

**CENTRA GAS MANITOBA INC.
FRANCHISE AGREEMENT APPLICATION**

INTRODUCTION

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**CENTRA GAS MANITOBA INC.
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INTRODUCTION

1 **1.0 Overview**

2 Centra Gas Manitoba Inc. (“Centra”), on its own behalf and on behalf of the franchise
3 granting municipalities subject to the terms of *The Greater Winnipeg Gas Distribution Act*
4 (the “Act”), is applying to the Public Utilities Board of Manitoba (“PUB”) pursuant to
5 Subsection 9(4) of the Act for approval of alterations in, and additions to, the Schedule of
6 the Act as negotiated by Centra and the Greater Winnipeg Gas Distribution Negotiating
7 Committee (“the Negotiating Committee”). Centra is also requesting, pursuant to Section
8 4(3) of the Act, the PUB to include the Rural Municipality of Headingley (“RM of
9 Headingley”) as a municipality of Greater Winnipeg in order to formalize Centra’s
10 franchise rights in the RM of Headingley under the Act.

11
12 Pursuant to Sections 89 and 129 of *The Public Utilities Board Act*, Centra, on its own
13 behalf, is also applying to vary the generic form of franchise agreement (the “Generic
14 Agreement”) in order to clarify certain sections and to improve consistency between the
15 Generic Agreement and the Schedule of the Act.

16
17 **1.1 Executive Summary**

18 The Act was enacted in 1959 giving exclusive franchise rights for a 25 year term to The
19 Greater Winnipeg Gas Company to construct and operate a natural gas distribution
20 system in Greater Winnipeg. Greater Winnipeg is defined in the Act as the City of
21 Winnipeg, the Rural Municipality of East St. Paul and the Rural Municipality of West St.

1 Paul. Pursuant to the Act and with PUB approval, The Greater Winnipeg Gas Company
2 expanded its system to 15 other municipalities: Selkirk, Beausejour, Gimli, Stonewall,
3 Garson, Winnipeg Beach, Dunnotar, Brokenhead, MacDonald, Rockwood, Rosser, St.
4 Andrews, St. Clements, Springfield, and Tache. Although the RM of Headingley seceded
5 from the City of Winnipeg in 1992, Centra's franchise rights will continue in this
6 municipality until the expiry of the franchises. These additional franchise areas were
7 subject to the same terms and conditions contained in the Schedule to the Act. The
8 franchises were renewed for an additional 25 year term in 1982, to expire December 31,
9 2008.

10

11 In accordance with Section 7(2) of the Act, Centra provided notice to the Province of
12 Manitoba ("Manitoba") of its intention to renew all franchises granted under the Act.
13 Upon receiving Centra's notice and pursuant to Section 8 of the Act, Manitoba
14 constituted the Negotiating Committee which was comprised of a chair appointed by
15 Manitoba, two representatives appointed by the City of Winnipeg and two members
16 appointed from nominees chosen by the other municipalities subject to the Act.

17

18 While negotiations were underway between Centra and the Negotiating Committee
19 concerning amendments to the Schedule, the franchises were renewed for three one
20 year terms by Ministerial Orders. One contentious issue delayed settlement on the
21 Schedule, the apportionment of costs between Centra and the Municipality for removal
22 or relocation of gas infrastructure initiated by the Municipality. The existing Schedule to
23 the Act is silent on this matter, while the existing Generic Agreement, approved by the
24 PUB by Order 109/94, requires the Municipality to pay for all costs incurred in the
25 removal or relocation of any part of the Gas Distribution System requested by the

1 Municipality. Conversely, for infrastructure moves within the City of Winnipeg, in
2 accordance with Order 58/63, the City of Winnipeg pays the costs associated with
3 retiring the existing mains and equipment, and the Company is responsible for the costs
4 of constructing the distribution system in the new location.

5

6 Centra's initial position on this matter was to harmonize the Schedule with the Generic
7 Agreement, while the Negotiating Committee's position was to incorporate the intent of
8 Order 58/63 into the new Schedule. In the second round of negotiations, Centra
9 proposed that the costs be apportioned equally between the Company and the
10 Municipality. This proposal was also consistent with Manitoba Hydro's policies and
11 practices when requested to relocate or remove electricity distribution infrastructure
12 within a Municipality. The parties ultimately agreed that costs should be apportioned in
13 such a manner as may be agreed upon, which allows the City of Winnipeg to preserve
14 the intent of Order 58/63. In the absence of such an agreement, costs shall be
15 apportioned equally.

16

17 In February 2011, Centra and the Negotiating Committee reached an agreement on the
18 amendments to the Schedule to take effect on January 1, 2012. In accordance with
19 Subsection 9(4) of the Act, Centra is applying to the PUB for approval of the alterations
20 in, and additions to, the Schedule as negotiated between Centra and the Negotiating
21 Committee. Centra is also requesting the PUB explicitly include the RM of Headingley as
22 a municipality of Greater Winnipeg, to formalize Centra's franchise rights in the RM of
23 Headingley under the Act.

24

25 In addition to the franchises granted under the Act, Centra holds gas distribution

1 franchise rights with 87 additional municipalities. In 1994, Centra filed a Rural Expansion
2 Application with the PUB, in which Centra sought approval of the Generic Agreement to
3 be used in extending service to new areas. Subject to a few amendments, the PUB
4 approved the Generic Agreement by Order 109/94. Since 1994, 42 municipalities have
5 entered into the existing Generic Agreement with Centra. The remaining 45
6 municipalities entered into franchise agreements prior to 1994, which may contain
7 different provisions than the existing Generic Agreement. Centra is seeking approval to
8 vary the Generic Agreement in order to clarify certain sections and to improve
9 consistency between the Generic Agreement and the Negotiated Schedule of the Act.
10 To further improve the consistency in the treatment of all franchise granting
11 municipalities, Centra will permit municipalities to replace their existing franchise
12 agreement with the proposed Generic Agreement, subject to PUB approval.

13

14 **1.2 Organization of Filing**

15 Tab 2 of this filing includes the Letter of Application to the PUB setting out the approvals
16 being requested by Centra.

17

18 Tab 3 provides the background of the negotiations that took place between Centra and
19 the Negotiating Committee and provides material in support of the modifications to the
20 Schedule that resulted from the negotiations. Also in Tab 3, Centra requests that the
21 PUB include the RM of Headingley as a municipality of Greater Winnipeg, in order to
22 formalize Centra's franchise rights in the RM of Headingley under the Act.

23

24 Tab 4 provides material in support of the proposed changes to the Generic Agreement,
25 which, if approved, will form the basis for agreements entered into by Centra when

- 1 extending service to new areas. In Tab 4 Centra also advises that, subject to PUB
- 2 approval, it will permit any Municipality to replace its existing agreement with the
- 3 proposed Generic Agreement, should it choose to do so.