

**PUB/Centra I-1**

**Reference: Tab 3 Page 2 of 11 Attachment 3.2 Page 4 of 114**

**Please confirm whether the “moderate to low environmental concerns” are limited to the rodent infestation of the Minitonas station, the lubricants and chemicals stored at the Swan River station, the line heaters at two of the stations, and the absence of block valves to control the flow of gas at water crossings in an emergency. Please identify any other environmental concerns if the above is not an exhaustive list, and explain how these concerns will be managed or mitigated.**

**ANSWER:**

Confirmed.

**PUB/Centra I-2**

**Reference: Tab 3 Page 3 of 11**

**Please summarize the findings of the depth of cover survey, and estimate the costs of any remedial actions required to address areas of insufficient cover.**

**ANSWER:**

The depth of cover surveys undertaken by Swan Valley Gas in the fall of 2012 did not reveal any pipelines with insufficient cover.

**PUB/Centra I-3**

**Reference: Tab 3 Page 3 of 11 – Gas Management Agreement**

- a) Please elaborate on Centra's options if SaskEnergy chooses to terminate or not renew the Gas Management Agreement, including the operational and cost implications.**

**ANSWER:**

In the event the Gas Management Agreement ("GMA") is terminated or not renewed, Centra would seek an alternative supplier to deliver gas to the former SVGC area, including the provision of nominating and balancing services. If such supply and related services from an alternative supplier are uneconomic relative to the GMA, Centra may consider buying gas at the TEP market point on the TransGas system and contracting for firm transportation capacity on TransGas and MIPL to SVGC. This approach would require Centra to acquire and nominate variable gas quantities on a daily basis in order to stay in balance. Such nominating and balancing activities would result in administrative costs to Centra that may exceed the gas management fee associated with the GMA; however, the magnitude of any potential impact is unknown at this time. Centra expects that gas acquired at TEP could generally be acquired for an AECO price plus AECO-TEP basis differential, similar to that contemplated in the GMA.

**PUB/Centra I-3**

**Reference: Tab 3 Page 3 of 11 – Gas Management Agreement**

**b) Please estimate the capital costs to connect the SVGC system with Centra's system.**

**ANSWER:**

In 1998, Centra evaluated the financial feasibility of extending natural gas service to the Swan River area. The estimated capital costs to extend gas service to the Swan River area was approximately \$5.7 million for the transmission line at that time.

With the passage of time and evolving construction standards, the costs to connect the SVGC system with Centra's system would be much higher today, in 2014 dollars.

**PUB/Centra I-3**

**Reference: Tab 3 Page 3 of 11 – Gas Management Agreement**

- c) Please confirm whether it will be Centra's or SaskEnergy's responsibility to nominate and balance gas supplies for the former SVGC customers.**

**ANSWER:**

SaskEnergy will be responsible for nominating and balancing gas supplies for the former SVGC customers.

**PUB/Centra I-3**

**Reference: Tab 3 Page 3 of 11 – Gas Management Agreement**

- d) If nominations and balancing are to be Centra's responsibility, please estimate the annual costs to perform these duties.**

**ANSWER:**

Please see Centra's response to PUB/Centra I-3(c).

**PUB/Centra I-4**

**Reference: Tab 3 Pages 5 to 8 of 11 – Service Levels**

**a) Please file SVG C's current Terms and Conditions of Service.**

**ANSWER:**

Response provided by SaskEnergy:

Please see the attachment to this response.



**Swan Valley Gas**

***TERMS & CONDITIONS  
OF SERVICE SCHEDULE***



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# Introduction

## General

Swan Valley Gas Incorporated is a wholly owned subsidiary of SaskEnergy Incorporated, a Crown Corporation in the Province of Saskatchewan, with its head office located in Regina, and governed by The SaskEnergy Act S.S. 1992, c. S-35.1, as amended from time to time.

In accordance with the provisions of The Public Utilities Board Act (Manitoba), Swan Valley Gas Incorporated may establish rates and charges that persons who accept, use or receive services from Swan Valley Gas Incorporated are required to pay; and may establish terms and conditions that persons who accept, use or receive services from Swan Valley Gas Incorporated are required to comply with.

## Application

This document sets out the rates and charges and the terms and conditions of Service that apply to all of Swan Valley Gas's Customers, including existing Customers. Except as otherwise provided for herein, this document supersedes and replaces all previous rates, charges, terms and conditions of Service. In the event of conflict between a provision expressly set out in a written Service Agreement and this document, the written Service Agreement shall govern.

These Terms and Conditions of Service shall apply to all contracts (howsoever created) for gas service under any of Swan Valley Gas' rate schedules or service classifications, including special service agreements. These Terms and Conditions of Service may, subject to approval by the Public Utilities Board of Manitoba (PUB), be added to, altered, or amended by Swan Valley Gas from time to time and any such addition, alteration, or amendment shall become effective upon order of the PUB.

The provisions of these Terms and Conditions of Service are subject at all times to all applicable Federal, Provincial, and Municipal Legislation including The Public Utilities Board Act (Manitoba) as amended from time to time, or such other legislation as may be enacted in replacement thereof and any lawful Orders of the Board. In the event of any conflict between the provisions of these Terms and Conditions, the provisions of the aforesaid Legislation, or any lawful Order of the Board, the provisions of the said Legislation or Order shall prevail.

## Interpretation

Capitalized terms shall have the meaning set out in Appendix A.

## In Force

This Schedule comes into effect on January 1, 2010, or such other date as determined by the PUB.

# **1. Application for Service**

## **1.1 General**

- 1.1.1 Unless otherwise provided for herein, Swan Valley Gas may, in its sole discretion, accept verbal applications for Services, verbal applications for Services over the telephone, and on-line applications for Services through ExpressAddress™ at [www.saskenergy.com](http://www.saskenergy.com). A verbal or on-line application accepted by Swan Valley Gas shall constitute a Contract.
- 1.1.2 Swan Valley Gas shall not be deemed to have accepted a verbal or internet application for Service until the Service is provided, or communication of said acceptance is made by Swan Valley Gas in writing.
- 1.1.3 Notwithstanding anything in these terms and conditions, Swan Valley Gas may, in its sole discretion, require a Service Agreement in writing before providing a Service.

