

March 6, 2026

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

Attention: Rachel McMillin, Executive Director & Secretary

VIA E-MAIL

Dear Ms. McMillin:

Re: CENTRA'S FISCAL 2025 GENERAL RATE APPLICATION – REVIEW & VARY ORDER 120/25 REGARDING DIRECTIVE 4 AND JOINT RATE REVIEW

On September 16, 2025, the Public Utilities Board of Manitoba (“PUB”) issued Order 120/25 with respect to the Centra Gas Manitoba Inc. (“Centra”) Fiscal 2025 General Rate Application. Included at page 192 of the Order is Directive 4, requiring Centra to file a three-year General Rate Application (“GRA”) for fiscal years 2027/28 to 2029/30 with the PUB on or before April 1, 2027.

For the reasons described herein, and in accordance with section 44(3) of *The Public Utilities Board Act* and Rule 58 of the *Rules of Practice and Procedure*, Centra requests the PUB to review and vary Directive 4 of Order 120/25 to allow Centra to file a one-year rate application on or before April 1, 2027, to be reviewed on an expedited basis, followed by a subsequent three-year GRA to be filed in early calendar 2028 for the test years 2028/29, 2029/30 and 2030/31.

In addition, Centra and Manitoba Hydro are proposing to have a joint review of natural gas and electricity rate changes by way of a joint application to be filed by the corporation with the PUB in early calendar 2028. In Centra’s and Manitoba Hydro’s view, this proposal addresses the concerns raised by the PUB in Order 120/25, page 41, to submit regular Centra GRAs that “allow the utility to remain financially viable and achieve fair and equitable rates” and provides a better and more certain cadence for rate filings from Centra and Manitoba Hydro that will produce more aligned regulatory proceedings before the PUB for all stakeholders.

Review & Vary Application

Relief Sought

Centra requests that Directive 4 of Order 120/25 is varied to the following:

- Centra is directed to file a one-year rate application with respect to fiscal year 2027/28 on or before April 1, 2027 to be followed by a three-year GRA filed in calendar 2028 for fiscal years 2028/29, 2029/30 and 2030/31.

In order to ensure timely implementation of natural gas and electricity rates in fiscal years 2028/29 to 2030/31, Manitoba Hydro and Centra propose to file a three-year GRA early in calendar 2028 for a joint review of natural gas and electricity rate changes.

In support of an expedited one-year gas rate application for 2027/28, Centra will include a one-year detailed O&A budget, its 20-year financial forecast, Cost-of-Service Study results for 2027/28 and updated gas costs.

In addition, Centra will include its 2026-2030 Capital Investment Plan (or a more recent five-year capital plan if available), which will also be filed with the PUB prior to April 1, 2026, in accordance with Directive 8 of Order 138/25. The capital plan reflects increases in capital expenditures associated with updates to the South Loop project and incorporation of work related to other new projects. Centra expects a review of capital expenditures in the 2027/28 test year to be within the scope of the one-year rate application.

Centra anticipates also being in a position to provide information on the following two directives from Order 120/25:

- Directive 10 related to a Centra-specific business plan, including plans for meeting service requirements on a carbon-neutral economy, Centra's management structure, Centra's financial strategy, Centra's cost allocation methodology that considers Manitoba Hydro's future major initiatives and Centra's stable operations; business risks associated with the energy transition (e.g., stranded assets, unrecovered regulatory deferral balances, etc.); appropriate financial metrics and targets for Centra; and appropriate insurance coverage and allocation of these costs to Centra.
- Directive 27 related to the use of CVF to prioritize Centra's capital expenditures.

