MANITOBA	Order No. 20/04
THE PUBLIC UTILITIES BOARD ACT	February 6, 2004

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

AN APPLICATION FOR THE APPROVAL OF THE SALE OF THE ASSETS OF THE GLADSTONE, AUSTIN NATURAL GAS CO-OP LTD. TO CENTRA GAS MANITOBA INC.

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1.0 Background

In Order 110/95, The Manitoba Public Utilities Board ("the Board") approved an application by the Gladstone, Austin Natural Gas Co-op Ltd. ("the Co-op") to supply natural gas to the Towns of Gladstone as well as specified franchise areas within the Rural Municipalities ("RMs") of North Norfolk and Westbourne. Board approval was contingent on the finalization of a number of funding and operating agreements and other related matters. The Board expressed concern that the customer attachments and annual volumes projected by the Co-op could be optimistic, and required that a minimum of 350 customers representing a volume of no less than 104,000 Gigajoules ("GJs") be achieved prior to the commencement of construction. The three Franchise Agreements were finalized, the required customer sign-ups were achieved, and the Board granted the Co-op the authority to operate as a utility on September 16, 1996.

The Co-op funded the expansion project by way of tax rebate agreements with the three RMs and the Pine Creek School Division, equity contributions from the Co-op members, a grant from the Canada/Manitoba Infrastructure Program, and a loan from the Austin Credit Union.

2.0 Application by the Gladstone, Austin Natural Gas Co-op Ltd.

On December 3, 2003, the Co-op applied for approval of the sale of the Co-op's assets to Centra, pursuant to Section 82(1)(h) of The Public Utilities Board Act. The transaction is in accordance with an Asset Purchase Agreement entered into between the parties on December 2, 2003.

The Co-op submits that although continuous service has been provided to the franchise areas, the Co-op is experiencing significant financial difficulties in maintaining and expanding operations. The Co-op has generally been able to retain customers within its limited customer base. However, with increased commodity and operating costs, it is increasingly difficult for the Co-op to compete with electricity, the predominant residential and commercial alternative energy source in the service area. Current gas rates charged are almost equal to the cost of electricity for residential space heat. Additionally, although some commercial and other businesses have expressed interest in receiving natural gas, capital costs to convert to gas service are in excess of reasonable economic thresholds. The Co-op believes that its ability to continue to operate is questionable, and the proposed transaction is necessary to ensure the continuous and safe supply of natural gas to the existing Co-op's customers.

The Co-op has never been Centra's competitor in the franchised areas, and the transaction will therefore have no adverse impact on competition within the natural gas industry in Manitoba. The reason the Co-op was formed was because Centra had no intention to extend gas service to these areas. As well, the Co-op considers Centra to be the appropriate party to continue to provide safe and reliable gas service, given its long history in the natural gas industry in Manitoba.

The Co-op submits that if Board approval is granted, Centra's current rates are less than the Co-op's existing rates, and the transaction will result in rate reductions to current Co-op customers. The proceeds of the proposed sale would be sufficient for the Co-op to provide a return of equity to the Co-op members of $10 per member and pay the Co-op's creditors, many of whom are located in the franchise areas.

The Asset Purchase Agreement contains three conditions precedent including approval of the Board, consent of the Province of Manitoba regarding assignment of terms and condition of the Canada-Manitoba Infrastructure Program Agreement, and approval of the Austin Credit Union and the Co-op Loan Guarantee Board. With this decision, all conditions precedent will be satisfied.

3.0 Application by Centra Gas Manitoba Inc.

3.1 Introduction

Centra is seeking an order of the Board authorizing and approving the merger and consolidation of the Co-op's assets with the assets of Centra, and new franchise agreements between Centra and the RM of Westbourne and the Town of Gladstone. Centra is also requesting approval of a franchise agreement with the RM of North Norfolk that will replace an existing agreement between Centra and the RM of North Norfolk.

