2	12 Month Forward Price per GJ	\$3.353	\$3.926	\$4.493	\$4.137	\$3.928
3	¹ Cost of Gas drawn from Storage	\$2.884	\$2.87	\$2.87	\$2.87	\$4.014
4	Weighted Primary Gas Cost (mix of Gas Supply & Storage Gas costs)	\$3.255	\$3.699	\$4.144	\$3.865	\$3.946
5	Rate per Cubic Metre	\$0.1230	\$0.1398	\$0.1566	\$0.1461	\$0.1491
6	² Base Primary Rate, adding Fuel and Overhead cost component per cubic metre	\$0.12457	\$0.14187	\$0.1588	\$0.1482	\$0.1513
7	Plus (Less) Rate Rider per cubic metre	(\$0.0104)	(\$0.0037)	(\$0.0021)	\$0.0069	\$0.0152
8	Total Billed Rate (\$/m ³)	\$0.1142	\$0.1382	\$0.1567	\$0.1551	\$0.1665

Notes:

1. The most recent cost of gas drawn from storage reflects the forecast cost of gas in storage as of October 31, 2014 following the April to October 2014 injection season.
2. Compressor fuel costs are \$0.0013/m³ and overhead costs are \$0.00087/m³.

AECO futures market prices, shown above in Table 1, are weighted according to the forecasted volumes Centra expects to purchase each month that flow directly to the Manitoba load. This weighted price is the 12 Month Forward Price per Gigajoule shown in row 2 of Table 2 which also includes the costs to deliver the gas from the AECO hub to Centra’s receipt point at Empress, Alberta. The 12 Month Forward Price is then weighted for the average cost of gas of volumes that Centra withdraws from its storage facility, and is shown in row 4 of Table 2 as the Weighted Primary Gas Cost (mix of Gas

Supply & Storage Gas costs). The Weighted Primary Gas Cost per gigajoule is then converted to units of dollars per cubic metre ($\$/\text{m}^3$) and is shown in row 5 of Table 2.

Centra incurs compressor fuel costs which relate to fuel used by pipeline compressors in order to transport gas from Alberta to Manitoba. Centra also incurs overhead costs in the procurement and administration of Primary Gas supplies. The compressor fuel costs and overhead costs are added to the Weighted Primary Gas Cost to determine the Primary Gas Base Rate which is shown in row 6 of Table 2.

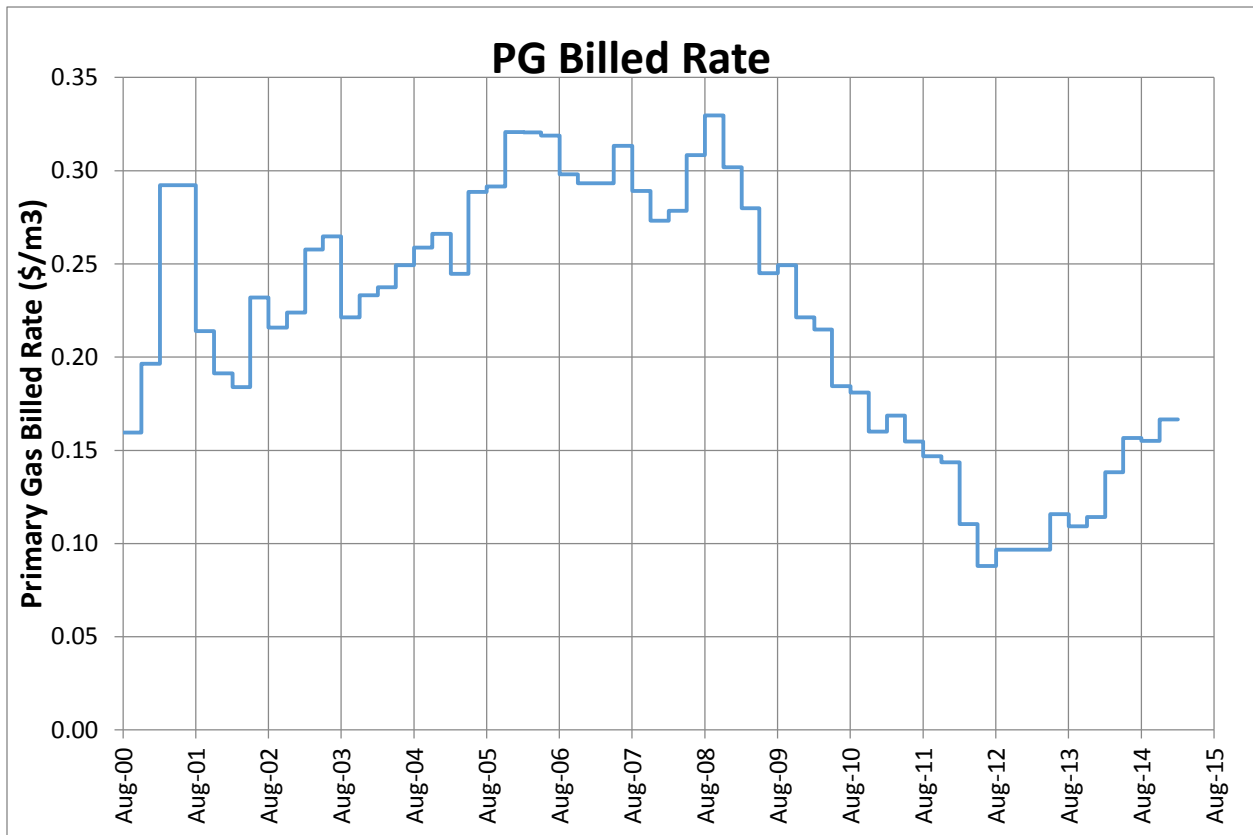
Centra tracks differences between the previously approved Primary Gas rate (and its underlying gas costs) and the actual cost of purchases it incurs. The previously approved Primary Gas rate is based on a forecast of natural gas market prices, and the actual prices Centra pays usually differ from those forecasted. These differences are tracked in a Purchased Gas Variance Account. When the actual cost of gas is greater than was forecasted, a positive balance accrues in the Purchased Gas Variance Account which is then collected from customers. When the actual cost of gas is less than was forecasted, a negative balance accrues in the Purchased Gas Variance Account and this is refunded to customers. The Primary Gas rate rider is used to account for these differences between forecasted and actual costs of Primary Gas.

