

**M A N I T O B A**

**Order No. 100/04**

**THE PUBLIC UTILITIES BOARD ACT**

**July 26, 2004**

Before:     Graham F. J. Lane, B.A.,C.A., Chairman  
              M. Girouard, C.G.A., Member  
              Mario J. Santos, B.A., LL.B, Member

**AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR  
AN INTERIM ORDER APPROVING**

- 1)     PRIMARY GAS SALES RATES EFFECTIVE FOR ALL  
       GAS CONSUMED ON AND AFTER AUGUST 1, 2004,  
       AND**
- 2)     NEW SUPPLEMENTAL GAS, TRANSPORTATION AND  
       DISTRIBUTION RATES REFLECTING THE REMOVAL  
       OF RATE RIDERS AS OF JULY 31, 2004**

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## **1.0 Background**

The Natural gas bill for a customer of Centra Gas Manitoba Inc. (Centra) is divided into five components:

Primary Gas Rates (the subject of this Order);  
Supplemental Gas Rates;  
Transportation to Centra Rates;  
Distribution to Customer Rates; and  
Basic Monthly Charges.

This Board Order concerns Primary Gas, Supplemental Gas, Transportation and Distribution rates.

The Board's approved Rate Setting Methodology ("RSM") provides for Primary Gas Base Rates to be set quarterly, on February 1, May 1, August 1 and November 1 of each year.

Adjustments are made to reflect the updated 12-month forward market price for natural gas; the forward price being weighted to account for gas in storage. In addition to the Primary Gas Base Rate, a Primary Gas Rate Rider is set, effective concurrent with the Primary Gas Rate change. The Rider distributes the projected Primary Gas Purchase Gas Variance Account balance ("PGVA") as at the end of each quarter over customer bills for the next twelve months of normalized gas usage volumes.

Previous to this Order, Order 69/04 of April 2004 last amended the RSM process and related minimum filing requirements.

The current process requires Centra to:

- a) base applications for Primary Gas Rate changes on a twelve-month forward price strip exercised during the first week of the month preceding the commencement of the following gas quarter;
- b) file its Applications on a timely basis;
- c) issue a press release, and mail a "bill stuffer" to all customers communicating the reason for changes approved by the Board

Additional information supporting Centra's Application includes:

- a) for rates effective May 1, 2004, the approved Primary Gas base rate was \$0.2482 per cubic metre, based on the April 1, 2004 forward price strip;
- b) the approved Primary Gas billed rate for the quarter ending July 31, 2004 included a rate rider increasing the rate by \$0.0011 per cubic metre, to account for the PGVA; and
- c) the billed Primary Gas rate for the last quarter was \$0.2493 per cubic metre.

## **2.0 The Application**

On July 8, 2004, Centra applied to the Board for approval of interim Primary Gas Rates and a Rate Rider to be effective as of August 1, 2004.

The Rate Rider would distribute the estimated balance in the PGVA as of July 31, 2004, in accordance with the approved RSM process.

The requested rates were determined using the July 2, 2004 forward price strip, and, with the Board's approval, would remain in effect until the next quarter rate setting.

Centra would advise customers of the rate changes arising out of this Order through its newsletter Energy Matters and a Press Release.

## **3.0 Primary Gas Base and Billed Rates**

Centra's proposed total billed rate from August 1, 2004 is \$0.2587/m<sup>3</sup> (previous quarter, \$0.2493/m<sup>3</sup>).

The following table summarizes the cost components utilized to determine Centra's proposed Rates for the quarter commencing May 1, 2004, as compared to the last quarter.