Centra completed its acquisition due diligence of the Co-op's operation and the Co-op's Board of Directors passed a unanimous motion supporting the proposed transaction in June 2003. The Asset Purchase Agreement dated December 2, 2003 was completed that specified a maximum purchase price of approximately $1.738 million, conditional on approval of the Board. Centra's application addressed the proposed transaction in regard to the impacts on the provision of safe and reliable service, including the transition period, competition, rates for customers of both utilities, and future regulation of the utility.

Centra submitted that the transaction would not adversely impact the provision of safe and reliable service, would benefit the Co-op's customers, and would have no significant impact on competition, rates for Centra's existing customers, and on future regulation of the utility.

3.2 Safe and Reliable Service

Centra intends to integrate the assets and operations of the Co-op with those of Centra. There will be no change in Centra's organizational structure. The Co-ops' operations will become the responsibility of Centra's Parkland Office in Dauphin, Manitoba. The present manager of the Co-op will continue to provide service to the Co-op's customers and in addition will provide service to Centra's other customers in the area. An integration team will manage the addition of the Co-op's customers to Centra's billing system. Co-op customers will be charged Centra's natural gas rates as approved from time to time. Former Co-op operations will be financed by Centra, in a manner consistent with other natural gas operations.

Centra retained the services of Enerco Engineering Ltd. ("Enerco") to assist with the technical evaluation of the Co-op's system. The evaluation indicated that certain system upgrades should be completed soon after the transaction to make the system more consistent with Centra's internal standards. Other system upgrades could be undertaken at some future time. Centra submitted that actions to be undertaken immediately following the transaction include replacement of odorization facilities to eliminate the risk of leaks and soil contamination, meter corrector, back welding of station threaded fittings to eliminate gas leaks, installation of warning signs, and retirement of leaking underground polyethylene valves. The estimated cost of these actions is $88,000.

Centra further submitted that other system upgrades to be undertaken during the course of normal maintenance programs would include the replacement of the existing purchase station with a working monitor type regulator to reduce the amount of gas released into the environment. These upgrades and other programs related to station bypass, station access, and SCADA systems are estimated to cost $117,000.

Centra stated that it is committed to continue to provide the same safe and reliable service to the Co-op customers as it provides to Centra's existing customers, under Centra's Terms and Conditions of Service. The Co-op customers would experience changes in service in several areas. The majority of the Co-op customers are residential in nature and would be included in either Centra's Small General Class (SGC), or Large General

Class (LGC). Other customers would be assigned to other appropriate customer classes, in accordance with Centra's current eligibility criteria. Centra estimates that Centra's current rates will be lower than the Co-op rates by 10% to 25% for residential customers, and 15% to 30% for commercial customers, depending on consumption.

The Co-op customers will have the option to purchase gas from third party gas suppliers under Centra's Western Transportation Service ("WTS") arrangements. Connection fees for new customers within the Co-op areas will be subject to Centra's standard expansion feasibility test, rather than being a required minimum amount, as is currently the case. Hydro's Customer Contribution Time Payment Plan financing option will become available to finance required contributions for new service installations and yard piping, up to a maximum amount of $10,000. A similar financing plan of up to $5,000 is available for natural gas appliance installations. Centra's "burner tip" service that provides customers with access to diagnostic and minor repairs for natural gas equipment will also be available, as will Centra's more comprehensive maintenance and emergency response services.

Upon approval of the transaction by the Board, Centra intends to inform the Co-op customers of the differences between the Co-op's and Centra's services, rates, policies and procedures by individual contact. Centra has notified its existing customers of the proposed transaction by a mass mail during January 2004.

Centra stated that a number of existing agreements and contracts between the Co-op and various parties would be impacted by the transaction. The Co-op's gas supplier has agreed to continue to supply gas under exiting terms and conditions on a monthly basis even though the supply contract expired on October 31, 2003. There is a provision to terminate the contract with one month's notice. In this event Centra would acquire incremental supplies under its own supply contract with Nexen Marketing.