The Primary Gas rate rider recovers from or repays to customers the balance in the Purchased Gas Variance Account, with interest. Utilization of the Purchased Gas Variance Account and rate rider ensures that the cost of gas is charged to customers with no mark-up or discount. The Primary Gas rate rider is determined by dividing the accumulated balance in the Purchased Gas Variance Account by the volumes Centra forecasts to flow in the upcoming twelve months, and is shown in row 7 of Table 2. If the Purchased Gas Variance Account balance is not brought to zero with the rate rider, the remaining balance will be included in the calculation of future rate riders.

The Primary Gas rate rider is combined with the Primary Gas Base Rate to arrive at the Primary Gas Billed Rate, as shown in row 8 of Table 2, and this is the rate that Centra uses to calculate the bills of its Primary Gas customers.

The forecasted Purchased Gas Variance Account balance for October 31, 2014 is \$16.6 million. The \$16.6 million balance owed to Centra will be collected from customers by way of a rate rider of \$0.0152/m³. The rate rider increases the Primary Gas Base Rate of \$0.1513/m³ resulting in a Primary Gas Billed Rate of \$0.1665/m³.

The following chart graphically shows the Primary Gas Billed Rate from August 1, 2000 up to and including the proposed November 1, 2014 rate.



4.0 SUPPLEMENTAL GAS PURCHASED GAS VARIANCE ACCOUNTS

4.1 Introduction

Like Primary Gas, Supplemental Gas is subject to the market pricing experienced by Centra at the time such gas is purchased. Centra operates a Supplemental Gas Purchased Gas Variance Account (PGVA) which records the differences between the revenues billed to customers, which are based on the forecasted costs of Supplemental Gas, and the actual costs of Supplemental Gas. If the cost of Supplemental Gas is greater than was previously forecasted, or if customers use more Supplemental Gas than Centra forecasted, or both, then the Supplemental Gas PGVA will record a balance owing to Centra. Since Supplemental Gas is used to meet daily peaks or seasonal volume requirements for exceptionally cold winters, Centra's Supplemental Gas cost and revenue forecasts are affected by weather.

Centra is not entirely reliant on gas coming off the TransCanada Pipelines Mainline. In Order 112/12, the Board approved a new transportation and storage portfolio. The new portfolio allows Centra to source increased volumes of Supplemental Gas from several market hubs in the United States in order to provide additional flexibility for Centra's gas supply purchases. The new portfolio allows Centra to inject and store up to 15.5 petajoules (15.5 million gigajoules) of gas at the ANR storage facilities in Michigan and retrieve up to 217,764 GJ/day (215,614 GJ/day after deducting compressor fuel) during the winter months. As part of the portfolio, Centra's firm transportation capacity from Michigan to Manitoba is 236,715 GJ/day, allowing Centra to purchase and ship an additional 21,000 GJ/day of gas purchased in the United States in addition to the maximum storage retrieval. This capacity could also be used to purchase and ship more gas from U.S. hubs on days where the storage retrieval is not maximized.