<b>Component</b>	<b>Existing Rates May 1, 2004</b>	<b>Requested Rates August 1, 2004</b>
Date of Forward Price Strip	April 1, 2004	July 2, 2004
12 Month Forward Price	\$ 6.7160/GJ	\$ 7.1780/GJ
Estimated Price Management Impact	\$ (0.2510/GJ)	\$ (0.3840/GJ)
Western Supply Price	\$ 6.4650/GJ	\$ 6.7940/GJ
Storage Gas Price	\$ 6.1730/GJ	\$ 6.1730/GJ
Weighed Gas Cost	\$ 6.4130/GJ	\$ 6.6830/GJ
Rate per cubic metre	\$ 0.2424/m <sup>3</sup>	\$ 0.2526/m <sup>3</sup>
Base Primary Rate with fuel, O/H	\$ 0.2482/m <sup>3</sup>	\$ 0.25868/m <sup>3</sup>
PGVA Rider (\$/m <sup>3</sup> )	\$ 0.0011/m <sup>3</sup>	\$ 0.00003/m <sup>3</sup>
Total Billed Rate	\$ 0.2493/m <sup>3</sup>	\$ 0.2587/m <sup>3</sup>

Factors impacting Primary Gas Rates include:

- a) the western supply price (\$7.1780/GJ) reflecting Centra's gas supply contract with Nexen Marketing;
- b) the estimated positive mark-to-market price management results of \$0.3840/GJ (\$15.5 million), this the result of Centra's placement of cashless collars with \$0.50 out of the money upper strike prices on volumes of approximately 24.8 million GJ;
- c) the cost of gas in storage, projected at \$6.173/GJ, which reflects the actual final cost for the 2003/04 withdrawal from storage. The withdrawal commenced on November 1, 2003, and the cost was the same as that utilized for the current, February 1 and May 1, 2004, rates; and
- d) The PGVA balance owing to Centra of \$38,000, the result of differences between actual primary gas costs experienced by Centra and pass-through billings to customers is too small to be reflected in a rate rider, except for rounding.

The Board also notes a number of other matters to be considered at the September 8<sup>th</sup> Cost of Gas hearing:

- Centra's current supply contract with Nexen expires on October 31, 2004, so actual terms and pricing mechanisms apply only until October 2004;
- Gas costs for the last nine months of the twelve-month projection reflect new supply contracts not yet filed with the Board;
- The Swing Service "premium" has increased from \$0.005/GJ to \$0.025/GJ; and
- The PGVA of GANG of \$35,000, a recent acquisition was included in Centra's PGVA.

The following table projects the increase to the annual average natural gas bill associated only with the proposed new primary gas rates.

**PROJECTED ANNUALIZED INCREASE BY CUSTOMER CLASS**

<b>Customer Class</b>	<b>Increase</b>
SGS	2.2% to 2.4%
LGS	2.3% to 2.8%
HVF	2.6% to 2.9%
Co-op	2.9%
Mainline	2.8% to 3.1%
Interruptible	2.8% to 3.0%

On this basis the average residential consumer would realize an increase in annualized heating bills of approximately \$29.00 with the approval of this Application.

The projections are based on the August 1, 2003 rates for Supplemental Gas, Transportation and Distribution.

This Application also seeks approval for new rates for Supplementary Gas, Transportation and Distribution, to reflect the termination of rate riders approved to be in effect from August 1, 2003 to July 31, 2004.

The combined impact of the Primary Gas rate change and the removal of rate riders for all customer classes are shown below:

<b>Customer Class</b>	<b>Combined Impact (Primary Gas Rate &amp; Removal of Rider)</b>
SGS	2.3% - 2.4%
LGS	2.3% - 2.8%
High Volume Firm	(0.5)% - 1.0%
Co-op	3.4% - 3.7%
Mainline	1.2% - 1.4%
Interruptible	(0.2)% - (0.7)%

The net bill impact for a typical residential customer of the Primary Gas rate change, combined with the removal of the Supplemental Gas, Transportation and Distribution Rate Riders, would be an increase of approximately 2.3% (\$30.00 per year).

#### **4.0 Board Comments and Findings**

The Board finds Centra's proposal for a Primary Gas rate change properly reflects the current commodity market price and circumstances, the RSM, and the Board's approved process.

The Board also finds that the removal of the rate riders on Supplementary Gas Transportation and Distribution to be in compliance with previous Board Orders.

Accordingly, the Board will approve Centra's August 1, 2004 Schedule of Rates, Appendix "A" to this Order.

The cost of storage gas, impacts of price management transactions and new gas supply contracts and the disposition of deferral account balances will be reviewed by the Board at the Cost of Gas hearing scheduled for September 8, 2004.