## **1.2 Service Applications – General Requirements**

- 1.2.1 Swan Valley Gas may request from the Applicant, and the Applicant shall provide, such information as Swan Valley Gas may reasonably require to provide a Service, to collect on its accounts and to otherwise ensure the proper functioning of its business. This information may include but shall not be limited to:
  - (a) The names of all Persons occupying or residing at a Premises or that will otherwise accept, use or receive the Service (hereinafter referred to as ‘the Customer’ or ‘the Customers’).
  - (b) Where the Applicant or any Customer is an individual, such Personal Information with regards to the Applicant and each Customer as Swan Valley Gas may reasonably require to provide a Service, to collect on its accounts or to otherwise ensure the proper functioning of its business. This information may include the information required in [1.2.1(f)] and will generally include, but shall not be limited to: name, address, telephone number, driver’s license number, and date of birth.
  - (c) The name, address and telephone number of the Owner or Owners of the Premises.
  - (d) Where the Applicant or a Customer is a corporation, the name, address and telephone number of the company, the officers of the company and their contact information, proof of incorporation satisfactory to Swan Valley Gas, and any additional information or

supporting documents required by Swan Valley Gas, in its sole discretion.

- (e) Where the Applicant or a Customer is a partnership, joint venture, sole proprietorship or other non-incorporated body, the partners, participants, or proprietor of such Person shall provide such information as Swan Valley Gas may require, to the same extent as if that individual or corporation was applying for or receiving the Service directly.
- (f) At Swan Valley Gas's sole discretion, a credit report from a credit reporting agency, financial information, credit history, transaction history with Swan Valley Gas or SaskEnergy, credit references, business or trade names, bank account information, e-mail address, demographic information, additional verification of identity or such other information as Swan Valley Gas may reasonably require to provide a Service, to collect on its accounts or to otherwise ensure the proper functioning of its business.

A Customer is required to contact Swan Valley Gas to make changes to the information provided pursuant to this Paragraph [1.2.1], as and when it changes.

In obtaining and using Personal Information pursuant to this Paragraph [1.2.1], Swan Valley Gas is authorized to use, and shall be governed by, the terms and conditions of SaskEnergy's Privacy Policy dated August 30, 2004, as amended, supplemented or replaced from time to time.

1.2.2 In addition to the information required by [1.2.1], Swan Valley Gas may demand and obtain from an Applicant all or any of the following before Swan Valley Gas provides a Service:

- (a) A Deposit or Security in an amount and in a form which is acceptable to Swan Valley Gas;
- (b) A contribution, in an amount and paid in a manner that is directed by Swan Valley Gas, towards the construction costs of any Facility and the costs of acquiring any equipment required to provide the Service; and
- (c) A Queue Deposit, in an amount and in a form which is acceptable to Swan Valley Gas, to maintain the Applicant's priority position for Service in the queue.

1.2.3 Swan Valley Gas has the right to deny Service to any Person or group of Persons with outstanding debts, Bad Debts or a Bad Debt Record.

- 1.2.4 Where an Applicant has outstanding debts owing, Bad Debts, or a Bad Debt Record, an Applicant may be required to provide one or more of the following before Service will be provided:
- (a) Payment in full of sums owing to Swan Valley Gas; or
  - (b) Payment arrangements acceptable to Swan Valley Gas, in its sole discretion; and
  - (c) A Deposit or Security in an amount and in a form which is acceptable to Swan Valley Gas.
- 1.2.5 Where a Person, other than the Applicant, will occupy a Premise, will reside at a Premise with the Applicant, or will otherwise accept, use or receive the benefit of a Service, an Application for Service may be denied unless:
- (a) Payment in full of sums owing by that Person to Swan Valley Gas is provided; or
  - (b) Payment arrangements acceptable to Swan Valley Gas, in its sole discretion, are made; and
  - (c) A Deposit or Security is provided in an amount and in a form which is acceptable to Swan Valley Gas.
- 1.2.6 Customers who fail to maintain the terms of any payment arrangement may be subject to debt collection proceedings and Discontinuation or Disconnection of Service.
- 1.2.7 Swan Valley Gas may refuse to open an account or enter into a Contract with a party which is not a distinct legal entity with the capacity to contract in its own right.
- 1.2.8 As a condition of receiving Service, the Customer shall provide Gas equipment specifications, Loads, location plans, piping data, regulator information and other data, as required by Swan Valley Gas, in its sole discretion.
- 1.2.9 Notwithstanding anything in this Schedule, Customers shall be responsible for ensuring that their Gas installations conform to all relevant and applicable federal, provincial, municipal or band legislation or enactments. The Customer shall be responsible for all necessary licenses and authorizations, and shall comply with the provisions of The Gas Pipeline Act and Regulations, of Manitoba, as amended or replaced from time to time, and obtain all necessary permits or licences as a condition of obtaining Service.

- 1.2.10 Where band council approvals or consents are required prior to receiving Natural Gas Service or other Service, the Customer shall consult with and obtain approval and consent from the applicable band council. If any required band council approvals or consents are not granted to the Customer, Swan Valley Gas may refuse Natural Gas Service or any other Service to the Customer.
- 1.2.11 Subject to staff availability, and unless otherwise provided for herein, Swan Valley Gas will schedule a Service Activation for the Business Day next following the date of the Applicant or Customer request. Provided that:
- a) On request, and subject to staff availability, Swan Valley Gas may schedule a Service Activation for the same Business Day if the Customer request is received and all requirements of this Schedule (including without limitation Articles 1 and 6) have been met by 12:00 (noon) local time.
  - b) Swan Valley Gas shall not be obligated to provide Service Activations after Business Hours, and no Service Activation shall be scheduled for or occur outside of Business Hours, except at Swan Valley Gas's sole discretion. All requests for Service Activations will be subject to an increased after hours Service Activation Fee, if the Customer requests the Service Activation to occur after Business Hours and Swan Valley Gas establishes or re-establishes service outside of Business Hours. See Appendix B – Tariff of Fees.
  - c) If Natural Gas Service to a particular Customer is Disconnected for any reason described in Paragraph [5.2.1 (c), (d), or (e)], Service shall generally be restored as soon as practicable and this Paragraph [1.2.11] will not apply.