The ability to inject gas into storage in the summer months and retrieve it from storage during the winter months, coupled with access to firm transportation to ship gas from Michigan to Manitoba, reduces the need for firm transmission capacity on the TransCanada Pipelines Mainline. To date, the portfolio approved in Order 112/12 has not been retrospectively reviewed by the Board.

As part of Centra's confidential filings, the Board received evidence regarding the management of Centra's storage and transportation portfolio during the winter of 2013/14, as well as the timeline for accrual of the Supplemental Gas PGVA balance. The Board expects that a full, public review will take place at the next Cost of Gas proceeding, with Centra's Application due by January 16, 2015. By this time, the National Energy Board is expected to have rendered its decision in the current TransCanada Pipelines Mainline Tolls hearing.

Centra's gas year starts on November 1 (the notional start of the heating season) and ends on October 31. During the exceptionally cold winter of 2013/14, Centra accrued a Supplemental Gas PGVA balance that peaked at \$62.8 million. This balance is expected to be reduced to \$42.3 million by October 31, 2014 (as customers pay for Supplemental Gas through monthly billings), which, when added to the accrued (but not yet recovered) balance of \$3.2 million from the 2012/13 gas year and including carrying costs, results in an amount of \$45.5 million, owing to Centra. In addition, Centra has advised that a further \$1.2 million balance remains owing from previous years, for a total of \$46.7 million. This is an unprecedented amount for Centra's Supplemental Gas PGVA balance.

4.2 Centra's Case for Interim Recovery

In light of the Board's procedural direction of October 6, 2014, Centra filed only partial answers to Information Requests, all of which were filed with the Board, at Centra's request, in confidence pursuant to the provisions of Rule 13 of the Board's Rules of Practice and Procedure. Centra explained its concern that putting responses to the Board's Information Requests on the public record, at this time, may be detrimental to ratepayers by providing a competitive advantage to counterparties from whom Centra purchases gas and pipeline transportation. Accordingly, the Board was provided with evidence that is currently not on the public record.

Centra attributes the currently projected net Supplemental Gas PGVA balance of \$46.7 million owing by consumers to Centra to extreme weather conditions and unusual market circumstances experienced during the 2013/14 winter heating season. Specifically, the cold winter increased total gas supply requirements for the 2013/14 gas year from a weather-normalized amount of 47.9 million gigajoules (GJ) to 55.5 million GJ, an increase of almost 16 percent.

Centra further cited high price volatility at markets served directly off the TransCanada Pipelines Mainline, caused by a combination of cold weather, declining storage inventories across North America, and extraordinarily high TransCanada Pipelines discretionary transportation services tolls. Those tolls were enabled by the National Energy Board's 2013 decision to grant TransCanada Pipelines unfettered discretion to set prices for short-term discretionary transportation services. As a result, the market prices for gas at hubs where Centra purchased its Supplemental Gas were extraordinarily high during the three-month period from January to March 2014. This is the timeframe when most of the PGVA balance was incurred.

4.3 Board Findings

Based on its review of Centra's confidential filings, the Board is satisfied that, on a *prima facie* basis for purposes of an interim Order, Centra has demonstrated that the utility's Supplemental Gas costs during the winter of 2013/14 were incurred for the ratepayers in Manitoba. The specific details of Centra's transactions will require additional analysis and review at the 2015 Cost of Gas Hearing.

Based on these findings, the Board is prepared to implement a rate rider on an interim basis that, if kept in place, would recover 50% of Centra's anticipated October 31, 2014 Supplemental Gas PGVA balance of \$23.3 million over a two-year timeframe. Assuming normal weather, this rate rider will recover 25 percent of the Supplemental Gas PGVA balance between November 1, 2014 and October 31, 2015, or \$11.7 million.

The Board will decide, based on a full hearing at Centra's next Cost of Gas Application, whether and over what timeframe the remainder of the Supplemental Gas PGVA balance should be recovered.

In reaching this decision, the Board is balancing the need to achieve a partial PGVA recovery immediately with a clear recognition that a full public review of the facts that gave rise to the PGVA balance and the options for its disposal has not yet taken place. In particular, Centra's confidential filing of Information Request responses meant that approved Interveners did not have an opportunity to test Centra's evidence. In its submission, CAC articulated a concern shared by the Board.