For the reasons outlined below, Centra proposes to file responses to directives 11, 12, 29, and 35 from Order 120/25 as part of the joint multi-year GRA, instead of the one-year rate application, and accordingly requests that the deadline for these directives be varied to "file no later than April 1, 2028" for the reasons noted below:

- Directive 11 requiring Centra to file with the next rate application a plan to eliminate, or transition towards an elimination of, the corporate allocation; or alternatively, a rationale for retaining the corporate allocation. Deferring the response allows a more fulsome discussion of the benefits and impacts to both companies in the context of a joint review.
- Directive 12 requiring Centra to file with the next rate application a position paper on the possibility of one or more shared service agreements between Centra and Manitoba Hydro. Centra proposes deferring the response to this directive for the same reason noted above in relation to Directive 11.

- Directive 29 requiring Centra to file, together with its next generate rate application, a new Unaccounted-for-Gas study. Centra proposes deferring its response to this directive so it can be addressed as part of the comprehensive review of natural gas rates within the joint GRA, ensuring all parties have adequate time for review and consideration.
- Directive 35 requiring Centra to file, together with its next general rate application, a seasonal rate proposal or a report that sets out why this offering is not feasible. Centra proposes deferring the response to this directive for the same reasons noted above in relation to Directive 29. Additionally, Centra notes that the corporation is undertaking an external review of its electric and natural gas service extension and contribution policies. This work is expected to continue into 2027/28 and can be considered in conjunction with the evaluation of seasonal type-rate options.

Grounds for Review and Variation

Section 44(3) of *The Public Utilities Board Act* authorizes the PUB to review, rescind, change, alter, or vary any decision or order made by it.

Under Rule 58(1), the PUB may review and vary an order, on its own initiative or on application by a party affected by the order, if it is satisfied that

- (a) there has been an error in fact, law or jurisdiction;
- (b) there have been new facts or a change in circumstances; or
- (c) the order is no longer in the public interest.

Centra submits that several concurrent initiatives have led to circumstances, new facts and practical limitations that should now be considered by the PUB in establishing and aligning the requested regulatory timelines over the next several years. Doing so is in the public interest.

As the PUB is aware, Manitoba Hydro and Centra will be undertaking several critical enterprise initiatives and completing PUB directives and other regulatory processes during fiscal years 2026/27 and 2027/28 that will fully utilize available organizational capacity. As detailed below, these include implementation of SAP S/4HANA Core, regulatory reviews of the Integrated Resource Plan and Major New Facility filings, completion of several PUB directives and a more complex year-end financial audit for fiscal 2026/27 due to the transition between Enterprise Resource Planning (“ERP”) systems, in addition to ongoing, required work. As a result, it is imperative for the corporation to establish a regulatory filing schedule that appropriately balances the successful and timely completion of these critical initiatives and other ongoing required work, while ensuring practical and achievable PUB processes to consider required rate increases for both Centra and Manitoba Hydro in a timely and efficient manner to maintain financial health through fiscal 2027/28 to 2030/31. This also recognizes that the same existing resources would be working on the same initiatives.

Transition to SAP S/4HANA and Financial Forecasting System Replacement

Manitoba Hydro's legacy ERP system SAP ECC is coming to end of life in 2027. The corporation is in the process of building and implementing the new SAP S/4HANA system. SAP ECC is used across the organization including on many core processes related to finance, human resources, supply chain & procurement and asset management. Upgrading to SAP S/4HANA Core is an enterprise priority and is required as the SAP ECC system is coming to end of life in 2027. The last time such a transition occurred was over 25 years ago.

The transition to the new system is scheduled for completion by December 31, 2026, and thereafter, the organization will be heavily engaged in ensuring its processes are operating as expected to ensure complete and accurate results for the 2026/27 fiscal year. Significant enterprise resources are currently devoted to the replacement of SAP. Many of these same resources are involved in the preparation of information to support rate applications before the PUB.