### **1.3 Service Applications – No Existing Facilities**

- 1.3.1 Unless otherwise agreed to by Swan Valley Gas in a written Service Agreement, an Applicant or Customer who authorizes construction for a new Service installation will be responsible for all Swan Valley Gas construction costs and Service Fees associated with that new Service.
- 1.3.2 A Person requesting the installation of new Facilities shall complete an application for Service on a form provided by Swan Valley Gas. Subject to Paragraph [8.1], the application, when signed by the Person and accepted by Swan Valley Gas, shall constitute a Contract for Service.
- 1.3.3 Temporary Services are installed at full cost to the Customer and must be prepaid prior to installation. Customers requesting Temporary Service will be charged the Service Fee for installation and removal of Facilities, including the costs of unsalvageable material. If the Temporary Service is

ultimately required for a period longer than twelve (12) months, the Service will be considered a permanent Service and Customer will be credited or refunded the cost savings, if any, on request.

## **1.4 Load Changes**

- 1.4.1 A Customer shall give to Swan Valley Gas reasonable written notice of any material change in the Customer's Gas Load requirements in order to permit Swan Valley Gas to determine whether or not it can supply such Load without changes to its equipment or system. A material change in a Customer's Load shall be an increase or projected increase of 2,500 Cubic Metres per annum or greater. Notwithstanding this or any other provision of this Schedule, Swan Valley Gas shall not be obligated to supply to any Customer any Load in excess of that agreed to by Swan Valley Gas.
- 1.4.2 A Customer shall be responsible for and pay for all damages caused to Swan Valley Gas Facilities as a result of that Customer changing its Load without the permission of Swan Valley Gas.
- 1.4.3 If a change in a Customer's Load would require changes to Swan Valley Gas's Facilities, that Customer shall be required to pay Swan Valley Gas's Service Fees for such changes.

## **2. Rate Codes**

### **2.1 Rate Structure**

- 2.1.1 Subject to the approval of the PUB, Swan Valley Gas will establish rates, terms and conditions for services. Any Customer who accepts such services will be required to comply with the rates, terms and conditions. Swan Valley Gas will maintain schedules of service and make them available to the public.

Special services may be developed and agreed to from time to time to meet the needs of individual Customers that cannot be addressed through the established schedule of services.

- 2.1.2 The rates and charges payable by Customers for the Supply and Delivery of Gas vary depending on the use of the Gas and the annual volume of Gas consumed.
- 3.1.3 The four basic Rate Codes for Customers purchasing Supply and Delivery of Gas are as follows:



- Residential Service – M01/M11/M21 Rate Code – Maximum annual load of 10,000m<sup>3</sup>;
- Commercial – M02 Rate Code – Maximum annual Load of 10,000 m<sup>3</sup>;
- General Service– M03 Rate Code – Annual Load between 10,000 and 100,000 m<sup>3</sup>; and
- Institutional – M04 Rate Code – Annual Load between 100,000 and 1,000,000 m<sup>3</sup>.

2.1.3 The remaining Rate Classification is Industrial Delivery Service – D11 Rate Code. Customer premises must be within the defined boundaries of the franchise area. These Customers require 100% firm continuous service and the gas supply is independently arranged and managed by the Customer. In addition, these Customers have either of the following operating characteristics:

- Annual consumption in excess of 1,000,000m<sup>3</sup>/year, **or**
- Contracted consumption volumes in excess of 10,000m<sup>3</sup>/day

2.1.4 Rates for Delivery Service to Industrial Delivery Service Customers are as quoted and provided for in a written Service Agreement, and are provided on a Special Service basis only. Industrial Delivery Service Customers may also contract for Interruptible Delivery Service, based on maximum peak daily flow requirements.

2.1.5 Rate administration shall be at the sole discretion of Swan Valley Gas. Customers who are initially placed within a Rate Classification may be changed to another Rate Classification, in the sole discretion of Swan Valley Gas, if their Customer usage type or annual volume of Gas consumed changes.

## **2.2 Applicability**

2.2.1 Bills will be rendered in accordance with the Rate Tariff, Tariff of Fees (Appendix B) and this Schedule, unless otherwise agreed to in a written Service Agreement. If the rates or charges are changed and the effective date of the change falls between the dates of two successive meter readings, Swan Valley Gas shall render a bill determined upon a pro rata basis.

2.2.2 In the event of a change in the Rate Tariff or Tariff of Fees, Customers shall be responsible for the adjusted Rate from the effective date thereof, irrespective of whether actual notice of the change was given or received.

2.2.3 On an application for Service, Swan Valley Gas may, in its sole discretion, refuse to provide Service in accordance with the terms, conditions, charges or rates set out in the Rate Tariff, Tariff of Fees, or this Schedule, or at all. Swan Valley Gas may enter into a Service Agreement with a Person to provide a Special Service to that Person if, in the opinion of

Swan Valley Gas, a charge, rate, term or condition described herein is not adequate to allow Swan Valley Gas to provide that Service to that Person.

### **3. Billing and Payments**

#### **3.1 General**

- 3.1.1 A Customer's Natural Gas Service invoice or bill is made up of three (3) main components - the Basic Monthly Charge, the Delivery Charge, and the Gas Consumption Charge. A Customer will also be charged for other Services used, accepted or received. All Services are subject to any applicable GST, taxes and/or surcharges imposed by municipal, provincial or federal authorities. The most common Service charges can be found in Appendix B.
- 3.1.2 Swan Valley Gas has developed three billing options that Customers may choose to enrol in and utilize as a bill management tool. These plans are known as the Equalized Payment Plan ('EPP'), the Pre-Authorized Payment Plan ('PPP'), and Consolidated Billing and are discussed below.

#### **3.2 Rendering Bills**

- 3.2.1 Swan Valley Gas will send a Customer an invoice or bill for Natural Gas Service at regular intervals. Charges for Services other than Natural Gas Service may be billed as they are provided or may be added as a component of the Customer's regular bill for Natural Gas Service, at the sole discretion of Swan Valley Gas. Bills will be rendered monthly, quarterly, annually or seasonally, or at such other interval as Swan Valley Gas may determine. Billing or account information is available on request.
- 3.2.2 The Customer shall pay the full amount of any Swan Valley Gas bill issued to the Customer, including any disputed portion, without prejudice to the Customer's right to subsequently contest any rate or fee charged.
- 3.2.3 Bills will be provided by ordinary mail, or, where requested by the Customer and agreed upon by Swan Valley Gas, by fax, e-mail or online. For bills provided by ordinary mail, bills shall be deemed received on the earlier of the date of actual receipt or three (3) Days after the date of mailing to the last known address, regardless of actual receipt. Invoices that are issued via e-mail or fax shall be deemed to have been received by the Customer on sending, regardless of actual receipt. Online bills and e-mail notifications that are generated by Swan Valley Gas's computer systems to advise customers when their bills are available for viewing shall also be deemed to have been received by the Customer on sending or posting, regardless of actual receipt. Swan Valley Gas's records of the

date of mailing, sending or posting of bills or bill notifications shall be conclusive evidence of the date of mailing, sending or posting.