The need to achieve partial recovery immediately arises out of concern for ratepayer equity. The majority of the gas purchases that led to the Supplemental Gas PGVA balance were accrued in the winter of 2013/14, and an additional balance relates to the previous gas year. Since the population of Manitoba is not static, but people constantly move in and out of the jurisdiction, there is a strong imperative to recover costs shortly after they were incurred. At the same time, the Board recognizes that a recovery of the entire Supplemental Gas PGVA over a one-year timeframe could lead to 'rate shock' for

customers. The Board is also aware that the market and weather conditions that resulted in the extraordinarily high Supplemental Gas costs could be repeated in the coming winter. If the PGVA balance is not at least partially recovered this winter, there is a possibility that the recovery of the past PGVA balance will be compounded with a PGVA balance that accrues in the coming winter.

In the Board's view, the partial interim recovery established by this Order strikes the appropriate balance between early recovery, rate shock avoidance, and the need for a public review process with respect to the prudence of the expenditures.

5.0 NON-PRIMARY GAS DEFERRAL ACCOUNTS OTHER THAN THE SUPPLEMENTAL GAS PGVA

5.1 Nature of the Accounts and Accrued Balances

In addition to the Supplemental Gas PGVA, Centra also accrued several other deferral account balances during the 2012/13 and 2013/14 gas years. The forecasted balances as of October 31, 2014 are summarized in the table below, followed by a description of the various deferral accounts.

Account	Prior Period Balance Owed to Centra / (Owed to Customers)	2012/13 Balance Owed to Centra / (Owed to Customers)	2013/14 Balance Owed to Centra / (Owed to Customers)	Total Owed to Centra / (Owed to Customers)
Supplemental Gas	\$1,185,743	\$3,189,353	\$42,312,871	\$46,687,967
Transportation	(\$1,671,501)	(\$4,455,859)	\$5,857,154	(\$270,206)
Distribution	\$236,240	(\$1,648,224)	\$1,385,127	(\$26,857)
Heating Value Margin	-	(\$455,041)	(\$243,912)	(\$698,953)
Total	(\$249,518)	(\$3,369,771)	\$49,311,240	\$45,691,951

Transportation Purchase Gas Variance Account

Centra's Transportation PGVA includes the costs associated with the charges Centra incurs to transport gas on the Canadian and U.S. pipeline systems, as well as the cost of Centra's gas storage capacity in the United States. Centra's capacity management revenues are transferred into the Transportation PGVA on an annual basis and serve to decrease Transportation costs to customers.

Centra provided evidence that the 2012/13 Transportation PGVA balance is \$4.5 million owing to consumers, including carrying costs to October 31, 2013, while the 2013/14 Transportation PGVA balance outlook to October 31, 2014 is \$5.9 million owing to Centra.

Distribution Purchase Gas Variance Account

Centra's Distribution PGVA captures the cost of Unaccounted for Gas on Centra's distribution system. Unaccounted For Gas losses are allocated between Primary Gas and Supplemental Gas to determine the cost of the Unaccounted For Gas, then these costs are transferred to the Distribution PGVA. The Distribution PGVA also includes charges for capacity on the Minell pipeline that serves Centra's customers in the Parkland region of the province.

Centra provided evidence that the 2012/13 Distribution PGVA balance is \$1.6 million owing to customers, including carrying costs to October 31, 2014, while the 2013/14 Distribution PGVA balance outlook to October 31, 2014 is \$1.4 million owing to Centra.

Heating Value Margin Deferral Account

Centra's approved rates assume a gas heating value of 37.8 GJ/m³. If the actual heating value is lower, consumers consume greater volumes of gas than they otherwise would have. Conversely, if the heating value is higher, consumers consume less gas to achieve the same level of heating. Monetary amounts accruing as a result of heating value variance are accounted for in Centra's Heating Value Margin Deferral Account.

Centra provided evidence that the 2012/13 and 2013/14 heating values result in a net balance of approximately \$0.7 million owing to customers.

Prior Period Deferral Accounts

In Order 89/13, the Board ordered Centra to dispose of a net amount of \$14,000 owing to Centra associated with Non-Primary Gas deferral accounts. Centra advised that as a result of colder than normal weather, Centra over-recovered on this account and projects that approximately \$250,000 will be owing to consumers effective October 31, 2014.

5.2 Board Findings

The Board is satisfied that Centra has made a *prima facie* case to justify disposing of the Non-Primary Gas deferral accounts, other than the Supplemental Gas deferral account, over a period of 12 months starting on November 1, 2014. The Board approves on an interim basis rate riders as proposed by Centra in order to dispose of the Non-Primary Gas deferral accounts over a 12-month period as requested by Centra.