The corporation will need to undertake data conversion, testing and validation as part of the SAP project. This process is currently ongoing and will continue through to go-live. There will be a point in time in fall 2026 where the SAP ECC system will need to be frozen to prepare for implementation and cutover. In order to support the filing of a three-year rate application in 2027/28, Centra would need to prepare detailed budgets in SAP ECC for three test years, while critical work is required on the SAP project, and then continue using the legacy SAP ECC system for the full duration of the regulatory process while a new system is used effective January 1, 2027. As part of the conversion to the new SAP system, Manitoba Hydro is also reviewing and revising its costing models to provide more clarity and visibility of its data which will create some differences in how data is presented. Maintaining parallel systems and costing methodologies during this transition is inefficient and may lead to information inconsistency.

As a result of these transitional complexities and barriers, proceeding with a one-year natural gas rate application on or before April 1, 2027 to be heard on an expedited basis, is required. This also provides for a necessary bridge to enable the corporation to file a multi-year joint GRA filing as it is expected that detailed budgeting will be pulled from the new SAP S/4HANA system ensuring that rates requested for that three-year period will reflect the prevailing data.

Furthermore, given the corporation's current resource constraints and the criticality of completing the SAP transition, it is not feasible to complete the SAP transition within the existing schedule and budget while simultaneously allocating the same resources to prepare a three-year natural gas GRA. At present, undertaking both initiatives concurrently is not possible.

In addition to the transition to SAP S/4HANA, the corporation is also in the process of replacing its financial forecasting system, an essential system used to prepare financial information that

supports all rate applications. The forecasting system has been in place for more than three decades and has been long without vendor support. The replacement is expected to be completed in spring 2027. This initiative is significant, and its implementation relies on the same key corporate subject matter experts who develop the forecast information included in GRAs. The corporation requires sufficient time to test and validate financial forecasts and to ensure that resulting information can be presented in a format familiar to participants in the regulatory process and that is compliant with filing requirements before embarking on a multi-year Centra GRA.

Following the SAP transition, the corporation will need to prepare for the 2026/27 year-end financial audit that will be akin to having two year-end audits. The transition from SAP ECC to SAP S/4HANA nine months into the fiscal year creates two distinct financial systems that must be audited, requiring auditors to complete year-end procedures for each to ensure accurate and complete financial reporting.

A three-year Centra GRA prepared during a period of transitioning critical enterprise systems would necessarily rely on budgeting methodologies, cost allocations, and forecasting structures that are in the process of being modernized and replaced. In comparison, a one-year gas rate application, reviewed on an expedited basis following closely behind the extensive review and completion of Centra's 2025 GRA would reasonably limit reliance on the legacy SAP ECC system and information to a near-term detailed budget for only one fiscal year. This approach recognizes that the corporation is in the process of transitioning critical systems and will be able to provide financial information that is consistent with new costing changes in SAP S/4HANA at the next joint multi-year GRA.

Parallel Regulatory Processes and Directives

As the PUB is aware, Manitoba Hydro is embarking on a regulatory review of its Integrated Resource Plan ("IRP") and the proposed development of a major new generating facility that will take place in 2026/27. This review will also require a significant commitment of corporate resources for both Manitoba Hydro and Centra.

Similarly, Manitoba Hydro anticipates that a regulatory review of the Power Purchase Agreements ("PPA"), in accordance with section 16(4) of *The Manitoba Hydro Act*, for wind procurement will need to commence early in fiscal year 2027/28. In addition, Centra is currently working on the completion of directives arising from Order 120/25 and expects to be engaged in necessary work related to ongoing directives and others that may emerge in the pending PUB final order with respect to the Fiscal 2026 to 2028 Electric GRA. The foregoing processes, along with the year-end financial audit of the two ERP systems, will limit corporate capacity to properly prepare for and participate in a multi-year Gas GRA regulatory proceeding in 2027.

Procedural Request

A necessary element of Centra's review and vary application and joint rate review proposal is that the regulatory review of natural gas rates for 2027/28 needs to be conducted on a significantly truncated basis compared to the recently completed comprehensive Centra 2025 GRA. Centra proposes a written process or a process comparable to the approach applied during the 2019/20 Electric Rate Application. That process incorporated the standard regulatory steps of information requests, intervener evidence and a brief six-day oral hearing, and was completed over five and a half months.

