

MANITOBA

THE PUBLIC UTILITIES BOARD ACT

Order No. 136/02

July 31, 2002

Before: G. D. Forrest, Chairman
M. Girouard, Member
Mario J. Santos, Member

**AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN INTERIM
ORDER APPROVING PRIMARY GAS SALES RATES TO BE EFFECTIVE FOR
ALL GAS CONSUMED ON AND AFTER AUGUST 1, 2002.**

Table of Contents

	Page
1.0 Background	1
2.0 The Application	2
3.0 Impact on Rates	3
4.0 Updated Application	6
5.0 New Supplemental Gas, Transportation and Distribution Rates	8
6.0 Presenters' Positions	
6.1 Consumer's Association of Canada (Manitoba)/ Manitoba Society of Seniors	9
7.0 Board Findings	9
8.0 IT IS THEREFORE ORDERED THAT:	11

1.0 Background

The approved Rate Setting Methodology (“RSM”) to determine Primary Gas rates is as follows:

1. Primary Gas Base Rates are adjusted quarterly on February 1, May 1, August 1 and November 1 to reflect 100% of the difference between the updated 12-month forward price for natural gas (weighted for the cost of gas in storage) and the Primary Gas Rate set in the prior quarter.
2. In addition to the Primary Gas Base Rate a Primary Gas Rate Rider, to be effective on the date of the Primary Gas Rate change is to dispose of the estimated Primary Gas Purchase Gas Variance Account (“PGVA”) balance at the end of the quarter over the next 12 months normalized volumes.

The approved quarterly RSM requires Centra to file its application during the first week of the month prior to the commencement of each gas quarter and to provide public notice during the second week of the month. The Board may conduct either a “paper hearing” or hold an oral hearing in respect of the application, and is requested to approve the rates prior to the commencement of each gas quarter.

The Board last approved interim Primary Gas sales rates using the revised RSM to be effective May 1, 2002 in Order 84/02, dated May 1, 2002. The approved Primary Gas base rate was \$0.1974/cubic metre. The approved Primary Gas billed rate, which included a negative Primary Gas PGVA rider of \$0.0018/cubic metre, was \$0.1956/cubic metre. A Primary Gas Deferral Account (“PGDA”) rate rider of \$0.0363/cubic metre, implemented pursuant to Order 99/01, dated June 15, 2001 became effective on August 1, 2001 and was to remain in effect for 24 months.

Thus the total billed Primary Gas Rate effective May 1, 2002 was \$0.2319/cubic metre.

2.0 The Application

On June 14, 2002, Centra applied to the Board pursuant to Order 99/01 for approval of interim Primary Gas sales rates to be effective August 1, 2002 and to remain in effect until a further Order of the Board.

In this application, Centra has included an updated PGDA balance that includes the Capital Tax Deferral amount of \$843,731. However, no change was proposed to the existing PGDA rate rider to dispose of the July 31, 2001 PDGA balance, so the inclusion of the Capital Tax Deferral has no impact on requested August 1, 2002 Primary Gas Rates billed rates.

A public notice outlining this application dated June 19, 2002 invited interested parties to make comments respecting this application to the Board by July 19, 2002. The only comments received were from The Consumers Association of Canada (Manitoba) and the Manitoba Society of Seniors ("CAC/MSOS").

As required by the RSM, Centra filed an updated forward price strip and customer impacts with the Board on July 23, 2002.

3.0 Impact on Rates

Primary Gas costs reached unprecedented levels in the late fall of 2000 and early winter of 2001. However, in the spring of 2001 the market price for natural gas declined and since that time, prices have fluctuated both up and down.

The 12-month forward price for Centra's Western Canadian supply as at May 31, 2002 for the 12-month period from August 1, 2002 to July 31, 2003 was \$4.832/Gj. This 12-month forward price strip reflects all aspects of current gas supply contractual arrangements with TransCanada Energy Services ("TCE/Mirant"), including the cost of swing service gas supply. The Term Factor, pursuant to the TCE/Mirant Contract will be 1.0% to October 31, 2002 and will then decrease to 0.5% from November 1, 2002 to October 31, 2003.

The forecast Nova AECO to Empress toll of \$0.1555/Gj remains unchanged from the May 2002 application, and is the April 1, 2002 NEB approved toll. The AECO/Empress basis differential also reflects the most recent forecasts which are \$0.1400/Gj for August through to October, 2002 and April 2003, \$0.1700/Gj for November 2002 through to March 2003, and \$0.1500/Gj for April to July 2003

Since October 2001, Centra placed price hedges, as shown below, on volumes of approximately 49.3 million Gj, resulting in an estimated unit cost impact of \$0.018/Gj.