Transportation arrangements between the Co-op and TransCanada Pipe Lines ("TCPL") will be assigned to Centra. Centra intends to cancel the Balancing Agreement with TCPL upon closing of the transaction. Centra's existing agreements with TCPL will be modified to accommodate the Co-op's transportation requirements.

Upon approval of new franchise agreements between Centra, the RM of Westbourne, and the Town of Gladstone, and the amendment to Centra's existing franchise agreement with the RM of North Norfolk, the Co-op and the three parties have agreed to terminate the existing agreements with the Co-op. All interests in real property used in conjunction with the business of the Co-op will be assigned to Centra, including required rights-of-way, easements, licences, and any other agreements.

Centra has obtained conditional approval from the RMs and the Pine Creek School Division to continue to provide grants to Centra for a period of fifteen years after the close of the transaction ("Tax Rebate Agreements"). Conditions include Board approval of the transaction and new franchise agreements. The grants will continue to be based on value of taxes otherwise payable in respect of the Co-op's assets in lieu of capital contributions to build the Co-op infrastructure.

Centra has obtained consent from the Province of Manitoba for the assignment of the 1995 Canada-Manitoba Infrastructure Program Agreement with the Co-op to Centra.

3.3 Competition

Centra submit that there will be no significant impact on competition in Manitoba's natural gas industry as a result of this transaction, especially given the relatively small number of Co-op customers. Centra and the Co-op provide natural gas services in separate franchise areas and do not compete with one another. Centra is not aware of any plans the Co-op has to compete with Centra for new franchise areas, and Centra currently does not have any specific plans to expand within the Co-op service area. Although reducing the number of Local Distribution Companies in Manitoba, the transaction will have no affect on future competition.

Since Centra proposes to fully integrate the assets and operations of the Co-op into Centra, the Co-op will cease to exist as an entity and therefore there are no post transaction issues related to cross-subsidization. Centra also submits that the Integrated Cost Allocation Methodology and Centra's Cost Allocation study will continue to ensure that there is an appropriate allocation of costs between all customer classes, and these will include Co-op customers in their respective class.

3.4 Ratepayers of Both Utilities

The current Co-op customers will, as a result of the transaction, have greater flexibility in choosing the rate class which best suites their needs, where previously all Co-op customers paid the same rate. In addition due to the high fixed costs and smaller customer base, the natural gas rates have been significantly higher than Centra.

Centra stated that due to the relatively small purchase price, there is no significant financial risk to Centra's existing customers or on Centra's financial position. The total revenue requirement impact over the next 50 years (the estimated life of the Co-op assets) has a net present value of $332,309. Centra estimated the average annual impact on revenue requirement will be $23,390, which based on the 251,000 customers it serves, to be approximately $0.095 per customer per year.

The Centra Valuation

Centra prepared an Internal Business Valuation Report of the Co-op at September 30, 2003 (Estimate of Value). The valuation was undertaken by internal staff who are Chartered Accountants and were under the supervision of a Chartered Business Valuator. Centra's analysis suggests a value of the Co-op to be $1.712 million. Centra stated the Estimate of Value supports the purchase price contained in the Asset Purchase Agreement.

Centra noted the purchase price established in the Asset Purchase Agreement totals $1.738 million which represents an estimate of the aggregate of all of the debts and liabilities of the Co-op due or accruing as at the closing date of the transaction.

Co-op Market Assessment

The Co-op did not undertake a formal business valuation of its operations to assess the Asset Purchase offer made by Centra. However, the Co-op contracted Campbell Ryder Engineering Ltd. ("Campbell Ryder") to review and report on a theoretical or probable market value for a potential sale of the existing operations. Campbell Ryder noted that the Co-op developed its natural gas distribution system based on attracting customers from an alternative energy source, based on the conversion providing an economic benefit. Campbell Ryder stated that the Co-op faces challenges in attracting new customers given the current level of electricity rates, and the gas rates it would have to charge to provide a benefit and to recover the cost of conversion from electricity to gas, which range from $2,500 to $5,000 for a residential customer. The Co-op could not reasonably expect to increase its market and business prospects unless gas prices appear competitive with alternative energy supply.

