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September 25, 2024

Dr. D. Christle  
Secretary and Executive Director  
Public Utilities Board  
400-330 Portage Avenue  
Winnipeg, Manitoba  
R3C 0C4

Dear Dr. Christle:

**RE: CENTRA GAS MANITOBA INC. (“CENTRA”)  
Review & Vary Application – Directive 1 - Order 92/24**

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On July 30, 2024, the Public Utilities Board of Manitoba (“PUB”) issued Order 92/24 directing Centra to file its 2024/25 General Rate Application (“GRA”) on or before August 30, 2024.

On August 9, 2024, Centra filed a request to review and vary Directive 1 of Order 92/24 to extend the filing deadline from August 30, 2024 to September 30, 2024 to provide Manitoba Hydro’s new President & CEO the opportunity to become acquainted with the overall organization including the key issues involved in a general rate application filing. In addition, Centra cited the ongoing efforts by the provincial government to imminently release its energy policy that could have implications for the need and timing of a Centra GRA.

On August 13, 2024, the PUB approved Centra’s request and revised the filing date for the GRA from August 30, 2024 to September 30, 2024 in Directive 1 of Order 92/24.

On September 20, 2024, the provincial government issued its Affordable Energy Plan<sup>1</sup> that includes the following guiding principles and objectives for managing the energy transition in Manitoba in a coordinated, integrated and affordable manner: **(emphasis added)**

- Manitoba’s energy is affordable. The first, and most important guiding principal [sic] is that the **shift to more clean energy will keep rates affordable for Manitobans**. (Guiding Principles, page 4).

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1 [https://www.manitoba.ca/asset\\_library/en/energyplan/mb-affordable-energy-plan.pdf](https://www.manitoba.ca/asset_library/en/energyplan/mb-affordable-energy-plan.pdf)

To request accessible formats visit [hydro.mb.ca/accessibility](http://hydro.mb.ca/accessibility).

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- **Manitoba’s energy transition will require coordinated efforts across all provincial government departments, Crown corporations and other agencies, especially Manitoba Hydro, Efficiency Manitoba and the Public Utilities Board. This collaborative approach will mean that all mandates and actions will be aligned with the vision and objectives of this policy.** (Guiding Principles, page 4).
- Affordable and reliable heating and cooling is essential in our climate. **As we move away from non-renewable heating sources such as natural gas, it will be important for Manitobans to be provided with new options that are not only clean but also affordable.** (Objective 2, Action 2.1, page 6)
- Manitoba will explore the potential for district energy systems to save families money and reduce emissions. If these systems help make climate-friendly choices more affordable for Manitobans, the province will examine the viability of establishing neighborhood energy systems through Manitoba Hydro. **Better integrating electricity, geothermal, and natural gas planning would help avoid sunk costs in the energy shift.** (Objective 2, Action 2.4, page 7).
- The Manitoba government will repeal the Manitoba Hydro Amendment and Public Utilities Board Amendment Act (formerly Bill 36) and **continue to streamline electricity and natural gas rates to keep energy bills affordable.** (Objective 7, Action 7.1, page 14)
- **To ensure Manitoba’s major energy players plan in concert for our energy future, government has embedded our path to net zero into the mandates of our energy Crown corporations to further align planning and operations.** (Objective 7, Action 7.2, page 14).
- **Aligning government, Manitoba Hydro, Efficiency Manitoba, and the Public Utilities Board** will chart a new path for responsible stewardship of all our energy resources while meeting our net zero targets. (Our Affordable Energy Future, page 16).

**Centra’s Request to Dispense with the 30-day filing requirement and Review and Vary Order 92/24**

Having now considered the specific direction included in the Affordable Energy Plan, pursuant to section 44(3) of *The Public Utilities Board Act* and rules 3(2), 36 and 40 of the PUB’s *Rules of Practice and Procedure*, Centra requests that the PUB further vary Directive 1 of Order 92/24, by indefinitely setting aside the September 30, 2024 filing date for Centra’s GRA, as ordered in Order No. 96/24, for the reasons outlined herein.

As this Application is filed at the earliest opportunity after the issuance of the Affordable Energy Plan by the provincial government on September 20, 2024, a brief thirteen days after the thirty day review and vary deadline set out in subrule 36(3) of the PUB’s *Rules of Practice and Procedure* from the August 13, 2024 date of Order 96/24, Centra submits that it is reasonable, appropriate and warranted in the circumstances for the PUB to dispense with the thirty day requirement and consider the Application on its merits in accordance with subsection 3(2) of the PUB’s *Rules of Practice and Procedure*.