Date	Oct. 4/01	Nov. 14/01	Jan23/01	April 18/02	May 29/02
Type	Cap	Collar	Collar	Collar	Collar
Months	Aug-Oct /02	Aug-Oct. 02	Nov 02-Jan 03	Feb 02-Apr 03	Nov 02-Mar 03
Volumes	4,200,000	4,920,000	4,820,000	4,760,000	7,720,000
Transaction Cost	\$2,282,000	\$0	\$0	\$0	\$0
System Hedge	\$2,282,000	\$0	(\$2,261,400)	\$230,600	\$591,800
Buy/Sell Hedge	\$232,001	\$0	(\$280,567)	\$28,657	\$73,074
Total Impacts	\$2,514,001	\$0	(\$2,541,967)	\$259,257	\$664,874
Cumulative Impact	\$2,514,001	\$2,514,001	(\$27,966)	\$231,291	\$896,165

Centra submitted that the purpose of the hedges was to provide some measure of price volatility protection to consumers against price increases. Buy/Sell volume impacts are calculated based on estimated monthly ratios of system supplied volumes to Buy/Sell volumes.

After applying the impacts of price management activities on relevant volumes, the price for Western Canadian Supply, weighted for storage, is \$4.898/Gj, which is \$0.1960/Gj (3.85%) lower than the weighted average cost of Primary Gas of \$5.094/Gj currently embedded in rates. After applying the 100% factor, as directed in Order 99/01, adding forecast fuel costs of \$0.0041 per cubic metre, and gas overhead costs of \$0.0005/cubic metre, the August 1, 2002 proposed Primary Gas Base Rate is \$0.1897/cubic metre. The existing base Primary Gas Rate set May 1, 2002 is \$0.1974/cubic metre.

In addition to the Primary Gas Base Rate change related to the cost of Western Canadian gas, Centra requested approval of a rate rider to refund the estimated Primary Gas PGVA balance at April 30, 2002 of \$6,482,617 owing to Centra's customers. Centra calculated the unit rate rider to be \$0.0047/cubic metre, based on estimated normalized volumes for system and Buy/Sell supply. Thus, the proposed August 1, 2002 billed Primary Gas Rate requested by Centra including the PDGA rate rider of \$0.0363/cubic metre, is \$0.2213/cubic metre, compared to the existing billed rate of \$0.2319/cubic metre.

Based on Centra's June 14, 2002 application the table below shows the estimated decreases to the annual gas bills for the different customer classes

ANNUALIZED "AS BILLED" CUSTOMER IMPACTS - ORIGINAL APPLICATION

Customer Class	Bill Decreases
SGS	-2.6% to -2.9%
LGS	-2.7% to -3.4%
HVF	-3.3% to -3.6%
Mainline	-3.5% to -3.9%
Interruptible	-3.7% to -4.0%

4.0 Updated Information

Pursuant to Board requirements, Centra filed an updated forward price strip with the Board on July 23, 2002 with supporting documentation and a Schedule of Rates to reflect the updates. The price strip for the period from August 1, 2002 to July 31, 2003, based on closing prices at July 17, 2002, without incorporating revised hedging impacts, is \$4.526/Gj compared to the \$4.832/Gj contained in the June 14, 2002 application. Nova Tolls remained unchanged from the June 14 application, while the AECO/Empress differentials for the months of August to October 2002 were changed from \$0.1400/Gj to \$0.1450/Gj to reflect revised actual and forecast unit prices.

Additionally, Centra revised the gas costs from those reported in the initial application as a result of hedging transactions based on the updated price strips, as shown below.

Date	Oct. 4/01	Nov. 14/01	Jan23/01	April 18/02	May 29/02
Type	Cap	Collar	Collar	Collar	Collar
Months	Aug-Oct /02	Aug-Oct. 02	Nov 02-Jan 03	Feb 02-Apr 03	Nov 02-Mar 03
Volumes	4,200,000	4,920,000	4,820,000	4,760,000	7,720,000
Transaction Cost	\$2,282,000	\$0	\$0	\$0	\$0
System Hedge	\$2,282,000	\$2,128,890	(\$489,400)	\$792,000	\$2,408,800
Buy/Sell Hedge	\$232,001	\$204,001	(\$61,086)	\$90,403	\$298,101
Total Impacts	\$2,514,001	\$2,332,991	(\$550,486)	\$819,403	\$2,706,901
Cumulative Impact	\$2,514,001	\$4,846,992	\$4,498,506	\$5,117,909	\$7,824,800

The impact of the transactions shown above is estimated to be \$0.01580 per Gj.