Campbell Ryder estimated the market value based on the Co-op funded net book value of the Co-op to be $1.410 million, at September 30, 2002 and that a sale at that value would not be sufficient to allow for the repayment of $1.762 million in liabilities and long-term debt. Campbell Ryder noted that a sale of assets might be an obstacle to a prospective purchaser to be allowed to capitalize costs paid in excess of the Co-op's net book value.

Tax Issues

The Asset Purchase Agreement contains a provision that Centra pay all taxes due resulting from the transaction. The Co-op estimated that it will incur an income tax liability of approximately $30,000 as a result of the sale of its assets to Centra.

In addition to the purchase cost, Centra will incur approximately $110,000 in Provincial Retail Sales Taxes ("RST") as a result of the transaction. The final determination of the RST will be based on the final acquisition costs of the assets and the final allocation of the costs to the various assets being acquired.

3.5 Future Regulation

Centra is of the view that the proposed transaction will not impact the future regulation of the Co-op or Centra. If the transaction is approved, the Co-op operations will be integrated with Centra's and all operations will be subject to the same regulation as currently applicable to Centra, pursuant to The Public Utilities Board Act, The Gas Pipeline Act and other relevant legislation.

4.0 Intervenors' Positions

CAC/MSOS agrees with Centra that the transaction will benefit existing Co-op customers and creditors. However the acquisition will not be in the interest of existing Centra ratepayers. CAC/MSOS notes that regardless of the fact the impact on Centra ratepayers are minor, there is a negative impact nonetheless, and therefore harm to existing Centra customers. CAC/MSOS further stated its concern that the application would set a bad precedent, in that the application departs from the fundamental concept of serving customers which are economically feasible so as to not cause negative impacts to existing customers. CAC/MSOS recommended the proposed transaction not be accepted simply because the impact on existing customers is minor. CAC/MSOS recommended that the amount allowed into rate base for recovery by Centra be adjusted to a level which will be revenue neutral to existing customers, or have the parties explore other options, such as extending the Municipal Tax Rebate.

CAC/MSOS also recommended the Board approval of this transaction, if granted, not constitute a precedent for allowing customer attachments to Centra's system outside the realm of an economic feasibility assessment.

CAC/MSOS contended that the purchase price is unreasonable, and that Centra's Estimate of Value is flawed. CAC/MSOS stated Centra's estimate of miscellaneous revenue was well in excess of the Co-op's historical levels and that it was unlikely that additional service offerings would warrant the increase from that indicated in the Co-op's September 30, 2003 financial statement. Accordingly, CAC/MSOS suggested that the miscellaneous revenue be adjusted from $17,884 to $12,000 for the Estimate of Value.

CAC/MSOS also stated the operating expenses of $40,554 used in the Estimate of Value were unrealistic. Applying the Centra's operating and maintenance expense per customer of $213.48 to the 383 existing Co-op customers. The operating expense for the valuation should have been $81,763. The adjustments result in reducing the normalized income used in determining the value to $10,960 from $57,753.

CAC/MSOS also disagreed with Centra's removal of inflation from the determination of the discount rate used in the Estimate of Value. CAC/MSOS stated the discount rate should be based on the allowed rate of return of 8.1%, resulting in a capitalization multiple of 12.35 of normalized income rather than the inflation adjusted discount rate of 5.98% and capitalization multiple of 16.734 used in the Estimate of Value.

CAC/MSOS also stated that the Estimate of Value had not considered all costs and suggested the cost of the Enerco study totalling $8,650 should be deducted from the Estimate of Value. Based on the adjustments proposed, CAC/MSOS estimated the total value of the Co-ops' operations to be $869,622 rather than the $1,712,644 calculated by Centra. CAC/MSOS recommended the Board require the purchase price valuation be recalculated and adjusted to reflect the true value of the Co-op.

