M A N I T O B A	)	**Order No. 189/02**
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THE PUBLIC UTILITIES BOARD OF MANITOBA	)	**November 5, 2002**

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

AN APPLICATION BY THE GLADSTONE, AUSTIN NATURAL GAS CO-OP LTD. FOR INTERIM EX PARTE APPROVAL OF THE CONTINUATION OF EXISTING SALES RATE TO BE CHARGED FOR ALL GAS CONSUMED ON AND AFTER NOVEMBER 1, 2002

1.0 Background

In Order 166/01, dated October 26, 2001, the Manitoba Public Utilities Board ("the Board") approved rates for the sale of natural gas by the Gladstone, Austin Natural Gas Co-op Ltd. (" the Co-op") to be effective for all gas consumed on and after November 1, 2001. The approved sales rate included a basic monthly charge of $10.00 per service and a commodity rate of $9.95 per Gigajoule ("Gj"). A weighted average gas commodity purchase price, estimated at $5.25/Gj and an average delivered commodity price, estimated at $6.60/Gj were embedded in the overall sales rate.

2.0 Application

On October 24, 2002 Campbell Ryder Engineering Ltd. ("Campbell Ryder"), on behalf of the Co-op, provided a forecast gas cost for a 12-month period from November 1, 2002 to October 31, 2003 and Purchase Gas Variance Account ("PGVA") balances for October 31, 2002 and October 31, 2003. The forecasts are based on a new gas supply arrangement for that period of time with a new supplier, PremStar Energy Canada Ltd. ("PremStar"). Only two firms submitted bids although numerous quotations were solicited. Campbell Ryder's analysis indicates that the PremStar arrangement represents the least cost to the Co-op for the 2002/03 year.

The PremStar arrangement consists of a variable price contract, determined as the daily index price at AECO-C NIT as reported in the Canadian Gas Price Reporter, plus $0.10/Gj. In the view of Campbell Ryder the current market, is highly volatile and is believed to be over-priced. Therefore fixed price contracts currently command a large premium. Because of these factors, Campbell Ryder submits that the PremStar variable priced arrangement represents the least cost to the Co-op for the 2002/03 year, and is preferable to a fixed price contract. The PremStar arrangement allows the Co-op to lock in at a fixed price at the beginning of any month and that price would then apply for the balance of the contract period.

The forecast for the 2002/03 average commodity cost of gas is $5.388/Gj, with a delivered city gate price of $6.863/Gj. Additionally, the October 31, 2002 PGVA balance is estimated to be approximately $20,000 owing to customers. At existing rates, the PGVA balance that will accumulate during the 2002/03 supply period is expected to be approximately $19,800 owing to the Co-op. Thus, if existing sales rates were to continue, the net PGVA balance at October 31, 2003 would be near zero. The Co-op is therefore requesting that there be no change in sales rates and that existing rates be extended until a further order of the Board.

The Co-op is forecasting normalized sales for the upcoming year to remain at the same level as experienced in 2001/02, with little movement in customer numbers or average consumption.

3.0 Board Findings

The Board accepts that due to the relatively small size of the utility and consumption by the Co-ops' customers, it is difficult to attract suppliers to provide the commodity. Given this factor, in addition to the current market circumstances, the Board is of the view that the new supply arrangement, and attendant pricing structure with PremStar, is reasonable.

The Board notes that if rates were established to reflect the forecast average gas costs for 2002/03, the increase in the delivered commodity cost would have been approximately 4%. The Board also notes that the PGVA balance at October 31, 2002 is estimated to be in excess of $20,000. The Board is of the view that imposing a rate increase when the PGVA balance is in favour of the customer is neither fair nor practical. The Board will therefore accept the recommendation of the Co-op to extend the existing sales rates.

The Board will require the Co-op to continue to file quarterly PGVA status reports with the Board. The Board will also expect the Co-op to determine when and if it would be appropriate to implement the fixed supply price, as allowed in the supply arrangements and to assess the resultant impact on rates of such an action. The Board will expect to be kept informed of these developments in a timely fashion.

As in prior years, the Board will require the Co-op to file with the Board the annual filing requirements within 90 days of the Co-op's fiscal year ending September 30, 2002.

4.0 IT IS THEREFORE ORDERED THAT:

1. The commodity sales rate requested by Gladstone, Austin Natural Gas Co-op Ltd. and attached as Schedule “A” to this Order BE AND IS HEREBY APPROVED ON AN INTERIM REFUNDABLE BASIS. These interim refundable rates are to be effective for all gas consumed on or after November 1, 2002.

2. Gladstone, Austin Natural Gas Co-op file with the Board a copy of the audited financial statements and other required information by December 31, 2002.

3. Interim Board Order 166/01 dated October 26, 2001 BE AND IS HEREBY CONFIRMED as final.

4. This interim ex parte Order shall be in full force and effect until confirmed or otherwise dealt with by the Board at the next earliest opportunity.

THE PUBLIC UTILITIES BOARD

“G. D. FORREST”
Chairman

“H. M. SINGH”
Acting Secretary

Certified a true copy of Order No. 189/02 issued by The Public Utilities Board

Acting Secretary

Schedule A

GLADSTONE AUSTIN NATURAL GAS CO-OP LTD.

PROPOSED RATE SCHEDULE

FOR SERVICE TO ALL CUSTOMERS, WITH RESPECT TO ALL CONSUMPTION ON AND AFTER NOVEMBER 1, 2002

Basic Monthly Charge:	$10.00 per service
Commodity Sales Rate:	$ 9.95 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.