

MANITOBA) Order No. 143/03
)
THE PUBLIC UTILITIES BOARD ACT) October 3, 2003

BEFORE: G. D. Forrest, Chairman
L. Evans, Member
M. Girouard, Member
M. Santos, Member

**APPLICATION BY CENTRA GAS MANITOBA INC.
FOR AN INTERIM ORDER TO VARY THE PROCESS AND
MINIMUM FILING REQUIREMENTS FOR THE
RATE SETTING METHODOLOGY ESTABLISHED IN
BOARD ORDERS 55/00, 115/00 AND 99/01**

1.0 Background

Since 1999, Centra Gas Manitoba Inc.'s ("Centra's") sales rates have been "unbundled" such that customer bills now show separate rates for:

- (i) Primary Gas
- (ii) Supplementary Gas
- (iii) Transportation to Centra
- (iv) Distribution to Centra
- (v) Basic Monthly Charges

Primary Gas rates are for natural gas received by Centra from Western Canadian sources at the Alberta border.

In Board Order 55/00, dated April 14, 2000, a Rate Setting Methodology ("RSM") was established to adjust Centra's Primary Gas rates quarterly, on November 1, February 1, May 1 and August 1 to reflect:

- (a) 50% of the difference between the current 12 month forward price for Western Canadian supplies (weighted for the cost of gas in storage) and the cost of Primary Gas embedded in the current approved rates; plus
- (b) the disposition of the balance in the Primary Gas Purchased Gas Variance Account ("PGVA") over a twelve month period.

The Board established Minimum Filing Requirements for the quarterly Primary Gas rate applications, including schedules and calculations to reflect 25%, 75% and 100% of the change in the forward price curve, in addition to the 50% adjustment factor in the approved RSM.

Subsequent decisions of the Board have resulted in refinements and revisions to the RSM and its process. In Board Order 115/00, dated July 31, 2000, Centra was requested to file an updated forward price strip ten days prior to the commencement of the gas quarter to provide

the Board and all parties with more current information on gas prices. In Order 99/01, dated July 15, 2001, the Board determined that to be more responsive to market prices, the RSM was changed to have Primary Gas rates reflect 100% of the difference between the current 12 month forward price for Western Canadian supplies (weighted for the cost of gas in storage) and the cost of Primary Gas embedded in the approved sales rate.

2.0 Application by Centra

In this Application, Centra is requesting interim approval to vary the process, and Minimum Filing Requirements, for the RSM. Specifically Centra seeks to avoid the filing of a quarterly Primary Gas rate application and then having to update the rate based on more current data, shortly before the commencement of the gas quarter. To avoid confusion for customers, Centra requests approval to file its Primary Gas quarterly rate application during the month before the proposed implementation date. Centra's application would be based on forward price information calculated early in the month preceding the quarterly rate implementation date. There would be no updated forward price information calculated as there would be insufficient time to provide notice to customers should that information differ from the forward price information on which the quarterly rate application was initially based. Any difference between the rate charged for Primary Gas and the actual resulting cost of such gas would flow to the PGVA to ensure consumers pay only for the actual cost of such gas.

A second aspect of Centra's Application recognizes Primary Gas quarterly rates are now set using a 100% adjustment factor and therefore, Centra requests the elimination of the Minimum Filing Requirement of having to provide 25%, 50% and 75% adjustment scenarios.

3.0 Intervenors' Positions

Centra provided a copy of its Application to revise the RSM process and Minimum Filing Requirements, to the two regular intervenors (Municipal Gas and the Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors) in cost of gas matters before the Board.

Municipal Gas agrees with Centra's position that the public notice published by the Board should contain proposed rates and rate impacts that would not be subject to further change. This would eliminate the requirement for Centra to file an updated forward price calculation shortly before the commencement of the new gas quarter. Municipal Gas supports Centra's applications for quarterly rate adjustments based on a rate setting process which utilizes a forward price strip run early in the month before the commencement of the new gas quarter.

