MANITOBA Order No.73/03

THE PUBLIC UTILITIES BOARD ACT

May 1, 2003

Before: G. D. Forrest, Chairman

M. Girouard, Member M. 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 MAY 1, 2003.

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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 RSM to be effective February 1, 2003 in Order 11/03, dated January 30, 2003. The approved Primary Gas base rate was \$0.2264 per cubic metre, based on a January 20, 2003 forward price strip. The approved Primary Gas billed rate which included a Primary Gas PGVA rate rider of (\$0.0050) per cubic metre was \$0.2214 per cubic metre. A Primary Gas Deferral Account ("PGDA") rate rider of \$0.0363 per 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 February 1, 2003 was \$0.2577 per cubic metre.

2.0 The Application

On March 19, 2003, Centra applied to the Board for approval of interim Primary Gas sales rates and a rate rider to dispose of the estimated April 30, 2003 Primary Gas PGVA to be effective May 1, 2003 and to remain in effect until a further Order of the Board, pursuant to Order 99/01. The requested rates were determined using the March 7, 2003 close forward price strip. The previously approved PGDA rate rider of \$0.0363 per cubic metre was to be continued in the May 1, 2003 rates.

A public notice outlining this application, published in various newspapers commencing on April 5, 2003, invited interested parties to make comments respecting this application to the Board by April 23, 2003. Comments were received by the Board from the Consumers' Association of Canada (Manitoba) Inc. and the Manitoba Society of Seniors ("CAC/MSOS").

Pursuant to Board requirements, Centra filed an update to its March 19th application on April 22, 2003, utilizing the April 9, 2003 close forward price strip.

3.0 Impact on Rates

The 12-month forward price for Centra's Western Canadian supply as at March 7, 2003, from May 1, 2003 to April 30, 2004 was \$7.462 per GJ. This price reflected all aspects of current gas supply contractual arrangements with Nexen Marketing ("Nexen"). The Term Factor, pursuant to the Nexen Contract is 0.5% from November 1, 2002 to October 31, 2003, and is to be eliminated effective November 1, 2003. The forecast Nova AECO to Empress toll is \$0.1532 per Gj for this 12-month period. The AECO/Empress basis differential, approved by the National Energy Board to become effective January 31, 2003 remains at \$0.1500 per Gj for th forecast period.

Commencing on July 17, 2002, Centra placed price hedges on three occasions in the form of cashless collars on volumes of approximately 23.35 million Gj, with positive mark-to-market results reflected in the March 19th application, as shown below.

Date	July 17, 2002	October 16,2002	January15, 2003
Туре	Collar	Collar	Collar
Months	May 03-July 03	Aug. 03 - Oct. 03	Nov. 03-Jan. 04
Volumes	7,080,000	7,570,000	8,700,00
Transaction Cost	\$0	\$0	\$0
System Hedge	(\$16,766,040)	(\$12,762,720)	(\$4,731,590)
Buy/Sell Hedge	(\$571,866)	(\$479,350)	\$0
Total Impacts	(\$17,337,906)	(\$13,242,070)	(\$4,731,590)
Cumulative Impact	(\$17,337,906)	(\$30,579,976)	(\$35,311,566)

Centra estimated that the results of the above transactions would decrease the overall cost of gas by \$0.7950, from the \$7.462 to \$6.667 per Gj.

Buy/Sell volume impacts are calculated based on estimated monthly ratios of system supplied volumes to Buy/Sell volumes. Effective October 31, 2003, Buy/Sell arrangements are to be eliminated, and there will be no hedging impacts on Buy/Sell volumes after that date.