5.0 Centra's Final Submission

Centra submitted its final argument and responded to issues raised by CAC/MSOS. Centra stated CAC/MSOS incorrectly suggests that a benefit to the Co-op's customers will be that they "will not need to have rates that cover the cost of operating its system" because the Operating and Maintenance costs of the Co-op customers will be rolled into Centra's costs and recovered from all customers. Centra stated that under its ownership the Co-op's operating and maintenance expenses will be reduced through efficiencies gained as part of the larger system. As such, the cost of serving the Co-op customers will be based on Centra's cost structure once fully integrated, and it is appropriate that they pay the same rates as Centra's existing customers.

Centra took issue with CAC/MSOS adjustments to the Estimate of Value. CAC/MSOS suggestion the miscellaneous revenue forecast is in excess of Co-op's historical levels is incorrect. Centra stated it based its calculation of miscellaneous revenue as an average of the Co-op's miscellaneous revenue between 1998 and 2002. CAC/MSOS solely relied on the Co-op's 2003 financial statements, which does not take into account the fact that revenue and expense items will fluctuate from year to year, making an average calculation more representative.

Centra questioned CAC/MSOS' calculation of operating expense, based on the average cost per customer of $213.48 to arrive at an operating cost estimate of $81,763. Centra estimated that the incremental operating and maintenance costs of the Co-op system under Centra's ownership are $40,584. In undertaking the Estimate of Value it is appropriate to estimate both the incremental revenues and the incremental costs of the asset being valued. CAC/MSOS' use of a total average costs in Centa's view is inappropriate for valuation purposes.

Centra stated CAC/MSOS' position that inflation should not be removed from the discount rate is contrary to accepted valuation principles. Centra noted capitalization rates are applied to constant dollar amounts of cash flow or income, and as such, the inflationary component of the rate of return must be removed.

Centra took issue with CAC/MSOS claim that the Estimate of Value did not consider all of the internal and external costs associated with the purchase of the assets of the Co-op. Centra noted the only difference between the calculation made by CAC/MSOS and that made by Centra is only the cost of the Enerco study. Further, Centra has determined that it is not necessary to retire the polyethylene valves, thus reducing the estimate of system upgrade costs by approximately $10,000.

Centra further disagrees with CAC/MSOS' assertion that there are other costs not accounted for as these costs will be completed within existing staffing levels and operating budgets, resulting in minimal incremental costs to Centra.

Centra submits that the recommendation made by CAC/MSOS to reduce the purchase price is unfounded because the price is supported by an Estimate of Value which was determined in accordance with generally accepted valuation principles, and the price is a result of a negotiated agreement between two arm's length parties. Centra noted that while the Board has the jurisdiction to approve or not approve the disposition of the assets, no specific approval of the purchase price is being requested.

Centra also disagreed with CAC/MSOS' contention that there is a need to further mitigate the impact of this transaction on existing customers as the estimated annual impact of this transaction is approximately $23,930 per year or approximately 0.0046% of Centra's 2003/04 total revenue requirement. Such an impact in the context of Centra's total revenue requirement will be absorbed in the rounding of rate calculations.

Centra further stated that it is not currently requesting approval of the expenditures contemplated to be included into Rate Base, or into rates. This is a matter which will be considered by the Board in the context of a future General Rate Application ("GRA").

Centra viewed this transaction as distinguishable from rural expansion into new areas as it represents the purchase of existing assets from an arm's length third party. Centra stated it was not its intention that this transaction set a precedent for use of anything other than the feasibility test for expansion projects into new franchise areas.

6.0 Co-op's Final Submission

In its final submission, the Co-op stated it has a limited customer base and lacks the financial ability to expand its operations in order to create additional revenue sources. If the Co-op were to continue to operate as a stand alone utility, it would still face significant operational difficulties. Accordingly, the Co-op seeks to sell its assets as its ability to expand and grow its operations remains limited and the potential for future growth remains questionable.