- 3.2.4 Notwithstanding anything in this Schedule, bills are due on rendering and not on receipt. Failure to receive a bill does not release a Customer from the obligation to pay. Swan Valley Gas's records of the date of mailing, sending or posting of bills or a bill notification shall be conclusive evidence of the date of rendering.
- 3.2.5 A failure to pay any amount billed by Swan Valley Gas on the due date shall be a default of payment, which may result in the Discontinuation or Disconnection of Natural Gas Service or termination of any other Swan Valley Gas Service.
- 3.2.6 Unless otherwise expressly provided for herein, no interest will be payable by Swan Valley Gas on account credits. Overpayments will appear as a credit on the Customer's account or shall be refunded in Swan Valley Gas's sole discretion.
- 3.2.7 Where an account is in a Customer's name, that Customer shall remain liable for future Services provided to that Premises notwithstanding that he or she has sold or vacated the Premises, unless Swan Valley Gas is notified of the change.
- 3.2.8 Each Customer shall have the right to inspect and examine at all reasonable times their records and measurement information pertaining to their Service.

### **3.3 Equalized Payment Plan**

- 3.3.1 The Equalized Payment Plan ('EPP') spreads the estimated annual cost of Natural Gas Service over eleven (11) equal monthly payments. The eleven (11) equal monthly payments will be billed in each of the first eleven (11) Months of a twelve (12) Month term (the 'EPP Term'), with the balance credited or payable by the Customer and billed at the end of the twelfth (12<sup>th</sup>) Month. EPP is generally available to monthly billed Residential Service Customers and to General Service II accounts, with a credit risk satisfactory to Swan Valley Gas.
- 3.3.2 Swan Valley Gas requires that the current bill be paid in full as a condition of enrolment in EPP. The Customer will automatically remain under EPP from Year to Year until terminated. The Customer may terminate the EPP at any time by giving seven (7) Days' notice of termination to Swan Valley Gas. Swan Valley Gas may terminate EPP at any time, without cause, on thirty (30) Days' notice, or without notice in the event that the Customer: (i) ceases to be a Customer, (ii) fails to meet any obligations under this Schedule; (iii) becomes insolvent (however evidenced); (iv) commences, authorizes or acquiesces in the commencement of a proceeding or cause

under any bankruptcy or similar law for the protection of creditors or has such petition filed or proceeding commenced against it; (v) makes an assignment or any general arrangement for the benefit of its creditors; or (vi) fails to maintain payment of sums due to Swan Valley Gas's satisfaction.

- 3.3.3 For greater certainty, upon the expiration of the EPP Term or upon early termination as referred to above, the amount that would be payable to Swan Valley Gas by the Customer pursuant to this Schedule for Gas actually consumed from the beginning of each twelve (12) Month period to its end or earlier termination, shall be compared with the aggregate of the monthly installments actually paid by the Customer during such time, and if the amount payable exceeds the aggregate of the amounts actually paid, such excess shall be paid by the Customer to Swan Valley Gas, or if the amount actually paid exceeds the amount payable, such excess shall be paid or credited by Swan Valley Gas to the Customer, in Swan Valley Gas's sole discretion.
- 3.3.4 The Customer can generally be placed on EPP at any time of the Year, and, wherever possible, the EPP Term will commence the following bill cycle. Swan Valley Gas may, in its sole discretion, elect to spread the equalized payments over ten (10) or twelve (12) installments in the first Year, and to utilize an eleven (11) or thirteen (13) Month EPP Term, so that the initial EPP Term ends on a Month where an actual meter read is scheduled. In such event, the amount that would be payable to Swan Valley Gas by the Customer pursuant to this Schedule for Gas actually consumed from the beginning of the EPP Term to its end or earlier termination, shall be compared with the aggregate of the monthly installments actually paid by the Customer during such time, and the balance credited or billed in the usual way. After the first EPP Term, Swan Valley Gas will automatically revert to a twelve (12) Month EPP Term with eleven (11) equal installments.
- 3.3.5 Notwithstanding anything in [3.3.4], Swan Valley Gas may require General Service II and other high Load Customers to commence the initial EPP Term during the summer months (June 1 to September 30) so as to reduce the credit exposure of Swan Valley Gas.
- 3.3.6 Swan Valley Gas may, at any time, revise its estimate of a Customer's Gas consumption, and accordingly, may increase or decrease the amount of monthly installments payable by the Customer. In addition, the monthly installments may be adjusted to reflect rate changes.

## **3.4 Pre-Authorized Payment Plan**

- 3.4.1 The Pre-Authorized Payment Plan (PPP) is a plan which allows Customers to pay their Natural Gas Service bills by having their bank account debited. Under PPP, Swan Valley Gas will issue an automatic debit on the Customer's bank account for the amount of the Customer's Natural Gas Service bill. PPP is generally accepted on any chequing account from a recognized financial institution in the province. The plan can also be set up on a savings account with the proper verification from the bank. The verification shall be in writing and shall confirm the Customer's bank account number.
- 3.4.2 The Customer will automatically remain under PPP from Year to Year until terminated. The Customer may terminate PPP at any time by giving seven (7) Days' notice of termination to Swan Valley Gas. Swan Valley Gas may terminate the PPP at any time, without cause, on thirty (30) Days' notice, or without notice in the event that the Customer: (i) ceases to be a Customer, (ii) fails to meet any obligations under this Schedule; (iii) becomes insolvent (however evidenced); (iv) commences, authorizes or acquiesces in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or has such petition filed or proceeding commenced against it; (v) makes an assignment or any general arrangement for the benefit of its creditors; or (vi) fails to maintain payment of sums due to Swan Valley Gas's satisfaction.
- 3.4.3 Customers may qualify to enrol in both EPP and PPP. The amount of the EPP instalment will automatically be debited from the Customer's bank account on the agreed upon due Day.

