

**CENTRA GAS MANITOBA INC.**

**ACQUISITION OF THE ASSETS OF  
SWAN VALLEY GAS CORPORATION**

**PROPOSED RATES AND CUSTOMER IMPACTS**

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1 **5.0 Introduction**

2 Tab 5 discusses the impact of the proposed transaction on the rates charged to  
3 ratepayers of both Centra and SVGC.

4

5 **5.1 Proposed Rates and Bill Impacts to SVGC Customers**

6 Centra's current rates, as may be amended from time to time, will apply to all customers  
7 in the SVGC service area. In addition to Centra's current approved rates, Centra is  
8 proposing an Acquisition Surcharge of \$0.0304/m<sup>3</sup> be added to all customer bills in the  
9 SVGC service area for a period of 48 months. The Acquisition Surcharge is to recover  
10 the purchase price paid by Centra for the assets of SVGC, as the SVGC customers are  
11 benefiting from the acquisition. This has been calculated by dividing the annual purchase  
12 payment of \$50,000 by the forecasted annual volumes of approximately 1,644,000 m<sup>3</sup>.  
13 The Acquisition Surcharge will be applicable to all natural gas volumes delivered in the  
14 SVGC service area, will be recovered over a 48-month period commencing with the first  
15 billing cycle upon closing of the transaction, and will be the same for all customer  
16 classes.

17

18 Attachment 5.1 provides the annualized bill impacts for a natural gas customer in the  
19 SVGC service area of moving to Centra's rates (including the Acquisition Surcharge)  
20 from current SVGC Rates (effective November 1, 2010 approved through Order 108/10).

1 The annualized bill impact results in a reduction of 2% to 30% depending on annual  
2 consumption and rate class and has been determined using the consumption levels  
3 assumed by SVGC in its Rate Application to the PUB for rates effective November 1,  
4 2010. SVGC's current Customer Classes include: Residential, Small Commercial,  
5 General Service and Institutional. Approximately 200 of the 238 customers are  
6 residential and small commercial customers based on their load characteristics and will  
7 be placed in Centra's SGS Class. The remaining 38 SVGC General Service and  
8 Institutional customers will fall within Centra's Large General Service Class based on  
9 their load characteristics.

10

## 11 **5.2 Impact of Proposed Transaction on Centra's Existing Ratepayers**

12 Centra has prepared a forecast which accounts for the acquisition of the assets of SVGC  
13 as well as a revenue requirement impact analysis to estimate the incremental impact of  
14 the purchase of SVGC's assets on Centra's financial forecast (CGM12). A copy of the  
15 SVGC acquisition scenario is provided in Attachment 5.2 and the revenue requirement  
16 impact analysis is provided in Attachment 5.3 to Tab 5. Due to the small size of the  
17 proposed transaction and the number of customers in the SVGC service territory, the  
18 annual impact is expected to be very small and would not create a material impact on  
19 the rates charged to Centra's existing customers. The impact of the proposed  
20 transaction on Centra's requested additional revenue requirement, to achieve the same  
21 retained earnings by 2024 as forecasted in CGM12, is expected to be approximately  
22 0.008% per year, or 0.09% cumulatively over ten years.

23

24 The incremental impact calculation includes the following assumptions:

25 1. Sales revenue and the weighted average cost of gas reflect Centra's approved

1 base rates effective August 1, 2013, plus the revenues from the proposed  
2 temporary Acquisition Surcharge;

3 2. Cost of Sales reflects the Purchased Gas Cost Forecast provided in Attachment  
4 3.3 to Tab 3;

5 3. Operations and maintenance reflects Centra's estimated costs to operate and  
6 maintain the system with leak surveys, cathodic protection monitoring, system  
7 odorant checks, station maintenance and meter reading. The estimate also  
8 includes emergency response services that may be provided by SaskEnergy  
9 from its Kamsack and Canora, Saskatchewan offices; and,

10 4. Property Taxes reflect SVGC's actual property taxes for 2012.

11

12 The following integration costs were also considered in the preparation of this analysis:

13 1. The estimated cost of replacing meters for all SVGC customers.

14 2. The estimated cost of physical plant required to connect the SVGC system to  
15 Centra's SCADA system, to change pipeline and station signage, and to mark  
16 inactive services.

17 3. The estimated cost of leakage, watercourse cover, depth of cover, geotechnical,  
18 class location and cathodic reading surveys.

19 4. The estimated cost of asset incorporation including the transfer of meter records,  
20 easements, agreements and to place pipeline data into Centra's GIS system.

21 5. The estimated cost of abandoning service lines that were never activated in the  
22 SVGC service area.

23

24 Centra anticipates that it may abandon some of the 268 service lines that were never  
25 activated in the SVGC franchise area. If the transaction is approved, Centra intends to

1 undertake a natural gas educational campaign in the SVGC area. Some customers may  
2 elect to activate their natural gas service. As such, abandoning all 268 service lines  
3 represents a conservative assumption.

4

5 Based on the assumptions noted above, the proposed transaction is expected to have a  
6 minimal impact on Centra's annual revenue requirement and therefore would not create  
7 a material impact on Centra's rates. As shown in Attachment 5.3, the impact of the  
8 proposed transaction on Centra's requested additional revenue requirement, to achieve  
9 the same retained earnings by 2024 as forecasted in CGM12, is expected to be  
10 approximately 0.008% per year, or 0.09% cumulatively over 10 years.

11

12 Under the ownership of Centra, the costs of serving SVGC customers will be recovered  
13 over a much larger customer base. The purchase of SVGC's assets by Centra will  
14 provide benefits for consumers in the SVGC area including lower natural gas bills,  
15 additional customer service programs and assured continuity of safe and reliable  
16 service. Given that the impact on existing ratepayers is immaterial and given the above  
17 noted benefits to SVGC customers, Centra respectfully requests the approval of the  
18 proposed transaction by the PUB.