Centra submits that an expedited review is necessary to ensure that the transitional components of this proposal and the preparation of a GRA for the joint review of natural gas and electricity rates can be implemented effectively and realistically achieved. A regulatory proceeding consisting of standard duration and process would impose substantial constraints on corporate resources in recognition of the above noted critical projects and surpass the corporation's capacity to prepare the multi-year GRA. As noted above, the replacement of critical systems occurs infrequently, carry significant business risk, and their successful completion is necessary for preparing information required for rate applications. Manitoba Hydro would need to start preparing information for the multi-year GRA shortly after the new systems are implemented.

As such, Centra respectfully requests the PUB review and vary Directive 4 of Order 120/25 to allow Centra to file a one-year rate application for 2027/28 on or before April 1, 2027, to be reviewed on an expedited basis.

Centra respectfully requests an Order on this matter on or before **May 1, 2026**. This timeline is necessary for planning purposes, both to ensure the SAP transition can proceed as scheduled and that Centra can proceed to prepare detailed budgets in SAP ECC for 2027/28 before the system is frozen.

Proposal for a Joint Review of Electric and Natural Gas Rates

Centra and Manitoba Hydro propose to hold a joint review of natural gas and electricity rate increases for fiscal years 2028/29 to 2030/31 through a combined application to be filed with the PUB early in calendar 2028. This proposal is consistent with, and responsive to, the PUB's direction in Order 85/13, which requires that Centra file any proposal for a joint application at least 12 months in advance of the proposed filing date to allow the PUB sufficient time to assess the merits of such a process.

As a starting point, Centra and Manitoba Hydro are outlining foundational aspects of a joint review well in advance of the anticipated filing date to ensure that the corporation can work with the PUB

and interveners in determining a framework for the regulatory review process in support of a filing early in calendar 2028.

In the corporation's view, a joint review of natural gas and electricity rate changes for the 2028/29 to 2030/31 test years is pragmatic for the following reasons:

- It will allow for information in the GRA to be grounded in budgets, forecasts, and allocations developed within the SAP S/4HANA environment, materially improving the stability and consistency of the evidentiary record and improving efficiency during the process. A joint application will reflect budgets that are based on a financial forecast of the same vintage for both business segments, and that reflect costing changes that will be implemented with the transition to SAP S/4HANA.
- The proposed target filing date of early calendar 2028 would provide adequate time to hold an SAP technical session with the PUB and Interveners in advance of the GRA filing to review any pertinent changes that impact regulatory materials.
- Manitoba's Affordable Energy Plan informs planning processes and strategic priorities of the corporation. This foundational energy policy is now in place and a joint review allows for a more holistic assessment of how evolving energy policy, system planning, and cost drivers affect both natural gas and electricity customers.
- The recommendations arising from the IRP and MNF Review, along with subsequent government approvals, will affect both Manitoba Hydro and Centra. Deferring the multi-year gas GRA and conducting a joint review of gas and electric rates in 2028 will allow consideration of the implications of these developments on both business segments and to incorporate these impacts into the multi-year budgets, financial forecast and the joint GRA filing. A joint review will enable consideration of resource planning matters on both business segments.
- A joint review would allow for coordinated consideration of changes to cost structures, regulatory deferrals, cost allocation, and other matters with cross-segment financial impacts, as evidenced in the electric and gas GRAs that occurred in succession over the past five years. Recent examples include directed changes to the Integrated Cost Allocation Methodology, establishment and amortization of regulatory deferrals impacting both business segments, and changes to the Corporate Allocation.
- A joint review has the potential for enhanced effectiveness and efficiencies in reviewing common topics in a single proceeding. Some of the topics include enterprise risk management, consolidated enterprise performance benchmarks and targets, asset management and capital planning, forecasts of economic indicators and interest rates, debt management, accounting policies and practices, Operating & Administrative budgeting process and certain costs, and the review of corporate services functions, operational functions, shared administrative assets and organizational structure.