The Co-op stated that Centra, an arm's length purchaser, did its own independent estimate of the value of the Co-op's assets. The Co-op further stated the purchase price was negotiated in good faith.

The Co-op stated that factors indicate the purchase price arrived at by the parties is conservative, including:

- The replacement cost of the existing Co-op system would be approximately $5.6 million if constructed today; and
- Centra business case and valuation was based on estimated sales with no growth in customers or volumes from the normal volumes reported by the Co-op in 2003.

The Co-op stated there is future market opportunity in that the transmission and distribution systems have significant excess capacity available to serve new customers and demand within its franchise areas. The existing system has the capacity to double existing deliveries without requiring capital upgrading presents Centra with a benefit of being able to pursue new business.

The Co-op further noted that Centra will be acquiring additional franchise areas with larger volume customers interested in accepting natural gas supply. Those potential customers may now be supplied from either the existing Centra system within its subsisting franchises, or from the Co-op system. This ease of access should reduce the economic impact of future connections for affected customers.

The Co-op questioned CAC/MSOS analysis of operating expense noting that actual cash expenses for the fiscal year ended September 30, 2003, excluding property taxes totalled $178,981 which reflects the costs of the Co-op's stand alone operation. Under the proposed system integration with Centra, many of those expenses should be avoided due to Centra having existing infrastructure in place to be able to provide most of the Co-op's stand alone services at no incremental cost. The Co-op noted there would be incremental cost that Centra will incur associated with customer care and billing functions. Most other operating expenses for administration, maintenance, gas management and professional service should be expected to be functions provided at no additional cost due to greater economy of scale and synergies of operation of the integrated utility.

7.0 Board Findings

7.1 Safe and Reliable Service

The Board notes that the Co-op system meets existing codes. System upgrades are only required to be consistent with Centra's internal standards. There are no public safety concerns related to the current state of the Co-op's physical plant and operational standards.

With respect to the operation of the Co-op system, the Board is satisfied that there will be no adverse impacts on public safety assuming that Centra diligently adheres to staff training and incorporates all standards and operating procedures related to an aluminium pipe system. The Board expects that the appropriate training of Centra staff will commence immediately upon approval of this transaction, and that by the end of 2004, there will be additional staff fully versed in the proper operation, maintenance and repair of aluminium pipe systems.

The Board is satisfied that response time for emergency situations within the Co-op areas will not be negatively impacted and over time may be enhanced. The first response will continue to be from the Gladstone Office of Hydro with the current manager of the Co-op providing the service. As additional staff are trained in operation of aluminium pipe systems, reliability of service should improve.

Terms and Conditions of Service will be common to both customer groups, and the former Co-op customers will enjoy certain benefits previously not available. Third party gas supply, financing options for services and appliances, common connection fees, and provision of "burner tip" service will become available. Because of economies of scale and scope, the cost impacts will be negligible.

The Board is also satisfied that none of the Co-op's existing contracts or agreements will impact on customer service levels.

The only Intervenor of record, CAC/MSOS, did not take any position with respect to the impacts on safe and reliable service flowing from this transaction.

7.2 Competition

The Board agrees that Centra and the Co-op are distinct entities, both distributing gas within specified areas of Manitoba. Neither party competed with the other in any respect. The Co-op had no plans to compete with Centra for new franchise areas. Any system expansion by Centra will be subject to the Board approved feasibility test. The existing Co-op customers, approximately 383 in number, will form part of Centra's much larger customer base, in excess of 251,000, and will therefore be more likely to attract the interest of third party gas suppliers, which should enhance competition.

The Board finds that this transaction will not impact competition in the natural gas industry in Manitoba.

7.3 Ratepayers

The Board notes that upon approval of the transaction, all Co-op customers will be assigned to Centra's appropriate existing customer classes, depending on eligibility criteria. SGC and LGC customers will have the option of choosing either customer class, depending on which is more beneficial to the customer. The respective benefits will depend on annual consumption and result because the Basic Monthly Charge (BMC) is $10 for SGC Customers and $70 for LGC Customers. Offsetting this difference is a lower commodity rate for LGC Customers than for SGC Customers.