After incorporating the impacts related to price management activities and weighting the cost for storage gas, the Western Canadian price is \$6.253 per Gj, (\$0.2364 per cubic metre) which is \$0.393 per GJ (6.71%) higher than the weighted average cost of Primary Gas of \$5.860 per Gj (\$0.2214 per cubic metre) currently embedded in rates. After applying the 100% factor and adding forecast fuel costs of \$0.0049 per cubic metre, and gas overhead costs of \$0.0005 per cubic metre, the proposed Primary Gas Base Rate would be \$0.2418 per cubic metre. The existing base Primary Gas Rate is \$0.2264 per 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, 2003 of \$706,577 owing to Centra's customers. Centra calculated the unit PGVA rate rider to be a decrease of \$0.0005 per cubic metre based on estimated normalized volumes for system and Buy/Sell supply. Thus, the proposed May 1, 2003 billed Primary Gas Rate including the PDGA rate rider of \$0.0363 per cubic metre, is \$0.2776 per cubic metre, compared to the existing billed rate of \$0.2577 per cubic metre. This change represents an increase of 7.72%.

The following table details the changes to annual natural gas bills of different customer classes based on the March 7, 2003 forward price strip. These impacts are based on the existing February 1, 2003 rates for Primary Gas, Supplemental Gas, Transportation and Distribution.

ANNUALIZED AS BILLED CUSTOMER IMPACTS - ORIGINAL APPLICATION

Customer Class	Bill Increases
SGS	4.7% to 5.1%
LGS	4.9% to 6.0%
HVF	5.9% to 6.3%
Mainline	6.2% to 6.8%
Interruptible	6.5% to 7.0%

4.0 Updated Information

Centra filed an updated forward price strip with the Board on April 22, 2003 with supporting documentation and a Schedule of Rates to reflect the updates. The price strip for the period from May 1, 2003 to April 30, 2004, based on closing prices at April 9, 2003, without incorporating revised hedging impacts, is \$6.617 per Gj compared to the \$7.462 per Gj contained in the March 19, 2003 application. This is a decrease of approximately 11.3% and is reflective of the recent decreases in the commodity market for natural gas. The cost of natural gas is expected to remain at or near these levels for the winter season. Nova Tolls and the AECO/Empress differentials generally remain unchanged in the update.

Centra revised the gas costs from those reported in the initial application as a result of hedging transactions based on the updated price strips and placing additional hedges on January 15, 2003, as shown below.

Date	July 17, 2002	October 16,2002	January, 2003
Туре	Collar	Collar	Collar
Months	May 03-July 03	Aug. 03 – Oct. 03	Nov. 03-Jan. 04
Volumes	7,080,000	7,570,000	8,700,00
Transaction Cost	\$0	\$0	\$0
System Hedge	(\$8,128,030)	(\$6,363,320)	\$0
Buy/Sell Hedge	(\$275,475)	(\$238,322)	\$0
Total Impacts	(\$8,403,505)	(\$6,601,642)	\$0
Cumulative Impact	(\$8,403,505)	(\$15,005,147)	(\$15,005,147)

Centra revised the estimated the impact of the above transactions to be a decrease of \$0.338 per Gj. The decreased market price of gas has resulted in a substantially reduced mark-to-market impact from that estimated in the March 19 application. This occurs because, although the estimated settlement prices for these volumes are still above the collar ceiling prices for these volumes, the difference has decreased from that estimated in the initial application. The futures prices for the months of November and December 2003 and January 2004 are now forecast to be within the range of the cashless collars placed by Centra for those volumes and as a result there is no mark-to-market impact estimated at this time. In the March application, the projected futures settlement prices for the January 2003 transactions were higher than the collar ceiling prices.

Using the 100% inclusion rate, and fuel, overhead and storage gas costs would result in a Primary Gas base rate of \$0.2290 per cubic metre, compared to the

\$0.2418 per cubic metre included in the March filing and the \$0.2264 per cubic metre in the existing base rate.

Centra's unit rate riders for the Primary Gas PGVA and PGDR remains unchanged from the March 19 application. Thus, the applied for May 1, 2002 billed Primary Gas Rate using the updated application is \$0.2648 per cubic metre, compared to \$0.2776 included in the March application and \$0.2577 per cubic metre in current rates.

The following table details the revised changes to annual natural gas bills of different customer classes that result when the April 9, 2003 forward price curves are incorporated into the rates.