In addition to the above transactions, Centra placed hedges in the form of costless collars for 7,080,000 GJ for the months of May, June and July, 2002 on July 17, 2002. To date there have been no impact flowing from these transactions, but impacts may result as forward price strips are updated in subsequent applications.

Using the 100% inclusion rate, and fuel, overhead and storage gas costs would result in a Primary Gas cost embedded in the base sales rate of \$0.1842/cubic metre, compared to the original request of \$0.1897/cubic metre.

Centra's unit rate riders for the Primary Gas PGVA and PGDR remain unchanged from the June 14 application. Thus, the applied for August 1, 2002 billed Primary Gas Rate using the updated application, including the PDGR rate rider of \$0.0363/cubic metre, is \$0.2158/cubic metre, compared to the June 14 request billed of \$0.2213/cubic metre, and \$0.2319/cubic metre in current rates.

The following table shows the changes to annual natural gas bills of different customer classes that result when the July 17, 2002 forward price curves are incorporated into the rates. These impacts are based on the existing May 1, 2002 rates for Primary Gas, Supplemental Gas, Transportation and Distribution.

ANNUALIZED AS BILLED CUSTOMER IMPACTS - REVISED APPLICATION

Customer Class	Bill Decreases
SGS	-4.0% to -4.3%
LGS	-4.1% to -5.1%
HVF	-5.0% to -5.5%
Mainline	-5.3% to -5.9%
Interruptible	-5.6% to -6.0%

5.0 New Supplemental Gas, Transportation and Distribution Rates

In addition to the August 1, 2002 Primary Gas Rate Adjustment, the Board has recently issued Order 135/02, dated July 31, 2002 that approved new gas rates and billed rates for Supplemental Gas, Transportation and Distribution which are shown on Appendix "A" attached to this Order. The following table shows the combined changes to annual natural gas bills of different customer classes that result from Order 135/02 and this Order which sets new Primary gas rates compared to existing sales rates.

**COMBINED ANNUALIZED AS BILLED CUSTOMER IMPACTS
REVISED APPLICATION**

Customer Class	Bill Decreases
SGS	-6.0% to -6.6%
LGS	-6.6% to -8.1%
HVF	-7.4% to -7.6%
Mainline	-6.2% to -8.5%
Interruptible	-8.8% to -9.2%

6.0 Presenters' Positions

6.1 CAC/MSOS

CAC/MSOS did not oppose Contra's application, except for the inclusion of the capital tax deferral amount in the PGDA. CAC/MSOS took the position that these amounts related to past costs and thus should not have to be borne by the consumer. To the extent they relate to ongoing costs, all capital taxes should be dealt with in the normal course at a General Rate Application ("GRA").

7.0 Board Findings

The Board will render its decision on this application using the "paper hearing" process to establish interim August 1, 2002 Primary Gas rates, using the most recent market information which is the July 17, 2002 forward price strip. In the Board's view this approach will strike a reasonable balance between market responsiveness, price transparency and rate volatility.

The Board will deny Centra's request for the creation of capital tax deferral variance accounts for fiscal years 2000/01 and 2001/02 as well as for an on-going variance account, as discussed in Order 135/02, dated July 31, 2002. The Board will therefore approve Centra's request for August 1, 2002 Primary Gas Rates, as filed on July 23, 2002 noting that the capital tax deferral variance account had no rate impact at this time.

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES¹
RATE SCHEDULES (BASE RATES ONLY - NO RIDERS)

- 1 **Territory:** Entire natural gas service area of Company, including all zones.
2
3 **Availability:**
4 SGC: For gas supplied through one domestic-sized meter.
5 LGC: For gas delivered through one meter at annual volumes less than 680,000 m³.
6 HVF: For gas delivered through one meter at annual volumes greater than 680,000 m³.
7 MLC: For gas delivered through one meter to consumers served from the Transmission system.
8 Special Contract: For gas delivered under the terms of a Special Contract with the Company.
9