The Board also notes that estimates made at the time of the application indicate that a typical Co-op residential customer would experience a decrease ranging between 10% and 25%, while a commercial customer consuming approximately 28, 400 cubic metres annually would experience a 15% to 30% decrease annually, depending on consumption patterns. Conversely, the estimated impact on Centra's existing revenue requirement, in excess of $521 million, is approximately $23,900, which represents a negligible increase. On an individual customer basis, this translates to a net present value of 2.7¢ per customer per year over 50 years.

The Board notes that the Co-op's Purchase Gas Variance Account (PGVA) balance as at February 1, 2004 is estimated to be approximately $16,000 owing to the Co-op customers. This amount will be rolled into Centra's PGVA and consequently all customers will receive the benefit. However, the Board further notes that Centra' PGVA balance is approximately $446,100 owing to Centra's customers. The Board recognizes that the PGVA balances can and do vary considerably at any point in time, being a function of estimated and actual market natural gas prices. The Board is of the view that the treatment of the PGVA balance is reasonable. The Board will therefore approve the request that the Co-op's customers be assigned to Centra's appropriate customer class and be charged the rates for that class, as approved by the Board from time to time.

The Board notes that the purchase price totalling $1.738 million was structured to discharge all of the obligations and costs of the Co-op as at the closing of the transaction. The Board further notes that the purchase price was negotiated at arms length between Centra and the Co-op, acting in good faith. The Board is of the view the Estimate of Value was prepared in accordance with accepted valuation principles and the estimated value of $1.712 million reasonably supports the purchase price negotiated between the parties. Although there is a difference between the purchase price and the Estimate of Value, it is the Board's view that the valuation is a tool used in assessing the reasonableness of the negotiated purchase price. The Board is not convinced that a number of the adjustments proposed by CAC/MSOS to the Estimate of Value have merit.

The Board notes that Centra is not seeking approval of additions to Rate Base or rate impacts resulting from this transaction at this time. The Board agrees with Centra that the matter of additions to Rate Base and rates resulting from this transaction will best be addressed in a future GRA where the final results of the transaction and the rate impacts will be considered by the Board. The Board will expect Centra to file specific information on the additions to Rate Base and the impacts to rates at the next GRA.

7.4 Future Regulation

The Board's current regulation of Centra pursuant to The Public Utilities Board Act and the Gas Pipeline Act will continue and be applicable to the merged assets and operations with respect to the Co-op which will cease to exist as a separate entity.

8.0 IT IS THEREFORE ORDERED THAT:

1. The application by Gladstone, Austin Natural Gas Co-op Ltd. for approval of the sale of the assets of Gladstone Austin Natural Gas Co-op Ltd. to Centra Gas Manitoba Inc., BE AND IS HEREBY APPROVED.

2. The Gladstone, Austin Natural Gas Co-op Ltd. file a duly executed copy of the Asset Purchase Agreement dated December 2, 2003 signed by both parties with The Public Utilities Board.

3. The application by Centra Gas Manitoba Inc. authorizing and approving the merger and consolidation of the Gladstone, Austin Natural Gas Co-op Ltd.'s assets into the assets of Centra Gas Manitoba Inc. in accordance with the terms of the Asset Purchase Agreement between Centra Gas Manitoba Inc. and Gladstone Austin Natural Gas Co-op Ltd., dated December 2, 2003, BE AND IS HEREBY APPROVED.

4. The application of Centra Gas Manitoba Inc. authorizing and approving new franchise agreements between Centra Gas Manitoba Inc. and the Rural Municipalities of Westbourne and North Norfolk, and the Town of Gladstone, BE AND IS HEREBY APPROVED.

THE PUBLIC UTILITIES BOARD

Chairman

Acting Secretary

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"
Chairman

"H. M. SINGH"
Acting Secretary

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The Public Utilities Board

Acting Secretary