ANNUALIZED AS BILLED CUSTOMER IMPACTS - REVISED APPLICATION

Customer Class	Bill Increases
SGS	1.7% to 1.8%
LGS	1.7% to 2.1%
HVF	2.1% to 2.3%
Mainline	2.2% to 2.4%
Interruptible	2.3% to 2.5%

5.0 CAC/MSOS' Position

CAC/MSOS supported Centra's revised application stating that the pass through of this modest increase would provide a buffer against further possible high prices and corresponding PGVA build-up.

CAC/MSOS also indicated that any comments respecting gas storage and appropriate use of the strip would be reserved to the upcoming cost of gas application.

6.0 Board Findings

6.1 The Application

The Board will render its decision on this application using the "paper hearing" process to establish interim May 1, 2003 Primary Gas rates, using the most recent market information which is the April 9, 2003 forward price strip. In the view of the Board this approach will strike a reasonable balance between market responsiveness, price transparency and rate volatility.

The Board is of the view that the request by Centra properly reflects the current commodity market price and market circumstances and the RSM previously approved by the Board. The impacts flowing from price management transactions and the disposition of deferral account balances will be reviewed at a future hearing when the Board considers annual gas costs, normally in the fall of the year. The Board will therefore approve Centra's May 1, 2003 Schedule of Rates, as applied for, and attached as Appendix "A" to this Order

6.2 Historical Record of Cost and Impacts

The following table will illustrate the volatility of the market place, and the impact on resulting rates. Because the RSM considers factors other than commodity prices such as the cost of gas in storage and price-hedging impacts, the volatility in rates is somewhat dampened.

Date	Commodity Cost	A3erage annual bill	% change in bill
December, 1999	\$3.003/Gj	\$ 840	Base
August 1, 2000	\$5.187/Gj	\$ 975	16.1%
November 1, 2000	\$5.894/Gj	\$ 1,098	12.6 %
February 1, 2001	\$9.251/Gj	\$ 1,350	23.0%
August 1, 2001	\$4.614/Gj	\$ 1,204	(10.7 %)
November 1, 2001	\$4.168/Gj	\$ 1,121	(6.9 %)
February 1, 2002	\$ 4.028/Gj	\$ 1,099	(2.0 %)
May 1, 2002	\$ 5.094/Gj	\$ 1,209	10.0%
August 1, 2002	\$ 4.759/Gj	\$ 1,120	(7.4 %)
November 1, 2002	\$ 5.024/Gj	\$ 1,167	4.2%
February 1, 2003	\$ 5.860/Gj	\$1,273	9.1%
May 1, 2003	\$6.253/Gj	\$1,295	1.7%

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The above annual heating bills have been adjusted from the prior Board Order(s) to reflect a consistent and annualized allocation of gas purchases between Primary and Supplemental supply.

7.0 IT IS THEREFORE ORDERED THAT:

- The Schedule of Rates attached to this Order as Appendix "A", to be effective for all gas consumed on and after May 1, 2003, based on the April 9, 2003 forward price strip, BE AND IS HEREBY APPROVED.
- 2. This Interim Order shall be in effect until confirmed or otherwise dealt with by a future Order of the Board.

	THE PUBLIC UTILITIES BOARD
	"G. D. FORREST" Chairman
H. M. SINGH" Acting Secretary	_
	Certified a true copy of Order No. 73/03 issued by The Public Utilities Board
	Acting Secretary