However, Municipal Gas raises the concern about the short period of time following the public notice, during which consumers would have an opportunity to provide comments to the Board in respect of the quarterly rate application. Municipal Gas suggests that Centra seek internal efficiencies to reduce the time between the calculations of forward prices and the filing of its application with the Board. Additional efficiencies may be available to reduce the number of days required to have the public notices published.

Municipal Gas did not comment on Centra's request to eliminate the filing of alternate rate scenarios embedding 25%, 50% and 75% adjustments between current and forecast rates.

The Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors supported both requests for amendments by Manitoba Hydro and likewise with Municipal Gas expressed concern for the period available for public input.

4.0 Board Findings

In Order 55/00, and when initially establishing an RSM to determine Primary Gas rates, the Board indicated that since it was a new process, it would be implemented on a trial basis. The Board also indicated the comments of Centra and other stakeholders on the overall effectiveness of the process would be considered, including suggestions for modification or improvement.

The present RSM process often results in differences between rates contained in Centra's initial application and the rates approved based on a subsequently filed updated price

calculation. Because the public notice is based on Centra's initial application and the rates ultimately approved may be based on subsequently filed updated price calculations, this process may create confusion for natural gas customers.

In an attempt to avoid any such confusion, the Board will vary the RSM process such that Centra will be required to calculate the forward price for Western Canadian supplies (weighted for the cost of gas in storage) during the first week of the month preceding the new gas year quarter.

By performing that calculation early in the month preceding the commencement of the next gas year quarter, Centra will be able to file its application for new Primary Gas rates with the Board in sufficient time to permit public notice and at least one week for the public and intervenors to comment on the proposed rates.

The Board will discontinue the requirement for updated forward price information later in the month, prior to the next gas year quarter. Any differences between the Primary Gas rate charged to consumers and the actual cost incurred by Centra to acquire that gas will continue to accumulate in the PGVA to ensure consumers pay only the actual cost of the gas.

The Board agrees with Municipal Gas' suggestion that internal efficiencies be continuously examined by Centra in an effort to ensure there is a meaningful opportunity for consumer and intervenor comments between the date of publishing the public notice and the date of the requested order from the Board.

In an effort to remain flexible, the Board will not fix a specific date for the calculation of the forward price of natural gas, or for the filing of its Primary Gas quarterly rate application. Rather, the Board expects Centra and all parties to efficiently implement the revision for the benefit of all gas consumers such that there is at least one week following public notice during which consumers and other stakeholders are given an opportunity to comment.

Because the RSM utilizes 100% of the difference between the twelve month forward price for Western Canadian supplies (weighted for the cost of gas in storage) and the cost of

Primary Gas embedded in the existing approved rates, the Board will discontinue the requirement for Centra to file supporting schedules and calculations to reflect 25%, 50% and 75% adjustments.

Recognizing Centra's request is for an interim order, the Board will welcome comments from all stakeholders as experience is gained through these revisions. Depending on the effectiveness of the revised process, the Board will consider all suggestions for further modifications or improvement.

5.0 IT IS THEREFORE ORDERED THAT:

1. The Rate Setting Methodology process and Minimum Filing Requirements for Centra's Primary Gas rates BE AND IS HEREBY VARIED on an interim basis as follows:
 - (a) Centra is to base its applications for quarterly Primary Gas rate changes on a twelve month forward price calculation for Western Canadian supplies (weighted for the cost of gas in storage) performed during the first week of the month preceding the commencement of the next gas quarter;
 - (b) Centra is to provide a copy of its quarterly Primary Gas rate application to Municipal Gas and the Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors within two days of such applications being filed with the Board.
 - (c) Centra is to strive for internal efficiencies that will ensure the timely filing of the quarterly rate application with the Board and the publishing of public notices so as to provide consumers and other stakeholders at least one week to provide comments to the Board prior to its deliberations on the Application;
 - (d) The requirement for Centra to provide an updated forward price calculation ten days prior to the commencement of the gas quarter is discontinued;

- (e) The Minimum Filing Requirement for Centra to provide the alternate rate adjustment scenarios of 25%, 50% and 75% is discontinued.

THE PUBLIC UTILITIES BOARD

"G.D. FORREST"

Chairman

"H. M. SINGH"

Acting Secretary

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The Public Utilities Board

Acting Secretary