6.0 BILL IMPACTS

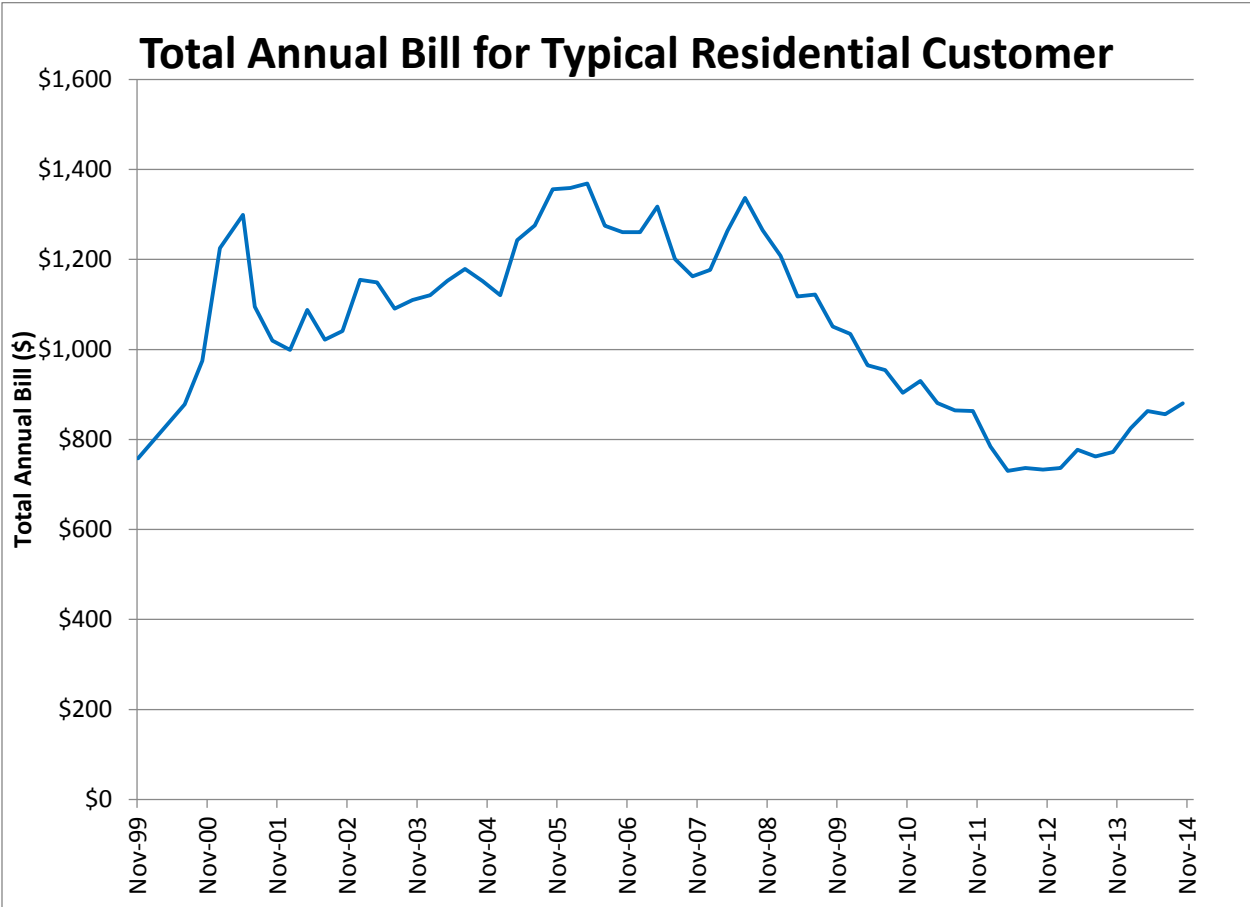
The annualized bill impacts effective November 1, 2014 on the various customer classes resulting from the change in the Primary Gas rate and the implementation of Non-Primary Gas rate riders are as follows:

Customer Class	Annualized Rate Increase (Illustrative)
Small General Service	4.0% - 6.0%
Large General Service	5.6% - 7.5%
High Volume Firm	7.2% - 12.5%
Mainline	11.3% - 11.9%
Interruptible	3.2% - 3.5%

The projected annualized bill impact for a typical residential customer, based on average annual consumption of 2,374 m³ of gas, is an increase of \$43/year or 5.0% from August 1, 2014 rates.