## **3.5 Consolidated Billing**

- 3.5.1 Consolidated Billing generally permits Residential Service, Farm Service, General Service II or General Service III account holders to receive all of their Natural Gas Service bills on one statement. Customers must have more than 10 accounts to qualify, and a maximum of 100 accounts can be consolidated in one statement. More than one statement can be provided to accommodate larger numbers of accounts. There is generally no charge for this Service.
- 3.5.2 The Customer will automatically remain under Consolidated Billing from Year to Year until terminated. Addition or deletion of accounts from Consolidated Billing will require 30 Days notice. The Customer may terminate Consolidated Billing at any time by giving thirty (30) Days' notice of termination to Swan Valley Gas. Swan Valley Gas may terminate the Consolidated Billing at any time, without cause, on thirty (30) Days' notice, or without notice in the event that the Customer: (i) ceases to be a Customer, (ii) fails to meet any obligations under this Schedule; (iii)

becomes insolvent (however evidenced); (iv) commences, authorizes or acquiesces in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or has such petition filed or proceeding commenced against it; (v) makes an assignment or any general arrangement for the benefit of its creditors; or (vi) fails to maintain payment of sums due to Swan Valley Gas's satisfaction.

### **3.6 Returned and Late Payments**

- 3.6.1 A Return Payment Fee may be added to the Customer's account for payments returned or not honoured by a financial institution for any reason, including but not limited to: cheques returned 'NSF', stopped payment, funds not found, funds frozen, account closed, or account not found. The current Return Payment Fee is found in the attached Tariff of Fees (Appendix B).
- 3.6.2 Swan Valley Gas may refuse to accept payment on a Customer's account when payment by cheque is drawn on a form other than a bank cheque form. In the event Swan Valley Gas accepts payment by cheque drawn on any other form, the Customer shall be liable for and pay to the Company all charges and costs incurred to process the cheque.
- 3.6.3 Swan Valley Gas may charge a Late Payment Charge on sums owing to Swan Valley Gas and past due. The Late Payment Charge is a debt due to Swan Valley Gas and Swan Valley Gas may recover that amount in the same manner as the principal sum.
- 3.6.4 A Late Payment Charge shall be payable on estimated accounts in the same fashion as bills based on actual readings. An adjustment to a subsequent bill, based on an actual meter reading, will not increase or decrease the total Late Payment Charge due.
- 3.6.5 The Late Payment Charge is subject to change from time to time and is calculated from the Late Payment Charge date indicated on the bill, which date will be at least fourteen (14) Days after the date of rendering of the account. The Late Payment Charge date is not the due date. Please reference the attached Tariff of Fees (Appendix B) for Swan Valley Gas's current Late Payment Charge.

### **3.7 Deposits and Security**

- 3.7.1 Swan Valley Gas may demand and obtain from an Applicant or Customer a Deposit or Security in an amount and in a form acceptable to Swan Valley Gas, before Swan Valley Gas provides a Service. Swan Valley Gas's current Deposit Guidelines are attached as Appendix C hereto.

- 3.7.2 Swan Valley Gas is not liable to any Applicant or Customer for any interest on any Deposit or Security provided, unless otherwise agreed to in writing.
- 3.7.3 Where Swan Valley Gas has agreed in writing to pay interest on a Deposit, other than a Deposit that is provided for payment performance purposes, interest will be payable at the Deposit Interest Rate set out in the Deposit Guidelines. A Deposit shall cease to draw interest at the earliest of: the date it is credited to the Customer's account or repaid; the date notice is sent to the Customer's last known address that the Deposit is no longer required; the date the Deposit is applied or set off against the outstanding indebtedness of the Customer; or the date when Natural Gas Service is Discontinued. Swan Valley Gas may, in its sole discretion and depending on a Customer's account status, credit risk and payment history, return Security, or a Deposit provided for payment performance purposes, after a period of time, hold Security until the Customer discontinues the use of the Service, or transfer Security to another account of the Customer without notice. Unlike Security, a Deposit which is no longer required is generally applied to an account and not returned or repaid.
- 3.7.4 For Residential Customers, an acceptable payment history can generally be achieved by paying all bills within thirty (30) Days of rendering for twelve (12) consecutive months. For Commercial Service, General Service, and Institutional Service Customers, an acceptable payment history can generally be achieved by paying all bills within thirty (30) Days of rendering for a thirty-six (36) month period.
- 3.7.5 The Deposit, in full or part, may be set-off against any sums owing to Swan Valley Gas at any time, and from time to time, in Swan Valley Gas's sole discretion and the Customer may be required to forthwith replenish the Deposit.
- 3.7.6 In the event of default under this Schedule, Swan Valley Gas may enforce on Security. In that event, the Customer shall forthwith replace the Security. In the event Security expires or is withdrawn, the Customer shall forthwith replace the Security. Notwithstanding anything in this paragraph, Swan Valley Gas may require Security to be renewed or replaced prior to expiration.

## **3.8 Service Fees and Costs**

- 3.8.1 Swan Valley Gas's responsibility for natural gas delivery terminates at the Customer's point of delivery, which is normally the outlet side of the meter. Customers are responsible for the maintenance, service, and repairs of their appliances, equipment, and Customer owned distribution systems.

- 3.8.2 Swan Valley Gas will respond, at no charge, on a 24 hour emergency basis to reports of gas odor, leaks, fumes, fires, explosions, damage to facilities, or any other service which, in Swan Valley Gas's opinion, is required for the maintenance and security of Swan Valley Gas equipment.
- 3.8.3 Upon request, Swan Valley Gas will respond to a Customer's premise for appliance service and other service related items. Swan Valley Gas will charge for various items as described in Appendix B - Tariff of Fees.