- A joint review is necessary to ensure timely implementation of rate increases in the first two test years (2028/29 and 2029/30). Conducting GRAs in close succession or with overlapping timelines places sustained pressure on available resources, especially while other initiatives are ongoing. While these demands have been managed in recent years, continuing at this pace increases the risk of delays to process timelines and rate implementation, particularly if the processes must be sequenced or if resources are unavailable.
- Going forward, planning for joint reviews would result in a regular cadence of gas and electric rate reviews that is predictable and optimal from a scheduling and resourcing perspective while attempting to better align with the filing timelines specified in *The Manitoba Hydro Act* for the review of electricity rates. It also allows time to plan and undertake other regulatory processes, for example: processes required under *The Manitoba Hydro Act* (such as IRP and PPA reviews), rate design applications, and stakeholder processes required in response to directives. The proposed approach aligns with the PUB's emphasis on efficient hearing processes and regular rate review cycles promoting the principle of regulatory efficiency.

The proposed one-year gas rate application for 2027/28 serves as an important bridge from an operational, financial and regulatory perspective. It allows Centra to address near-term rate adequacy requirements while preserving sufficient lead time for all parties to assess and shape the proposed multi-year rate review, and for Manitoba Hydro to prepare the multi-year GRA. It also aligns the test years for both gas and electric rates to be included in the joint GRA.

The corporation envisions the joint review consisting of a single regulatory proceeding addressing both natural gas and electricity rates, while maintaining separate revenue requirements, cost-of-service studies, and rate designs for each business segment. The application would address matters common to both business segments in dedicated sections, with additional sections devoted to gas-specific and electric-specific issues, including respective business plans.

Centra and Manitoba Hydro acknowledge that a joint review will require distinct steps to address gas-specific and electric-specific matters and may extend beyond the duration of a standard GRA process. However, holding a structured joint review will result in significant efficiencies for all parties and enhanced effectiveness compared to the historical approach of holding completely separate GRA proceedings for each of the electric and natural gas segments of Manitoba Hydro. Moving forward in this fashion will require agreement among all parties that the process is not intended to duplicate each step for both utilities, but rather to address common issues with cross-segment impacts within a single proceeding. This principle is also essential for the corporation to meet its regulatory requirements in a timely manner within its current resource constraints, as duplicating the full set of process steps would exceed the capacity of existing resources.

Manitoba Hydro and Centra respectfully request that the PUB find, in principle, that there is merit in further exploring a joint review of electric and natural gas rates through a joint application for the 2028/29 to 2030/31 test years. Such an approach recognizes the need to implement rate changes in a timely manner; the concurrent initiatives and resource constraints facing the corporation; the resource demands and scheduling challenges associated with gas and electric GRAs occurring in parallel or close succession; the need to plan and undertake other regulatory processes; and the benefits of addressing cross-segment issues concurrently and establishing a more regular and predictable cadence for electric and gas rate reviews.

Manitoba Hydro recognizes that transitioning towards a joint review process represents a shift in how GRAs have been considered historically. For the reasons outlined above, Manitoba Hydro's position is that pursuing this approach serves the best interests of customers and Manitobans and is committed to work constructively with all parties toward a practical and workable approach going forward.

Should you have any questions or require any clarification with respect to the foregoing, please do not hesitate to contact the writer at 204-360-3257. Otherwise, Centra and Manitoba Hydro look forward to receiving an Order from the PUB on the relief sought and the matters outlined in this submission which is respectfully submitted for the PUB's consideration.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:

A handwritten signature in blue ink, appearing to read 'Brent Czarnecki', with a stylized flourish at the end.

BRENT CZARNECKI

Associate General Counsel and Assistant Corporate Secretary