43 Effective From: May 1, 2003

44 Date Implemented: May 1, 2003

Supersedes: February 1, 2003 Base Rates

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

1 2	Territory:	Entire natural gas service area of 0	Company, including all	zones.						
3	Availability:									
4	SGC:	For gas supplied through one dom	For gas supplied through one domestic-sized meter.							
5	LGC:	For gas delivered through one met	For gas delivered through one meter at annual volumes less than 680,000 m³.							
6	HVF:	For gas delivered through one met	For gas delivered through one meter at annual volumes greater than 680,000 m³.							
7	MLC:		or gas delivered through one meter to consumers served from the Transmission system.							
8	Special Contract:	For gas delivered under the terms	r gas delivered under the terms of a Special Contract with the Company.							
9										
	Rates:			Birdin di di						
11				Distribution to	Customers		0			
			Transportation		_	Primary	Supplemental Gas			
			to	Sales	T	Gas				
12			Centra	Service	Service	Supply	Supply ²			
13		(¢/m = m4h)								
15	Basic Monthly Charge: Small General Class (N/A	\$10.00	\$10.00	N/A	N/A			
16	,	,	N/A N/A	\$70.00	\$70.00	N/A N/A	N/A N/A			
17	•		N/A	\$758.24	\$758.24	N/A	N/A			
18	, ,		N/A	\$1,233.71	\$1,233.71	N/A	N/A			
19		, (ande. apilizio Gappi,))	N/A	N/A	\$89,797.80	N/A	N/A			
20	•				,					
21	Monthly Demand Charg	e (\$/m³/month)								
22	High Volume Firm Cla	ss (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) (Interruptible Supply Only)	\$0.2196	\$0.0993	\$0.0993	N/A	N/A			
25		N/A	N/A	N/A	N/A	N/A				
26										
	Commodity Volumetric		.							
28		,	\$0.0447	\$0.0713	\$0.0713	\$0.2290	\$0.2220			
29	· ·		\$0.0441	\$0.0244	\$0.0244	\$0.2290	\$0.2220			
30 31	•		\$0.0208 \$0.0041	\$0.0097 \$0.0009	\$0.0097 \$0.0009	\$0.2290 \$0.2290	\$0.2220 \$0.2220			
32		(I iiiii Supply Oilly) (Interruptible Supply Only)	\$0.0041	\$0.0009	\$0.0009	\$0.2290	\$0.2220			
33	,	(interruptible Supply Only)	Ψ0.0033 N/A	Ψ0.0009 N/A	\$0.0009	Ψ0.2290 N/A	Ψ0.1922 N/A			
34	•		1471	1471	ψ0.0000	1471	1477			
	Minimum Monthly Bill:	Equal to the Basic Monthly Charge	as described above, p	lus Demand Char	ge as appropriate					
36	· ·	, , ,	71							
37	Effective:	Rates to be charged for all billings	based on gas consume	ed on and after Ma	ay 1, 2003.					
38										
		Delivery combined with Interruptible S								
		ndatory for all Customers except T-S	Service.							
41	1 2 Approved by Board Order: May 1, 2003 Primary Gas Rate Application Supersedes Board Order: 11/03									
42	Approved by Board Ord	er way 1, 2003 Primary Ga	as Kate Application		•	uperseaes Bo	aru Order: 11/03			

29 Effective From: May 1, 2003

30 Date Implemented: May 1, 2003

Supersedes: February 1, 2003 Base Rates

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

		RATE SCHEDU	LES (BASE RATES	ONLY - NO RIDE	:RS)				
1 2	Ferritory: Entire natural gas service area of Company, including all zones.								
_	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/c capacity to provide delivery service.								
4									
5	Rates:								
6			_	Distribution to	Customers				
7			Transportation to Centra	Sales Service	T Service	Primary Gas Supply	Supplemental Gas Supply ¹		
8		•							
9	Basic Monthly Charge:	(\$/month)	N/A	\$855.39	\$855.39	N/A	N/A		
10									
11	Monthly Demand Charg	e (\$/m³/month)							
12	Interruptible Service		\$0.0894	\$0.0708	\$0.0708	N/A	N/A		
13		•							
	Commodity Volumetric	Charge: (\$/m³)							
15			\$0.0111	\$0.0055	\$0.0055	\$0.2290	\$0.1922		
16									
17	Alternate Supply Servic	ble Sales and Mainline Interruptible)		Negotiated	Negotiated				
10	Gas Supply (Interrupti	bie Sales and Mainline Interruptible)		Negotiated Cost of Gas	Cost of Gas				
19	Delivery Service - Inte	rruntible Sales		\$0.0078	\$0.0078				
20		nline Interruptible Sales		\$0.0042	\$0.0042				
21				******	******				
22 23	Minimum Monthly Bill:	Equal to the Basic Monthly Charge	as described above	, plus Demand Ch	arge as appropria	te.			
24 25	Effective:	Rates to be charged for all billings	based on gas consul	med on and after I	May 1, 2003.				
26	¹ Supplemental Gas is mai	ndatory for all Customers except T-Se	ervice.						
27		-							
28	3 Approved by Board Order: May 1, 2003 Primary Gas Rate Application Supersedes Board Order: 11/03								