## **4. Measurement, Corrections, and Disputes**

### **4.1 General**

- 4.1.1 Swan Valley Gas shall furnish, install and maintain metering equipment and reserves the right to determine the type of metering equipment used.
- 4.1.2 The schedule for meter readings shall be in the sole discretion of Swan Valley Gas. Meters shall be read with such frequency as Swan Valley Gas may decide. Swan Valley Gas shall have the right at any time to estimate Customer consumption and to render a bill based on such estimated consumption.
- 4.1.3 Notwithstanding the foregoing, Swan Valley Gas may, at its option, require the Customer to read the meter and report such reading in the manner specified by Swan Valley Gas. A Customer may also voluntarily provide readings to Swan Valley Gas by telephone or online.
- 4.1.4 In the event estimates are used, the next bill that is based on an actual meter reading will be credited or adjusted for the difference between estimated and actual use during the interval between meter readings. Where a Customer provides a meter reading, Swan Valley Gas shall have the right to utilise same, or disregard same in favour of an estimate, where the reading is not timely or appears to be inaccurate.
- 4.1.5 Swan Valley Gas shall, at its sole discretion, have the right to remove, repair and test a meter or metering equipment at any reasonable time. Depending on the type of meter installed, it may be necessary for Swan Valley Gas to remove a meter from Service and install a replacement meter. If the Customer becomes aware of any deficiency in the operation of a meter or metering or Regulating Equipment, the Customer shall promptly notify Swan Valley Gas.
- 4.1.6 Where access to a meter or metering equipment is unattainable due to locked doors, Swan Valley Gas may require that Swan Valley Gas or its agent be provided with a key to the locked doors by the Customer.



## 4.2 Billing Corrections

- 4.2.1 Swan Valley Gas has the right to make a billing adjustment in instances where an inaccuracy in billing has taken place. The Customer will receive a refund or a corrected bill, or a debit or credit to its account, at Swan Valley Gas's sole discretion. Absent fraud or intentional misrepresentation, no interest or penalty shall be payable by either party on the resulting debt or credit to the date of the billing adjustment. For greater certainty, Late Payment Charges shall accrue from the date specified on the bill when rendered for the correct amount.
- 4.2.2 If the measurement equipment ceases to register properly, the quantity of Gas used will be estimated by Swan Valley Gas using the most appropriate method as determined in the sole opinion of Swan Valley Gas. A correction in billing shall be made for the period that the measurement equipment failed to register properly, not exceeding two (2) Years retroactive from the date of discovery. Such methods may include but are not limited to:
- (a) Mathematical calculations and comparisons, including comparison with a parallel meter;
  - (b) The use of the Customer's check measuring equipment; and
  - (c) The amount consumed during the corresponding period of the previous Month(s) or Year(s), giving due consideration to the weather and connected Load.
- 4.2.3 Where bills have been rendered and it is subsequently determined that they have been incorrectly calculated for any reason other than the failure of measurement equipment to register properly, the amount payable shall be recalculated with reference to actual Gas usage. In such cases the recalculation may be retroactive for a maximum of five (5) Years.

## 4.3 Disputes

- 4.3.1 In the event that Swan Valley Gas or the Customer questions the accuracy of a meter, either party may request that the matter be resolved by Measurement Canada pursuant to the provisions of The Electricity and Gas Inspection Act R.S. 1985, c. E-4 (Canada), as amended from time to time, or such other legislation as may be enacted in replacement thereof.
- 4.3.2 A Meter Dispute Fee shall be payable to Swan Valley Gas by a Customer requesting that the matter be referred to Measurement Canada. This fee covers the cost of Swan Valley Gas removing a meter for testing. The Meter Dispute Fee does not include any fees chargeable by Measurement Canada. Please reference the attached Tariff of Fees (Appendix B) for Swan Valley Gas's current Meter Dispute Fee.

- 4.3.3 In the event that the Customer requests a Meter Dispute Test, and the meter does not meet the accuracy standards set out in The Electricity and Gas Inspection Regulations, as amended or replaced from time to time, Swan Valley Gas will credit the Meter Dispute Fee to the Customer's account or provide a refund, in Swan Valley Gas's sole discretion.
- 4.3.4 The party requesting the Meter Dispute Test will be responsible for any fees charged by Measurement Canada, if any, unless otherwise provided for under The Electricity and Gas Inspection Act.

## **5. Discontinuation of Service**

### **5.1 General**

- 5.1.1 Swan Valley Gas shall not be obligated to remove its pipelines or other equipment on Discontinuation or Disconnection of Service, or on request of the Customer or Owner. See [8.6]: Alterations to Facilities.

### **5.2 Discontinuation Initiated by Swan Valley Gas**

- 5.2.1 Subject to the provisions of The Public Utilities Board Act, Swan Valley Gas, its officers, employees and agents, may enter, at any reasonable time, the Premises of any of its Customers to Discontinue or Disconnect, for any period of time, any Service to any Customer or remove its property from the Customer's Premises:
- (a) If the Customer fails to comply with any terms and conditions set out herein, as amended or replaced from time to time, or set by Swan Valley Gas in any agreement with the Customer;
  - (b) If the Customer fails to pay, when due, any indebtedness of the Customer to Swan Valley Gas;
  - (c) If, in the opinion of Swan Valley Gas, modifications or improvements are required to its Gas system or related Facilities or equipment;
  - (d) If the Customer is not primarily a Customer using Gas solely for heating purposes and, in the opinion of Swan Valley Gas, Service must be interrupted in order to maintain Service to Customers using Gas solely for heating purposes;
  - (e) If, in the opinion of Swan Valley Gas, Service must be interrupted for safety reasons;

- (f) If, in the opinion of Swan Valley Gas, the Customer is tampering or has tampered with equipment or Facilities owned by Swan Valley Gas;
- (g) If the Contract relating to the supply of the Service is terminated;
- (h) If the Customer Discontinues use of the Service;
- (i) If the Customer makes an assignment in bankruptcy or is insolvent;
- (j) If the Customer fails to provide any Deposit or Security requested by Swan Valley Gas;
- (k) The inability of Swan Valley Gas to gain admittance to the premises for a period exceeding six (6) consecutive months. Swan Valley Gas shall give the Customer forty-eight (48) hours notice of its intention to discontinue to supply of natural gas; or
- (l) If the Customer fails to make proper application for natural gas service.

5.2.2 Excluding conditions set out in 5.2.1 (c), (d), (e), and in some circumstances (k), Disconnections of natural gas service to Residential premises **only** will not occur between October 1 and May 15.