In periods of extremely cold weather or when Centra needs to preserve its storage gas volumes to ensure there is sufficient supply for Centra's Firm Supply customers, Centra curtails the gas supply to Interruptible customers. Because of the extreme weather experienced during the winter of 2013/14, Centra curtailed its Interruptible customers for an extended period of time. During this time, Interruptible customers either used back-up fuel supplies (such as heating oil) or Centra sourced Alternative Supplies of gas which Interruptible customers directly paid for. As a result, Interruptible customers did not contribute to the extraordinary balance in the Supplemental Gas PGVA. Accordingly, the Supplemental Gas rate rider for Interruptible customers is lower than it is for Firm customers, and the resulting bill impacts to Interruptible customers are lower than for Centra's other rate classes.

A graph of the historical annual bill for typical residential customers as a result of these rate changes is shown below:



7.0 IT IS THEREFORE ORDERED THAT:

Centra's Application for a Primary Gas rate increase effective November 1, 2014 **BE AND HEREBY IS APPROVED** as filed.

Centra's Application dated July 31, 2014 to dispose of Non-Primary Gas deferral accounts **BE AND HEREBY IS APPROVED IN PART and VARIED AS FOLLOWS:**

- (a) Centra's Application for an interim Order allowing it to dispose of an approximate \$46.7 million balance owing to Centra in Centra's Supplemental Gas Purchased Gas Variance Account over a two-year timeframe **BE AND HEREBY IS DENIED.**
- (b) Notwithstanding Directive 2(a), the Board approves on an interim basis, and Centra shall establish effective November 1, 2014, rate riders sufficient to recover 50 percent of Centra's anticipated October 31, 2014 Supplemental Gas Purchased Gas Variance Account balance over a 24-month timeframe commencing November 1, 2014. These rate riders shall terminate at the earlier of:
 - (i) A final Order with respect to Centra's next Cost of Gas proceeding;
or
 - (ii) October 31, 2015.

For greater clarity, if the rate riders terminate on October 31, 2015, it will have recovered, in 'normal' weather conditions, 25% of Centra's October 31, 2014 Supplemental Gas Purchased Gas Variance Account balance.

- (c) Centra's Application for an interim Order allowing it to dispose of the following Non-Primary Gas deferral account balances over a 12-month timeframe commencing November 1, 2014 **BE AND HEREBY IS APPROVED:**
 - (i) 2012/13 and 2013/14 Transportation Purchased Gas Variance Accounts;
 - (ii) 2012/13 and 2013/14 Distribution Purchased Gas Variance Accounts;
 - (iii) 2012/13 and 2013/14 Heating Value Margin Deferral Accounts;
and
 - (iv) July 31, 2013 Prior-Period Gas Deferrals Account.

Centra shall file a Cost of Gas Application with the Public Utilities Board by no later than January 16, 2015.

Centra shall file, before December 15, 2014, the following on the public record, unless Centra claims confidentiality pursuant to Rule 13 of the Public Utilities Board's Rules of Practice and Procedure, in which case Centra shall file those Information Request Responses in confidence and advise the Board of the basis for Centra's claim for confidentiality on a question-specific basis:

- (a) Answers to all Information Requests by the Public Utilities Board with respect to Centra's interim Application for Non-Primary Gas Rate Riders for which answers were filed in confidence on October 15, 2014; and
- (b) Answers to any Information Request asked by the Public Utilities Board and approved Interveners with respect to Centra's interim Application for Non-Primary Gas Rate Riders for which no answers have been filed as of the date of this Order.

The Schedules of Rates for Primary Gas and Non-Primary Gas attached to this Order as Appendix "A", effective for all gas consumed on and after November 1, 2014, **BE AND ARE HEREBY APPROVED** on an interim basis until the earlier of:

- (a) A further Order of the Board with respect to the matters herein;
- (b) A final Order of the Board with respect to Centra's next Cost of Gas Application;
- (c) An interim Order with respect to Centra's next quarterly application for Primary Gas rates; or
- (d) October 31, 2015.

Board decisions may be appealed in accordance with the provisions of Section 58 of The Public Utilities Board Act, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

THE PUBLIC UTILITIES BOARD

"Régis Gosselin, B ès Arts, MBA, CGA"
Chair

"Kurt Simonsen, P. Eng."