The following table illustrates the volatility of natural gas prices over the past five years. Because the RSM considers factors other than commodity prices, including the cost of gas in storage and price-hedging impacts, the volatility in rates has been mitigated to some extent.

<b>Date</b>	<b>Commodity Cost</b>	<b>Average Annual Bill</b>	<b>% change in Cost</b>	<b>% Change in Bill</b>
December, 1999	\$ 3.003/GJ	\$ 840	Base	Base
August 1, 2000	\$ 5.187/GJ	\$ 975	72.7%	16.1%
November 1, 2000	\$ 5.894/GJ	\$ 1,098	13.6%	12.6 %
February 1, 2001	\$ 9.251/GJ	\$ 1,350	57.0%	23.0%
August 1, 2001	\$ 4.614/GJ	\$ 1,204	(50.1%)	(10.7 %)
November 1, 2001	\$ 4.168/GJ	\$ 1,121	(9.7%)	(6.9 %)
February 1, 2002	\$ 4.028/GJ	\$ 1,099	(3.4%)	(2.0 %)
May 1, 2002	\$ 5.094/GJ	\$ 1,209	26.5%	10.0%
August 1, 2002	\$ 4.759/GJ	\$ 1,120	(6.6%)	(7.4 %)
November 1, 2002	\$ 5.024/GJ	\$ 1,167	5.6%	4.2%
February 1, 2003	\$ 5.860/GJ	\$ 1,273	16.6%	9.1%
May 1, 2003	\$ 5.928/GJ	\$ 1,295	1.2%	1.7%
August 1, 2003	\$ 5.857/GJ	\$ 1,213	(1.2%)	(6.3%)
November 1, 2003	\$ 6.003/GJ	\$ 1,250	2.5%	3.0%
February 1, 2004	\$ 6.148/GJ	\$ 1,263	2.4%	1.0%
May 1, 2004	\$ 6.413/GJ	\$ 1,299	4.3%	2.9%
August 1, 2004	\$ 6.683/GJ	\$ 1,329	4.2%	2.3%

Year over year as of August 31, 2004, the average annual commodity charge component of the residential bill has increased by \$116.00 or approximately 10%.



**5.0 IT IS THEREFORE ORDERED THAT:**

1. The Schedule of Rates attached as Appendix "A" be effective for all gas consumed on and after August 1, 2004;
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

"GRAHAM F. J. LANE, B.A., C.A."  
Chairman

"H. M. SINGH"  
Associate Secretary

Certified a true copy of Order No. 100/04  
issued by The Public Utilities Board

\_\_\_\_\_  
Associate Secretary

**CENTRA GAS MANITOBA INC.**  
**FIRM 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:**  
 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<sup>3</sup>.  
 6 HVF: For gas delivered through one meter at annual volumes greater than 680,000 m<sup>3</sup>.  
 7 Co-op: For gas delivered to natural gas distribution cooperatives.  
 8 MLC: For gas delivered through one meter to consumers served from the Transmission system.  
 9 Special Contract: For gas delivered under the terms of a Special Contract with the Company.  
 10 Power Station: For gas delivered under the terms of a Special Contract with the Company.  
 11

12 **Rates:**

	Transportation to Centra	Distribution to Customers	Primary Gas Supply	Supplemental Gas Supply <sup>1</sup>
13				
14				
15 <b>Basic Monthly Charge: (\$/month)</b>				
16 Small General Class (SGC)	N/A	\$10.00	N/A	N/A
17 Large General Class (LGC)	N/A	\$70.00	N/A	N/A
18 High Volume Firm Class (HVF)	N/A	\$681.00	N/A	N/A
19 Cooperative (Co-op)	N/A	\$254.01	N/A	N/A
20 Main Line Class (MLC) (Firm and Interruptible Supply)	N/A	\$1,360.87	N/A	N/A
21 Special Contract	N/A	\$93,021.63	N/A	N/A
22 Power Station	N/A	\$11,912.92	N/A	N/A
23				
24 <b>Monthly Demand Charge (\$/m<sup>3</sup>/month)</b>				
25 High Volume Firm Class (HVF)	\$0.3787	\$0.1771	N/A	N/A
26 Cooperative (Co-op)	\$0.4196	\$0.0937	N/A	N/A
27 Main Line Class (MLC)	\$0.4902	\$0.1166	N/A	N/A
28 Special Contract	N/A	N/A	N/A	N/A
29 Power Stations	N/A	\$0.0344	N/A	N/A
30				
31 <b>Volumetric Charge: (\$/m<sup>3</sup>)</b>				
32 Small General Class (SGC)	\$0.0482	\$0.0712	\$0.2587	\$0.2471
33 Large General Class (LGC)	\$0.0450	\$0.0269	\$0.2587	\$0.2471
34 High Volume Firm Class (HVF)	\$0.0208	\$0.0071	\$0.2587	\$0.2471
35 Cooperative (Co-op)	\$0.0069	\$0.0015	\$0.2587	\$0.2471
36 Main Line Class (MLC)	\$0.0074	\$0.0015	\$0.2587	\$0.2471
37 Special Contract	N/A	\$0.0015	N/A	N/A
38 Power Station	N/A	\$0.0015	N/A	N/A
39				

