

M A N I T O B A) **Order No. 10/04**
)
THE PUBLIC UTILITIES BOARD ACT) **January 30, 2004**

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

**AN APPLICATION BY THE GLADSTONE, AUSTIN NATURAL GAS CO-
OP LTD. FOR AN ORDER APPROVING NATURAL GAS SALES RATES
TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER
FEBRUARY 1, 2004.**

1.0 Background

In Order 163/03, dated October 31, 2003, The Public Utilities Board of Manitoba (“the Board”) approved a change in the method of establishing sales rates for the Gladstone, Austin Natural Gas Co-op (“Co-op”). This method would result in a change in rates at the beginning of each gas-year quarter, that is, May 1, August 1, November 1, and February 1. In addition, an amount was to be included in the rates to dispose of any accumulated balance in the Purchase Gas Variance Account (“PGVA”) over the next 12-month normalized volumes. The PGVA balance at the end of any quarter would be on a continuous or “rolling” basis for the ensuing 12-month volumes.

The current sales rate schedule, given interim approval in Order 163/03 consists of a Basic Monthly Charge of \$10.00 plus a commodity Sales Rate of \$10.33 per gigajoule (“GJ”). The existing rate anticipated refunding the accumulated PGVA balances by October 31, 2004. The commodity settlement price of gas currently embedded in the rate exclusive of transportation and delivery charges, is \$5.535 per GJ, and was based on the market strip as at October 3, 2003. The \$10.33 per GJ rate also considers all transportation and distribution costs, fuel requirements, brokerage and gas management fees and excess capacity revenues. This rate also included a \$0.30 per GJ rate rider to dispose of the expected surplus PGVA credit balance for the current gas supply year.

2.0 Application

On January, 2004, Campbell Ryder Engineering Ltd. ("CRE"), on behalf of the Co-op filed an application with the Board seeking approval for an increase of \$0.91 per GJ in the Commodity Sales Rate, in accordance with the methodology approved in Order 163/03. The requested increase is based on the January 5, 2004 market strip. The commodity sales rate embeds a weighted average settlement price of \$6.337 per GJ for the 12 month commencing February 1, 2004. Additionally, the projected January 31, 2004 PPVA credit balance of \$16,172 results in a rate negative rider of \$0.21 per GJ. When the PGVA rate rider, transportation tolls and other costs are taken into account, the result is a requested commodity sales rate of \$11.24 per GJ

The Co-op notified their customers of the proposed change by enclosing a notice, approved by the Board, in their most recent customer bills. The deadline for any written comments to be forwarded to the Board's office was January 22, 2004. The Board did not receive any comments in respect of this application.

3.0 Board Findings

In approving the rate setting methodology in Order 163/03, the Board noted that rates should, as closely as practical, reflect prevailing natural gas commodity market prices, while maintaining a certain degree of stability, and that costs incurred by a specific consumer class should be paid for by that class.

The Board considers that the 12-month forecast commencing February 1, 2004 for volumes, diversion revenues, unit prices and fuel requirements are reasonable. The prices reflect the terms and conditions of the Co-op's supply contract, and utilize the January 5, 2004 forward price strip, in accordance with the approved rate setting methodology, including the disposition of expected PGVA balances. The Board will therefore approve the Schedule of Rates shown, attached as Appendix "A" to this Order.

Appendix "A"

GLADSTONE, AUSTIN NATURAL GAS CO-OP LTD.

RATE SCHEDULE

FOR SERVICE TO ALL CUSTOMERS, WITH RESPECT TO
ALL CONSUMPTION ON AND AFTER FEBRUARY 1, 2004

Basic Monthly Charge: \$10.00 per service

Commodity Sales Rate: \$11.24 per GJ

Minimum Monthly Bill: Basic Monthly Charge

Late Payment Charge:

All accounts are due upon issue of the invoice. Accounts not paid in full within 15 days of the date of issue of the invoice are subject to a penalty of 1.5% (19.56% per annum – compounded monthly) of the total amount then in arrears, and the whole amount shall then become due and payable.

NOTE: Based on forecast market prices as at January 5, 2004