

October 15, 2025

The Public Utilities Board of Manitoba
400-330 Portage Avenue
Winnipeg, MB R3C 0C4

Attention: Dr. D. Christle, Board Secretary and Executive Director

VIA E-MAIL

Dear Dr. Christle:

**Re: CENTRA'S FISCAL 2025 GENERAL RATE APPLICATION – REVIEW & VARY ORDER
120/25 REGARDING FISCAL 2024/25 ADJUSTMENTS**

On September 16, 2025, the Public Utilities Board of Manitoba (“PUB”) issued Order 120/25 directing Centra Gas Manitoba Inc. (“Centra”) to make the following adjustments impacting fiscal year 2024/25:

5. f) Centra is authorized to apply the \$243,000 reduction in depreciation expense for the 2024/25 test year that results from using the 2024 Depreciation Study instead of the 2019 Depreciation study as an increase to net income for that year.

[...]

8. Centra is directed to revise its integrated cost allocation methodology, beginning with the 2024/25 test year, by replacing the %Activity and %Hybrid allocators with a three-factor allocator that equally weights all of the following:

- a) activity charges as currently determined by Centra, based on a rolling average of the prior three fiscal years;*
- b) assets based on a rolling average of the prior three fiscal years; and*
- c) revenue for electric and natural gas operations based on a rolling average of the prior three fiscal years in a matter that:
 - i. includes Manitoba Hydro’s net export revenue for electric operations; and*
 - ii. excludes Centra’s gas commodity costs for natural gas operations.**

Centra is requesting the PUB review and vary both directives on the basis that there has been an error in fact and/or mixed fact and law for the reasons detailed below.

After reviewing the nature of these directives, it has been determined that none of the directed changes qualify as prior period adjustments under IFRS, as they do not represent a change in accounting policy. The revision to the integrated cost allocation methodology does not change

the underlying accounting policies for expense recognition or capitalization. Rather, it reflects an update to the basis for estimating how costs are allocated, which is consistent with the definition of a change in accounting estimate under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Centra also notes that its audited financial statements do not disclose the specific costing methodology within the accounting policies note.

Under IAS 8, changes in accounting estimates must be applied prospectively. Retrospective application, as implied by the directives, would be inconsistent with IFRS and would effectively reopen an audited fiscal year, which is not in accordance with IFRS. Under IAS 8, only changes in accounting policies or corrections of errors would result in restatement of prior periods.

More specifically, IAS 8 prescribes the appropriate accounting treatment and disclosure for changes in accounting policies, changes in accounting estimates, and the correction of errors.

- Changes in accounting policies are applied retrospectively, unless impracticable or unless another IFRS standard provides specific transitional provisions.
- Changes in accounting estimates result from new information or developments and are applied prospectively.
- Prior period errors arise from omissions or misstatements caused by a failure to use, or misuse of, reliable information available at the time, and are corrected retrospectively.

Directive 8

In light of the foregoing, Centra has considered two possible approaches for implementing Directive 8:

1. Prospective Application (Reflected in Compliance Filing)
The changes related to costing methodology would be applied prospectively beginning in fiscal 2025/26 instead of retroactive to 2024/25. This approach aligns with the applicable accounting standards and is Centra's preferred approach and was reflected in Centra's Compliance Filing.
2. IFRS 14 Regulatory Deferral Approach
Alternatively, Centra could recognize a regulatory deferral asset in 2025/26 equal to the cumulative impact that would have occurred in 2024/25, with a corresponding credit to income in 2025/26. The asset would then be amortized over the 2025/26 and 2026/27 fiscal years, resulting in no net impact to retained earnings over the rate period. This option would add administrative complexity without providing meaningful benefit to ratepayers or financial results. For clarity, Centra confirms that deferral account balances from natural gas operations cannot be transferred to electric operations.

<i>in millions of dollars</i>	Test Year 2024/25	Test Year 2025/26	Test Year 2026/27
PROSPECTIVE APPLICATION			
Net Income/Loss	(\$24.2)	\$3.2	\$13.2
Retained Earnings	\$3.3	\$6.5	\$19.7
IFRS 14 REGULATORY DEFERRAL APPROACH			
Regulatory Deferral	\$0.0	\$5.6	\$0.0
Regulatory Deferral Amortization	\$0.0	(\$2.8)	(\$2.8)
Net Income/Loss	(\$24.2)	\$6.0	\$10.4
Retained Earnings	\$3.3	\$9.3	\$19.7
DIFFERENCE			
Net Income/Loss	\$0.0	(\$2.8)	\$2.8
Retained Earnings	\$0.0	(\$2.8)	\$0.0

For the reasons outlined above, pursuant to section 58 of the Public Utilities Board’s Rules of Practice and Procedure (the “PUB’s Rules”), Centra respectfully requests that the Board review and vary Directive 8 of Order 120/25, to allow the directed changes to be applied on a prospective basis only, rather than to the 2024/25 test year. This request is based on the IFRS standards which prohibit Centra from making the retroactive adjustments directed and provides a reasonable, practical and timely solution given the circumstances.

Directive 5 f)

In Directive 5 f), the PUB authorizes Centra to apply the \$243,000 reduction in depreciation expense for 2024/25, resulting from the use of the 2024 Depreciation Study instead of the 2019 study, directly to net income for that year.

In Directive 5 c) of the Order, the PUB states:

*The Board approves the amortization of the regulatory deferrals for the differences between the 2014 and 2019 depreciation studies and **between the 2019 and 2024 depreciation studies over five years.***

Directives 5 c) and 5 f) both address the treatment of the 2024/25 depreciation and amortization expense difference arising from the updated 2024 Depreciation Study compared to the 2019 Depreciation Study. Directive 5 f) authorizes Centra to apply the \$243,000 reduction directly to net income in 2024/25, while Directive 5 c) approves the amortization of this difference over five years.

For the reasons detailed above, the PUB’s direction in Directive 5 f) to apply the difference to net income in 2024/25, would be a change in accounting estimate and therefore must be applied on a prospective basis only.

In addition, Centra noted in its response to PUB/Centra II-8, that it has established a new regulatory deferral in 2024/25, the 2024 Depreciation Study Impact deferral account, to record the difference in depreciation expense between the 2024 and the 2019 depreciation studies. This deferral was established based on past precedent and is consistent with the direction provided by the PUB in Order 152/19 Directive 2 d) related to the cumulative impact of Centra’s 2014 depreciation study regulatory deferral account. The difference in depreciation and amortization expense for 2024/25 was captured in this regulatory deferral on an actual basis for 2024/25.

Given the competing nature of the directives, the requirement to implement changes on a prospective basis only, and the fact that Centra has already established a regulatory deferral to capture the difference in depreciation expense between the 2019 and 2024 depreciation studies, Centra respectfully requests that the PUB review and vary Order 120/25 to set aside Directive 5 f). Doing so would enable Centra to amortize the balance in the existing regulatory deferral over five years, consistent with Directive 5 c).

In accordance with section 58(4)(c) of the PUB's Rules, Centra is providing this Application to the interveners of record in Centra's Fiscal 2025 General Rate Application, as well as PUB counsel.

Should you have any questions with respect to the foregoing, please do not hesitate to contact the writer at 204-360-3399.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:



GWEN MUIRHEAD

Legal Counsel