5.2.3 If Swan Valley Gas Discontinues or Disconnects the Customer's Service, the Customer must still pay any amount owing to Swan Valley Gas. Swan Valley Gas reserves the right to collect its Disconnect Fee from the Customer when the conditions set out in [5.2.1] are met, [5.2.1 (c), (d) and (e)] excluded. Please refer to the attached Tariff of Fees (Appendix B) for Swan Valley Gas's current Disconnect Fee.

5.2.4 The Landlord shall be responsible for Swan Valley Gas's Disconnect Fee in the circumstances set out in Article [7] herein.

## **5.3 Customer Requested Discontinuation**

5.3.1 The Customer shall communicate with Swan Valley Gas if the Customer intends to Discontinue Services and provide seven (7) Days' notice of Discontinuation. Notwithstanding such Discontinuation or termination of Service, Swan Valley Gas retains its rights of access, as outlined in this Schedule, to its equipment on or in the Customer's property and the Customer remains responsible to Swan Valley Gas for any amounts payable under the Contract up to the latter of the date of termination or Discontinuation, or the remaining period of the Contract.

- 5.3.2 If the Customer Discontinues Service, the Customer shall provide Swan Valley Gas with access to read the meter, provide forwarding mailing and contact information, and pay all amounts owing on the Customer's final bill.
- 5.3.3 All requests by the Customer, Landlord or Owner to Disconnect Service may be subject to a Disconnect Fee as determined by Swan Valley Gas. Please reference the attached Tariff of Fees (Appendix B) for Swan Valley Gas's current Disconnect Fee.
- 5.3.4 The Landlord shall be responsible for Swan Valley Gas's Disconnect Fee in the circumstances set out in Article [7] herein.

## **6. Reconnection of Service**

- 6.1 If the Customer is applying for Natural Gas Service or other Services following the Discontinuation of Service, the final account balance may be transferred to the new account. If Service to a Customer is Discontinued for any reason described in Paragraph [5.2], or at the request of the Customer, Swan Valley Gas may require the Customer to do all or any of the following before restoring Service:
  - (a) Pay all outstanding debts to Swan Valley Gas or enter into a payment arrangement satisfactory to Swan Valley Gas;
  - (b) Pay a Service Activation Fee as determined by Swan Valley Gas;
  - (c) Provide a Deposit or Security in an amount and in a form which is acceptable to Swan Valley Gas.

Please reference the attached Tariff of Fees (Appendix B) for Swan Valley Gas's current Service Activation Fee.

- 6.2 A Service Activation Fee paid or Deposit or Security provided pursuant to [6.1] is in addition to any other fees or deposits that may be required pursuant to the terms and conditions set out herein or the terms and conditions of any Contract between the Customer and Swan Valley Gas.

## **7. Rental Property Process**

- 7.1 Swan Valley Gas, in its sole discretion, may refuse Natural Gas Service to Customers or potential Customers who are or identify themselves as Tenants unless a separate Service Agreement is entered into between Swan Valley Gas and the Landlord, in a form acceptable to Swan Valley Gas. All such Service Agreements shall be in writing.

- 7.2 Swan Valley Gas offers a choice of standardized Service Agreements to Landlords. By entering into such an agreement, the Landlord consents to the provision of Service to Tenants and provides instructions to Swan Valley Gas in the event a Tenant is Discontinued from Natural Gas Service or Discontinues Natural Gas Service.
- 7.3 Unless otherwise provided for in a written Service Agreement, Swan Valley Gas may Discontinue Service to a Landlord or Tenant in accordance with Article [5].
- 7.4 Where the existing Natural Gas Service is known to be in the name of a Tenant, and no written Service Agreement is in place between Swan Valley Gas and the Landlord, Swan Valley Gas may, in its sole discretion, elect not to Disconnect Natural Gas Service to a Premise where the following three conditions are met:
- (a) The anticipated Discontinuation or Disconnection is for failure to pay, or arises from the Tenant's instruction, act or omission;
  - (b) Swan Valley Gas, acting reasonably, is not able to obtain instructions from the Landlord or Owner with regards to future Service and preservation of the property; and
  - (c) The provision of Natural Gas Service to the Premises may prevent reasonably foreseeable damage to the Premises or otherwise reasonably constitute a benefit to the Owner.

In such circumstance, a new Natural Gas Service account will be opened in the name of the Owner, effective as of the date the Tenant was taken out of billing. The Owner will become a Customer for the purposes of this Schedule, and shall be subject to the terms and conditions applicable to Customers hereunder.

- 7.5 Tenant acknowledges and agrees that Swan Valley Gas may in many circumstances notify a Landlord when Tenant Discontinues Natural Gas Service to a Premise or the Tenant's Service is Discontinued.
- 7.6 Landlords who request a Disconnection of Natural Gas Service shall be charged a Disconnect Fee in addition to any other Service Fees payable hereunder. Unless otherwise provided for, Landlords who are parties to a Service Agreement and who notify Swan Valley Gas that they wish a Disconnection of Service shall be responsible for the Disconnect Fee and Service Fees, if any, to the date of the Disconnect.
- 7.7 **Nothing in this Schedule shall create any obligation on Swan Valley Gas to make inquiries as to the ownership of the Premises, to make inquiries as to winterization of the Premises, or to take any active steps to preserve the Landlord's property whatsoever. Nothing in this Article [7] shall create any obligation on Swan Valley Gas to**

**notify the Landlord when a Premise is vacant or to maintain Natural Gas Service during winter months. Swan Valley Gas encourages Landlords to protect their interest by notifying Swan Valley Gas of the tenancy and by entering into a Landlord Service Agreement.**

- 7.8 Notwithstanding anything in this Article [7], where a Premise has two or more suites, apartments, or units, attached or detached, served by a single Gas meter, Swan Valley Gas may require that the account be placed in the Landlord or Owner's name.

## **8. Swan Valley Gas Facilities**

### **8.0 Power to Place and Remove Pipelines under Certain Public Places**

8.0.1 Subject to The Gas Pipe Line Act, Swan Valley Gas may:

- i. Maintain, construct or place pipelines on or under:
  - 1. A provincial highway, wherever situated; or
  - 2. Any other highway, road allowance, road, street, lane or other public place vested in the Crown.
- ii. carry its pipelines along or under a provincial highway or other highway, road allowance, road, street, lane or other public place described in clause (a); and
- iii. remove or take up its pipelines described in clause (i).