### **Reasons for the Application**

Centra submits that filing a stand-alone natural gas GRA on September 30, 2024, seeking significant non-gas cost rate increases over a three-year period, does not align with the stated principles and objectives of the Affordable Energy Plan.

First, adjourning the filing of the Centra GRA and deferring the proposed non-commodity rate increases at this time is consistent with the most important guiding principle in the Affordable Energy Plan, namely customer affordability.

Further, by setting aside the natural gas GRA, Centra/Manitoba Hydro, the PUB and interested parties can focus their collective efforts in considering and addressing the energy transition including the interrelated impacts on both natural gas and electricity rates. For example, there is great uncertainty surrounding the evolving energy transition and the degree to which the electrification of space heat occurs could contribute toward the stranding of assets on the natural gas system. The Affordable Energy Plan informs the role natural gas will play in the evolving energy landscape, which may cause a switch from natural gas to electric heating that results in the expensive expansion of electric infrastructure required to support this level of decarbonization.

Aligning the financial and regulatory planning of Manitoba Hydro and Centra as soon as possible is necessary so the impacts of the energy transition away from fossil fuels on both electricity and natural gas can be managed in a streamlined and integrated fashion. Such alignment will best meet the objectives established in the Affordable Energy Plan, particularly with respect to the first and most important principle of keeping rates affordable for Manitobans. Further, aligning the financial considerations of Manitoba Hydro and Centra will permit the two utilities to be reviewed as one financial entity by the PUB, with a single Revenue Requirement and retained earnings balance, thereby alleviating the near-term concerns around the erosion of Centra's retained earnings acknowledged by the PUB in Order 92/24.

Accordingly, and consistent with the guiding principles of the Affordable Energy Plan, it is the strong preference of Centra/Manitoba Hydro to first consider the financial and regulatory integration of Centra with Manitoba Hydro into one financial entity by the PUB before seeking rate increases for both gas and electric segments. Such integration will allow for more informed management of the energy transition and related changes to electricity and natural gas usage and, ultimately, the ability to consider rate smoothing for both segments and better manage impacts to customer affordability.

A critical first step towards this financial and regulatory integration is a legal review of the options for, and implications of, the necessary corporate reorganization. Dedicating resources towards this potential integration now in efforts to achieve the objectives of the Affordable Energy Plan and for the next Manitoba Hydro GRA is Manitoba Hydro's strong preference and priority over proceeding with spending significant resources on a stand-alone Centra GRA. Accordingly, the Corporation intends to commence work to consider the potential re-

alignment of the legal and corporate structures of Centra and Manitoba Hydro to effect the proposed integration consistent with the Affordable Energy Plan.

Concurrent with that work and commencing immediately upon the PUB's decision with respect to this Application, Centra/Manitoba Hydro would engage in discussions with the PUB and Interveners to consider and plan potential process and associated timelines for an integrated electric and gas general rate application in calendar 2025. This will allow the PUB to review and approve general rate increases for both electricity and natural gas. As this effort will require dedicated and focused collaboration from Manitoba Hydro and all involved parties, an adjournment of the Centra GRA is necessary as resource constraints on all parties prohibit conducting a stand-alone natural gas GRA concurrent with an integrated, collaborative process to commence planning for an aligned hearing process in accordance with the principles and objectives specified in the Affordable Energy Plan.

Centra further submits that the ongoing review of the implementation of Centra's Cost of Service Methodology, approved in Order 109/22, and review of its Integrated Cost Allocation Methodology by the PUB's Independent Expert Consultants can continue if the PUB approves Centra's request to set aside the GRA. Centra supports the completion of this important work over the coming months as a PUB approved ICAM and a gas cost allocation methodology are necessary for establishing just and reasonable rates as part of an integrated electric and natural gas revenue requirement application in 2025.

For all the above noted reasons, Centra respectfully requests that the PUB grant the relief requested in this review and vary Application.

Should you have any questions with respect to this submission, please contact the writer at 204-360-3257.

Yours truly,

**MANITOBA HYDRO LEGAL SERVICES DIVISION**

Per:



**BRENT A. CZARNECKI**

Associate General Counsel and Assistant Corporate Secretary