10 **Rates:**

	Distribution to Customers			Primary Gas Supply	Supplemental Gas Supply ²
	Transportation to Centra	Sales Service	T Service		
12					
13					
14 Basic Monthly Charge: (\$/month)					
15 Small General Class (SGC)	N/A	\$10.00	\$10.00	N/A	N/A
16 Large General Class (LGC)	N/A	\$70.00	\$70.00	N/A	N/A
17 High Volume Firm Class (HVF)	N/A	\$758.24	\$758.24	N/A	N/A
18 Main Line Class (MLC) (Firm and Interruptible Supply)	N/A	\$1,233.71	\$1,233.71	N/A	N/A
19 Special Contract	N/A	N/A	\$89,797.80	N/A	N/A
20					
21 Monthly Demand Charge (\$/m³/month)					
22 High Volume Firm Class (HVF)	\$0.2489	\$0.1244	\$0.1244	N/A	N/A
23 Main Line Class (MLC) (Firm Supply Only)	\$0.4752	\$0.0993	\$0.0993	N/A	N/A
24 Main Line Class (MLC) (Interruptible Supply Only)	\$0.2196	\$0.0993	\$0.0993	N/A	N/A
25 Special Contract	N/A	N/A	N/A	N/A	N/A
26					
27 Commodity Volumetric Charge: (\$/m³)					
28 Small General Class (SGC)	\$0.0447	\$0.0713	\$0.0713	\$0.1842	\$0.2220
29 Large General Class (LGC)	\$0.0441	\$0.0244	\$0.0244	\$0.1842	\$0.2220
30 High Volume Firm Class (HVF)	\$0.0208	\$0.0097	\$0.0097	\$0.1842	\$0.2220
31 Main Line Class (MLC) (Firm Supply Only)	\$0.0041	\$0.0009	\$0.0009	\$0.1842	\$0.2220
32 Main Line Class (MLC) (Interruptible Supply Only)	\$0.0035	\$0.0009	\$0.0009	\$0.1842	\$0.1922
33 Special Class	N/A	N/A	\$0.0009	N/A	N/A
34					

35 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

37 **Effective:** Rates to be charged for all billings based on gas consumed on and after **August 1, 2002**.

39 ¹Including Firm Mainline Delivery combined with Interruptible Supply.

40 ²Supplemental Gas is mandatory for all Customers except T-Service.

42 **Approved by Board Order:**

43 **Effective From:** **August 1, 2002**

44 **Date Implemented:** **August 1, 2002**

45 **Proposed as part of:** **August 1, 2002 Primary Gas Rate Application**

Supersedes Board Order: 84/02

Supersedes: May 1, 2002 Base Rates

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATE SCHEDULES (BASE RATES ONLY - NO RIDERS)

1 **Territory:** Entire natural gas service area of Company, including all zones.
2
3 **Availability:** For any Consumer at one location whose annual natural gas requirements equal or exceed 680,000m³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.

4
5 **Rates:**
6

	Transportation to Centra	Distribution to Customers		Primary Gas Supply	Supplemental Gas Supply ¹
		Sales Service	T Service		
7					
8					
9 Basic Monthly Charge: (\$/month)	N/A	\$855.39	\$855.39	N/A	N/A
10					
11 Monthly Demand Charge (\$/m³/month)					
12 Interruptible Service	\$0.0894	\$0.0708	\$0.0708	N/A	N/A
13					
14 Commodity Volumetric Charge: (\$/m³)					
15 Interruptible Service	\$0.0111	\$0.0055	\$0.0055	\$0.1842	\$0.1922
16					
17 Alternate Supply Service:					
18 Gas Supply (Interruptible Sales and Mainline Interruptible)		Negotiated Cost of Gas	Negotiated Cost of Gas		
19 Delivery Service - Interruptible Sales		\$0.0078	\$0.0078		
20 Delivery Service - Mainline Interruptible Sales		\$0.0042	\$0.0042		
21					

22 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

23
24 **Effective:** Rates to be charged for all billings based on gas consumed on and after [August 1, 2002](#).

25
26 ¹Supplemental Gas is mandatory for all Customers except T-Service.

27
28 **Approved by Board Order:**

29 **Effective From:** [August 1, 2002](#)

30 **Date Implemented:** [August 1, 2002](#)

31 **Proposed as part of:** [August 1, 2002 Primary Gas Rate Application](#)

Supersedes Board Order: [84/02](#)
Supersedes: [May 1, 2002 Base Rates](#)

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES¹
RATE SCHEDULES (BASE RATES PLUS RIDERS)

- 1 **Territory:** Entire natural gas service area of Company, including all zones.
2
3 **Availability:**
4 SGC: For gas supplied through one domestic-sized meter.
5 LGC: For gas delivered through one meter at annual volumes less than 680,000 m³.
6 HVF: For gas delivered through one meter at annual volumes greater than 680,000 m³.
7 MLC: For gas delivered through one meter to consumers served from the Transmission system.
8 Special Contract: For gas delivered under the terms of a Special Contract with the Company.
9

10 **Rates:**
11

		Distribution to Customers			Primary Gas Deferral Rider	Primary Gas Supply	Supplemental Gas Supply ²
		Transportation to Centra	Sales Service	T Service			
12							
13							
14	Basic Monthly Charge: (\$/month)						
15	Small General Class (SGC)	N/A	\$10.00	\$10.00	N/A	N/A	N/A
16	Large General Class (LGC)	N/A	\$70.00	\$70.00	N/A	N/A	N/A
17	High Volume Firm Class (HVF)	N/A	\$758.24	\$758.24	N/A	N/A	N/A
18	Main Line Class (MLC) (Firm and Interruptible Supply)	N/A	\$1,233.71	\$1,233.71	N/A	N/A	N/A
19	Special Contract	N/A	N/A	\$45,901.39	N/A	N/A	N/A
20							
21	Monthly Demand Charge (\$/m³/month)						
22	High Volume Firm Class (HVF)	\$0.3323	\$0.1247	\$0.1247	N/A	N/A	N/A
23	Main Line Class (MLC) (Firm Supply Only)	\$0.4595	\$0.0993	\$0.0993	N/A	N/A	N/A
24	Main Line Class (MLC) (Interruptible Supply Only)	\$0.2039	\$0.0993	\$0.0993	N/A	N/A	N/A
25	Special Contract	N/A	N/A	N/A	N/A	N/A	N/A
26							
27	Commodity Volumetric Charge: (\$/m³)						
28	Small General Class (SGC)	\$0.0399	\$0.0717	\$0.0717	\$0.0363	\$0.1795	\$0.0784
29	Large General Class (LGC)	\$0.0395	\$0.0248	\$0.0248	\$0.0363	\$0.1795	\$0.0784
30	High Volume Firm Class (HVF)	\$0.0144	\$0.0115	\$0.0115	\$0.0363	\$0.1795	\$0.0784
31	Main Line Class (MLC) (Firm Supply Only)	\$0.0020	\$0.0019	\$0.0019	\$0.0363	\$0.1795	\$0.0784
32	Main Line Class (MLC) (Interruptible Supply Only)	\$0.0014	\$0.0019	\$0.0019	\$0.0363	\$0.1795	\$0.0205
33	Special Class	N/A	N/A	\$0.0009	N/A	N/A	N/A
34							

35 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.
36

37 **Effective:** Rates to be charged for all billings based on gas consumed on and after **August 1, 2002**.
38

39 ¹Including Firm Mainline Delivery combined with Interruptible Supply.

40 ²Supplemental Gas is mandatory for all Customers except T-Service.

41

42 **Approved by Board Order:**

43 **Effective From:** **August 1, 2002**

44 **Date Implemented:** **August 1, 2002**

45 **Proposed as part of:** **August 1, 2002 Primary Gas Rate Application**

Supersedes Board Order: 84/02
Supersedes: May 1, 2002 Billed Rates

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATE SCHEDULES (BASE RATES PLUS RIDERS)

- 1 **Territory:** Entire natural gas service area of Company, including all zones.
2
3 **Availability:** For any Consumer at one location whose annual natural gas requirements equal or exceed 680,000m³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.

- 4
5 **Rates:**
6

	Distribution to Customers			Primary Gas Deferral Rider	Primary Gas Supply	Supplemental Gas Supply ¹
	Transportation to Centra	Sales Service	T Service			
7						
8						
9 Basic Monthly Charge: (\$/month)	N/A	\$855.39	\$855.39	N/A	N/A	N/A
10						
11 Monthly Demand Charge (\$/m³/month)						
12 Interruptible Service	\$0.1221	\$0.0710	\$0.0710	N/A	N/A	N/A
13						
14 Commodity Volumetric Charge: (\$/m³)						
15 Interruptible Service	\$0.0058	\$0.0070	\$0.0070	\$0.0363	\$0.1795	\$0.0205
16						
17 Alternate Supply Service:						
18 Gas Supply (Interruptible Sales and Mainline Interruptible)		Negotiated Cost of Gas	Negotiated Cost of Gas			
19 Delivery Service - Interruptible Sales		\$0.0093	\$0.0093			
20 Delivery Service - Mainline Interruptible Sales		\$0.0052	\$0.0052			
21						

22 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

23
24 **Effective:** Rates to be charged for all billings based on gas consumed on and after **August 1, 2002**.

25
26 ¹Supplemental Gas is mandatory for all Customers except T-Service.

27
28 **Approved by Board Order:**

29 **Effective From:** **August 1, 2002**

30 **Date Implemented:** **August 1, 2002**

31 **Proposed as part of:** **August 1, 2002 Primary Gas Rate Application**

Supersedes Board Order: 84/02
Supersedes: May 1, 2002 Billed Rates