### **8.1 Installation of Facilities**

8.1.1 Swan Valley Gas may install on a Customer's Premises any Facilities that Swan Valley Gas considers necessary to deliver, measure or regulate Gas that is:

- (a) Supplied by Swan Valley Gas; or
- (b) Used by, delivered to or received on the behalf of the Customer.

8.1.2 No Customer shall allow any Person, other than Swan Valley Gas, to alter, modify, remove or interfere with any of the Facilities.

8.1.3 Where the Customer is not the registered Owner of the Premises, or adjacent properties which must be crossed to reach the Premises, the Customer must at its own expense, and as a condition of obtaining Service, obtain from the Owner(s), in writing, any right of way, written

consent, easements, or other documentation or encumbrance required by Swan Valley Gas for the installation and maintenance in said Premises of all necessary Facilities for supplying Gas; provided that Swan Valley Gas may, at its option, itself acquire such documentation or encumbrance.

- 8.1.4 Additional meters may be installed on request at the Customer's expense. Swan Valley Gas reserves the right to refuse installation of additional meters in its sole discretion.
- 8.1.5 Swan Valley Gas will install Facilities in the most cost efficient manner, where practicable, and shall conform to then existing codes and regulations. Where the Customer requests that the Service Line and other Swan Valley Gas Facilities be installed in a particular manner or location, the installation must conform to existing codes and regulations, and the Customer shall pay for all additional costs incurred in installing the Facilities in accordance with the Customer's requests, provided that nothing herein obligates Swan Valley Gas to install the Facilities at such alternate point or along such alternative route.
- 8.1.6 Swan Valley Gas shall have the final discretion as to the manner in which Facilities are installed and the amount of space that must be left unobstructed for the installation and maintenance of such equipment. In the event the parties cannot agree on a suitable installation, Swan Valley Gas shall be entitled to refuse Service, and neither acceptance of an application nor any Deposit or Security from the Customer shall be construed as a commitment by Swan Valley Gas to install any Service Line or other Facility.
- 8.1.7 Swan Valley Gas may refuse to install a Service Line or other Facility if, in the opinion and sole discretion of Swan Valley Gas, such installation is not reasonable and practical and would not furnish sufficient return to Swan Valley Gas to justify the construction and maintenance thereof, and neither acceptance of an application nor any Deposit or Security from the Customer shall be construed as a commitment by Swan Valley Gas to install any Service Line or other Facility.
- 8.1.8 Swan Valley Gas does not generally provide Facilities downstream of the Metering Point. Gas piping and appliances other than those supplied by Swan Valley Gas shall be installed at the expense of the Customer or Owner.
- 8.1.9 Swan Valley Gas reserves the right to determine the timing of the installation of Facilities when by reason of weather, conditions of excavation, and/or other circumstances beyond its control, Swan Valley Gas deems it inadvisable to install Facilities. **Swan Valley Gas shall not be held responsible for any damages whatsoever caused by or arising from such delay.** Swan Valley Gas may also delay the construction of Facilities until the Customer has completed the piping and installation of equipment necessary to receive and use Natural Gas

Service. **Swan Valley Gas shall not be held responsible for any damages whatsoever caused by or arising from such delay.**

## **8.2 Right of Access to Facilities**

- 8.2.1 Subject to the provisions of The Public Utilities Board Act, Swan Valley Gas, its officers, employees and agents, may enter, at any reasonable time, the Premises of any of its Customers to inspect Service conditions, read meters and, when Service is Discontinued, to remove meters and other equipment belonging to Swan Valley Gas. Similarly, Swan Valley Gas may enter a Customer's Premises at any reasonable time and may dig out, locate, install, repair, replace, maintain, remove and inspect the Regulating Equipment.
- 8.2.2 Notwithstanding [8.2.1], if, in the opinion of Swan Valley Gas, there is an immediate danger to the health or safety of any individual or the safety of any property, Swan Valley Gas may immediately enter on a Customer's Premises and may dig out, locate, install, repair, replace, maintain, remove and inspect the Regulating Equipment.
- 8.2.3 Notwithstanding anything in this Schedule, Swan Valley Gas and TransGas have the right of access to and egress from their pipelines when, in the opinion of Swan Valley Gas or TransGas, as the case may be, there are reasonable and probable grounds to believe there is an imminent danger to property or human life resulting from or connected in any way with its pipeline.
- 8.2.4 If Swan Valley Gas exercises its rights pursuant to this Paragraph [8.2], it shall exercise all reasonable precautions necessary to ensure that minimal damage to property arises as a result of the access or egress.

## **8.3 Ownership of Facilities**

- 8.3.1 All Facilities on a Customer's Premises are the property of Swan Valley Gas and shall remain the property of Swan Valley Gas notwithstanding any Customer contribution to the cost of installation.
- 8.3.2 As a condition of Service, the Customer shall provide a suitable location to install the required Facilities at no cost.

## **8.4 Damage to Facilities**

- 8.4.1 Swan Valley Gas is responsible for damages to Swan Valley Gas Facilities that are caused by ordinary wear and tear or by the negligence of Swan Valley Gas officers, directors, employees or agents.



- 8.4.2 The Customer shall pay for damage to Swan Valley Gas Facilities that is caused by the negligence or deliberate action of the Customer and/or a contractor working on their behalf. Customers are responsible for maintenance, Service, and repairs downstream of the Metering Point, which is generally the outlet side of the meter.
- a. The costs to repair the facilities will be the total costs incurred by Swan Valley Gas, including the estimated cost of “vented” natural gas.

## **8.5 Encroachments on Facilities or Right-of-Way**

- 8.5.1 No Person shall construct or allow the construction of any building or other structure over any of the regulators, shut-off valves, meters, pipelines, Service Lines, Main Lines or other Facilities of Swan Valley Gas without the prior written consent of Swan Valley Gas.
- 8.5.2 If, in the opinion of Swan Valley Gas, a building or structure over or near any of the regulators, shut-off valves, meters, pipelines, Service Lines, Main Lines or other Facilities of Swan Valley Gas constitutes a safety hazard, Swan Valley Gas may demand in writing that the Owner of land on which the building or structure is situated remove the building or structure at the Owner's expense.
- 8.5.3 If an Owner fails to comply with a written demand pursuant to [8.5.2] within the time specified in the demand, or any further time that Swan Valley Gas may allow, