

**MANITOBA** ) **Order No. 123/00**  
 )  
**THE PUBLIC UTILITIES BOARD ACT** ) **August 30, 2000**

BEFORE: G. D. Forrest, Chairman  
R. Mayer, Member  
M. Girouard, Member

**CENTRA GAS MANITOBA INC. APPLICATION FOR  
AN INTERIM EX PARTE ORDER OF THE BOARD:**

- 1. AUTHORIZING AND APPROVING A FRANCHISE  
AGREEMENT BETWEEN CENTRA GAS MANITOBA INC.  
AND THE RURAL MUNICIPALITY OF MINTO**
  
- 2. APPROVING THE FINANCIAL FEASIBILITY TEST FOR  
THE EXPANSION OF NATURAL GAS TO ONE  
CUSTOMER WITHIN THE PROPOSED FRANCHISE  
AREA**

### **1.0 The Application**

On August 23, 2000 Centra Gas Manitoba Inc. (“Centra”) applied to the Manitoba Public Utilities Board (“the Board”) for interim ex parte approval and authorization of a franchise agreement between Centra and the Rural Municipality of Minto (“Minto”), and interim ex parte approval of the financial feasibility test for expansion of Centra’s distribution system to serve one customer within the proposed franchise area.

### **2.0 Franchise Agreement**

Centra currently has a franchise agreement with the Town of Minnedosa located in the Rural Municipality of Minto. Centra was requested to extend natural gas service to one customer located north of Minnedosa and outside Centra’s franchise area. Centra’s request is for a franchise agreement for the NW ¼ Section 12 Township 15 Range 18 WPM in Minto, where the proposed customer is located.

Minto gave first reading to By-Law No. 8/00 on August 8, 2000 which authorized Minto to enter into a franchise agreement with Centra, subject to approval of the Board. Second and third reading of the By-Law will only be considered if the Board approves the amended franchise pursuant to Section 89 of The Public Utilities Board Act. If the application is approved, Centra proposes to install the necessary natural gas distribution plant in September 2000, and to seek confirmation of this interim Order at the next General Rate Application or some other appropriate proceeding.

### **3.0 Customer Attachments, Volumes and Forecast Revenues**

In the spring of 2000, a customer within Minto requested Centra to supply natural gas for his new residence and workshop/garage for the 2000/2001 winter season. The estimated annual consumption of 3,965 cubic metres was based on an analysis of the customer’s new equipment energy requirements.

Additionally, a developer of two residential lots, proposed to be located adjacent to the proposed distribution main, has expressed interest in obtaining natural gas service. However, these prospective customer volumes are not included in the feasibility test. Centra estimated annual revenues by applying the appropriate base rates approved by the Board in Order 115/00, dated July 31, 2000.

#### **4.0 System Design and Capital Costs**

The proposed customer would be served by a system extension of an existing 60.3mm polyethylene main from Minnedosa along Third Street, for a distance of approximately 218 metres, and a 26.7mm service line. As the distribution main is less than 10 kilometers in length, the project does not require environmental approval, pursuant to The Environment Act. Project drawings will be submitted by Centra to appropriate authorities upon approval of this application by the Board.

Centra indicated that site investigations and review of legal plans determined the location of the main. The cost estimates are in year 2000 dollars and included the following assumptions:

- 5% labour and materials contingency
- 1% interest during construction to contract labour and materials
- 24% overheads, consisting of 9% construction supervision, 5% engineering, 4% Project Administration, 5% marketing, and 1% overhead contingency

Estimated capital costs for the project are \$6,002, to be spent in the first year. Capital costs are summarized in the feasibility test, attached as Appendix "A" to this Order.

## **5.0 Feasibility Test Methodology and Results**

Centra used the Small General Class weighted average cost of gas which was approved by the Board in Order 115/00 to calculate project revenues. Other cost assumptions include:

- Annual operating and maintenance costs are \$100 per customer.
- Depreciation expense is specific to plant installed and is 3.08%, based on the Centra's 1998 weighted average cost for distribution plant.
- Municipal property tax is calculated using current provincial assessed rates and the applicable 2000 mill rate. Corporate capital tax is calculated at a rate of 0.5% of net plant, prior to any contributions.
- Income Tax calculation assumes a combined Federal and Provincial corporate rate of 46.12%.
- Overall rate of return is 8.893%, as last approved by the Board in Order 79/98, dated June 19, 1998.

Applying the above cost assumptions and the calculated annual revenues to the Board approved 30 year NPV test, with a revenue to cost ratio of 1.0 by the fifth year, results in required customer contributions of \$5,076. Centra's allowable investment is \$926. Appendix "A" details all 30-year NPV costs and revenues. Centra indicated the contributions have been paid and are being held by Centra.

## **6.0 Board Findings**

The Board is satisfied that this application has been filed in a manner consistent with the Board's requirements to have system extension applications supported by feasibility tests and franchise agreements with municipalities.

The Board has reviewed the system design, as well as the feasibility test cost and revenue assumptions, and is satisfied that the Board's expansion criteria have been properly applied. Due to the limited size of this project, impacting only one potential customer, and the need to commence construction as soon as possible, the Board will approve the application on an interim ex parte basis.

**7.0 IT IS THEREFORE ORDERED THAT:**

1. The Franchise Agreement between the Rural Municipality of Minto and Centra Gas Manitoba Inc., as requested, BE AND IS HEREBY APPROVED, on an interim ex parte basis.
2. The feasibility test as submitted by Centra Gas Manitoba Inc. BE AND IS HEREBY APPROVED, on an interim ex parte basis.
3. That this interim Order remains in full effect until confirmed or otherwise by a subsequent Order of the Board.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"

Chairman

"G. O. BARRON"

Secretary

Certified a true copy of Order No.  
123/00 issued by The Public Utilities  
Board

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Secretary