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

Distribution to Customers

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 m ³ .
6	HVF:	For gas delivered through one meter at annual volumes greater than 680,000 m ³ .
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		

Rates:	
	raies.

12		Transportation to Centra	Sales Service	T Service	Primary Gas Deferral Rider	Primary Gas Supply	Supplemental Gas Supply ²
13							
14 L	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 20	Special Contract	N/A	N/A	\$45,901.39	N/A	N/A	N/A
	Monthly Demand Charge (\$/m ³ /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	2(f/)/-h						
	Commodity Volumetric Charge: (\$/m³)	******				******	*******
28	Small General Class (SGC)	\$0.0399	\$0.0717	\$0.0717	\$0.0363	\$0.2285	\$0.0784
29	Large General Class (LGC)	\$0.0395	\$0.0248	\$0.0248	\$0.0363	\$0.2285	\$0.0784
30	High Volume Firm Class (HVF)	\$0.0144	\$0.0115	\$0.0115	\$0.0363	\$0.2285	\$0.0784
31	Main Line Class (MLC) (Firm Supply Only)	\$0.0020	\$0.0019	\$0.0019	\$0.0363	\$0.2285	\$0.0784
32	Main Line Class (MLC) (Interruptible Supply Only)	\$0.0014	\$0.0019	\$0.0019	\$0.0363	\$0.2285	\$0.0205
33	Special Class	N/A	N/A	\$0.0009	N/A	N/A	N/A

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 May 1, 2003.

38

39 ¹Including Firm Mainline Delivery combined with Interruptible Supply.

 $40\ ^2\text{Supplemental Gas}$ is mandatory for all Customers except T-Service.

41

42 Approved by Board Order: _____ - May 1, 2003 Primary Gas Rate Application

43 Effective From: May 1, 2003

44 Date Implemented: May 1, 2003

Supersedes Board Order: 11/03

Supersedes: February 1, 2003 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.

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.

5 Rates:

6		Distribution to Customers						
7		_	Transportation to Centra	Sales Service	T Service	Primary Gas Deferral Rider	Primary Gas Supply	Supplemental Gas Supply¹
8 9 10	Basic Monthly Charge: (\$/month)	N/A	\$855.39	\$855.39	N/A	N/A	N/A
11 12 13		e (\$/m³/month)	\$0.1221	\$0.0710	\$0.0710	N/A	N/A	N/A
14 Commodity Volumetric Charge: (\$/m³) 15 Interruptible Service 16		\$0.0058	\$0.0070	\$0.0070	\$0.0363	\$0.2285	\$0.0205	
17 Alternate Supply Service: 18 Gas Supply (Interruptible Sales and Mainline Interruptible)			Negotiated Cost of Gas	Negotiated Cost of Gas				
19 20 21	20 Delivery Service - Mainline Interruptible Sales			\$0.0093 \$0.0052	\$0.0093 \$0.0052			
22 <i>Minimum Monthly Bill:</i> Equal to the Basic Monthly Charge 23		as described above,	plus Demand Cha	arge as appropriate) .			
24	4 Effective:	Rates to be charged for all billings based on gas consumed on and after May 1, 2003.						

26 'Supplemental Gas is mandatory for all Customers except T-Service.

28 Approved by Board Order: _

r: _____ - May 1, 2003 Primary Gas Rate Application

29 Effective From: May 1, 2003

30 Date Implemented: May 1, 2003

Supersedes Board Order: 11/03

Supersedes: February 1, 2003 Billed Rates