Acting Secretary

Certified a true copy of Order No. 123/14
issued by The Public Utilities Board

Acting Secretary

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES ONLY - NO RIDERS)

1	Territory:	Entire natural gas service area of Company, including all zones				
2						
3	Availability:					
4	SGC:	For gas supplied through one domestic-sized meter.				
5	LGC:	For gas delivered through one meter at annual volumes less than 680,000 m ³				
6	HVF:	For gas delivered through one meter at annual volumes greater than 680,000 m ³				
7	CO-OP:	For gas delivered to natural gas distribution cooperatives				
8	MLC:	For gas delivered through one meter to customers served from the Transmission system				
9	Special Contract:	For gas delivered under the terms of a Special Contract with the Company				
10	Power Station:	For gas delivered under the terms of a Special Contract with the Company				
11						
12	Rates:	Distribution to Customers				
		Transportation				Supplemental
		to			Primary Gas	Gas
		Centra	Sales Service	T-Service	Supply	Supply¹
13						
14	Basic Monthly Charge: (\$/month)					
15	Small General Class (SGC)	N/A	\$14.00	N/A	N/A	N/A
16	Large General Class (LGC)	N/A	\$77.00	\$77.00	N/A	N/A
17	High Volume Firm (HVF)	N/A	\$1,221.42	\$1,221.42	N/A	N/A
18	Cooperative (CO-OP)	N/A	\$318.21	\$318.21	N/A	N/A
19	Main Line Class (MLC)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
20	Special Contract	N/A	N/A	\$117,970.11	N/A	N/A
21	Power Station	N/A	N/A	\$8,026.07	N/A	N/A
22						
23	Monthly Demand Charge (\$/m³/month)					
24	High Volume Firm Class (HVF)	\$0.2386	\$0.1666	\$0.1666	N/A	N/A
25	Cooperative (CO-OP)	\$0.3702	\$0.1310	\$0.1310	N/A	N/A
26	Main Line Class (MLC)	\$0.3782	\$0.1818	\$0.1818	N/A	N/A
27	Special Contract	N/A	N/A	N/A	N/A	N/A
28	Power Station	N/A	N/A	\$0.0045	N/A	N/A
29						
30	Commodity Volumetric Charge: (\$/m³)					
31	Small General Class (SGC)	\$0.0398	\$0.0943	N/A	\$0.1513	\$0.1605
32	Large General Class (LGC)	\$0.0390	\$0.0416	N/A	\$0.1513	\$0.1605
33	High Volume Firm (HVF)	\$0.0156	\$0.0094	\$0.0094	\$0.1513	\$0.1605
34	Cooperative (CO-OP)	\$0.0045	\$0.0001	\$0.0001	\$0.1513	\$0.1605
35	Main Line Class (MLC)	\$0.0049	\$0.0045	\$0.0045	\$0.1513	\$0.1605
36	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
37	Power Station	N/A	N/A	\$0.0080	N/A	N/A
38						
39		¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.				
40						
41	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
42						
43	Effective:	Rates to be charged for all billings based on gas consumed on and after Nov 1, 2014				

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATE SCHEDULES (BASE RATES ONLY - NO RIDERS)

1	Territory:	Entire natural gas service area of Company, including all zones.				
2						
3	Availability:	For any Consumer at one location whose annual natural gas requirements equal or exceed 680,000m ³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.				
4						
5	Rates:	<u>Distribution to Customers</u>				
6		<u>Transportation to Centra</u>			<u>Primary Gas Supply</u>	<u>Supplemental Gas Supply¹</u>
7			<u>Sales Service</u>	<u>T-Service</u>		
8	Basic Monthly Charge: (\$/month)					
9	Interruptible Service	N/A	\$1,254.45	\$1,254.45	N/A	N/A
10	Mainline Interruptible (with firm delivery)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
11						
12	Monthly Demand Charge (\$/m3/month)					
13	Interruptible Service	\$0.1122	\$0.0851	\$0.0851	N/A	N/A
14	Mainline Interruptible (with firm delivery)	\$0.1726	\$0.1818	\$0.1818	N/A	N/A
15						
16	Commodity Volumetric Charge: (\$/m3)					
17	Interruptible Service	\$0.0095	\$0.0071	\$0.0071	\$0.1513	\$0.1710
18	Mainline Interruptible (with firm delivery)	\$0.0050	\$0.0045	\$0.0045	\$0.1513	\$0.1710
19						
20	Alternate Supply Service:			Negotiated		
21	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
22	Delivery - Interruptible Class			\$0.0099		
23	Delivery - Mainline Interruptible Class			\$0.0105		
24						
25	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
26						
27	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
28						
29	Effective:	Rates to be charged for all billings based on gas consumed on and after Nov 1, 2014.				

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES
RATE SCHEDULES (BASE RATES PLUS RIDERS)

1	Territory:	Entire natural gas service area of Company, including all zones.				
2						
3	Availability:					
4	SGC:	For gas supplied through one domestic-sized meter.				
5	LGC:	For gas delivered through one meter at annual volumes less than 680,000 m ³ .				
6	HVF:	For gas delivered through one meter at annual volumes greater than 680,000 m ³ .				
7	Co-op:	For gas delivered to natural gas distribution cooperatives.				
8	MLC:	For gas delivered through one meter to consumers served from the Transmission system.				
9	Special Contract:	For gas delivered under the terms of a Special Contract with the Company.				
10	Power Station:	For gas delivered under the terms of a Special Contract with the Company.				
11						
12	Rates:	Distribution to Customers				
		Transportation			Primary Gas	Supplemental Gas
		to			Supply	Supply¹
		Centra	Sales Service	T-Service		
13						
14						
15	Basic Monthly Charge: (\$/month)					
16	Small General Class (SGC)	N/A	\$14.00	N/A	N/A	N/A
17	Large General Class (LGC)	N/A	\$77.00	\$77.00	N/A	N/A
18	High Volume Firm Class (HVF)	N/A	\$1,221.42	\$1,221.42	N/A	N/A
19	Cooperative (Co-op)	N/A	\$318.21	\$318.21	N/A	N/A
20	Main Line Class (MLC)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
21	Special Contract	N/A	N/A	\$117,970.11	N/A	N/A
22	Power Station	N/A	N/A	\$8,026.07	N/A	N/A
23						
24	Monthly Demand Charge (\$/m³/month)					
25	High Volume Firm Class (HVF)	\$0.4182	\$0.1671	\$0.1671	N/A	N/A
26	Cooperative (Co-op)	\$0.3702	\$0.1310	\$0.1310	N/A	N/A
27	Main Line Class (MLC) (Firm)	\$0.4237	\$0.1816	\$0.1816	N/A	N/A
28	Special Contract	N/A	N/A	N/A	N/A	N/A
29	Power Station	N/A	N/A	\$0.0045	N/A	N/A
30						
31	Commodity Volumetric Charge: (\$/m³)					
32	Small General Class (SGC)	\$0.0395	\$0.1025	N/A	\$0.1665	\$0.1605
33	Large General Class (LGC)	\$0.0384	\$0.0498	N/A	\$0.1665	\$0.1605
34	High Volume Firm Class (HVF)	\$0.0049	\$0.0178	\$0.0091	\$0.1665	\$0.1605
35	Cooperative (Co-op)	\$0.0045	\$0.0001	\$0.0001	\$0.1665	\$0.1605
36	Main Line Class (MLC) (Firm)	\$0.0068	\$0.0131	\$0.0045	\$0.1665	\$0.1605
37	Special Contract	N/A	N/A	\$0.0001	N/A	N/A
38	Power Station	N/A	N/A	\$0.0080	N/A	N/A
39						
40	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
41	² LGS distribution commodity rate for former INT customers who migrate after May 1, 2014 is \$0.0437/m ³					
42	³ HVF distribution commodity rate for former INT customers who migrate after May 1, 2014 is \$0.0117/m ³					
43						
44	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.				
45						
46	Effective:	Rates to be charged for all billings based on gas consumed on and after Nov 1, 2014.				

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATE SCHEDULES (BASE RATES PLUS RIDERS)

1	Territory:	Entire natural gas service area of Company, including all zones.				
2						
3	Availability:	For any Consumer at one location whose annual natural gas requirements equal or exceed 680,000m ³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.				
4						
5	Rates:					
6		<u>Distribution to Customers</u>				
		<u>Transportation to Centra</u>	<u>Sales Service</u>	<u>T-Service</u>	<u>Primary Gas Supply</u>	<u>Supplemental Gas Supply¹</u>
7						
8	Basic Monthly Charge: (\$/month)					
9	Interruptible Service	N/A	\$1,254.45	\$1,254.45	N/A	N/A
10	Mainline Interruptible (with firm delivery)	N/A	\$1,247.13	\$1,247.13	N/A	N/A
11						
12	Monthly Demand Charge (\$/m³/month)					
13	Interruptible Service	\$0.1232	\$0.0855	\$0.0855	N/A	N/A
14	Mainline Interruptible (with firm delivery)	\$0.1896	\$0.1816	\$0.1816	N/A	N/A
15						
16	Commodity Volumetric Charge: (\$/m³)					
17	Interruptible Service	\$0.0037	\$0.0100	\$0.0074	\$0.1665	\$0.1710
19	Mainline Interruptible (with firm delivery)	-\$0.0011	\$0.0131	\$0.0045	\$0.1665	\$0.1710
20						
21	Alternate Supply Service:			Negotiated		
22	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
23	Delivery Service - Interruptible Class			\$0.0128		
24	Delivery Service - Mainline Interruptible Class			\$0.0191		
25						
26	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
27						
28	Minimum Monthly Bill:	Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.				
29						
30	Effective:	Rates to be charged for all billings based on gas consumed on and after Nov 1, 2014.				