40 <sup>1</sup>Supplemental Gas is mandatory for all Customers except T-Service.

41  
 42 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

43  
 44 **Effective:** Rates to be charged for all billings based on gas consumed on and after August 1, 2004.

45  
 46 **Approved by Board Order:**

47 **Effective From: August 1, 2004**

48 **Date Implemented: August 1, 2004**

**Supersedes Board Order:69/04**  
**Supersedes: May 1, 2004 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 680,000m<sup>3</sup> 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 Customer	Primary Gas Supply	Supplemental Gas Supply <sup>1</sup>
7				
8 <b>Basic Monthly Charge: (\$/month)</b>				
9 Interruptible Service	N/A	\$861.06	N/A	N/A
10 Mainline Interruptible (with firm delivery)	N/A	\$1,360.87	N/A	N/A
11				
12 <b>Monthly Demand Charge (\$/m<sup>3</sup>/month)</b>				
13 Interruptible Service	\$0.1256	\$0.0644	N/A	N/A
14 Mainline Interruptible (with firm delivery)	\$0.1933	\$0.1166	N/A	N/A
15				
16 <b>Commodity Volumetric Charge: (\$/m<sup>3</sup>)</b>				
17 Interruptible Service	\$0.0132	\$0.0038	\$0.2587	\$0.2639
18 Mainline Interruptible (with firm delivery)	\$0.0081	\$0.0015	\$0.2587	\$0.2639
19				
20 <b>Alternate Supply Service:</b>		Negotiated		
21 Gas Supply (Interruptible Sales and Mainline Interruptible)		Cost of Gas		
22 Delivery Service - Interruptible Class		\$0.0059		
23 Delivery Service - Mainline Interruptible Class		\$0.0053		
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32 **Effective From: August 1, 2004**

33 **Date Implemented: August 1, 2004**

**Supersedes Board Order:69/04**  
**Supersedes: May 1, 2004 Base Rates**

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40 <sup>1</sup>Supplemental Gas is mandatory for all Sales and Western T-Service Customers.

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 42 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.  
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44 **Effective:** Rates to be charged for all billings based on gas consumed on and after August 1, 2004.  
 45

46 **Approved by Board Order:**

**Supersedes Board Order:69/04**

47 **Effective From: August 1, 2004**

**Supersedes: May 1, 2004 Billed Rates**

48 **Date Implemented: August 1, 2004**

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

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5	<b>Rates:</b>				
6		<b>Transportation to Centra</b>	<b>Distribution to Customers</b>	<b>Primary Gas Supply</b>	<b>Supplemental Gas Supply<sup>1</sup></b>
7					
8	<b>Basic Monthly Charge: (\$/month)</b>				
9	Interruptible Service	N/A	\$861.06	N/A	N/A
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21	Gas Supply (Interruptible Sales and Mainline Interruptible)		Cost of Gas		
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31	<b>Approved by Board Order:</b>	<b>Supersedes Board Order:69/04</b>			
32	<b>Effective From: August 1, 2004</b>	<b>Supersedes: May 1, 2004 Billed Rates</b>			
33	<b>Date Implemented: August 1, 2004</b>				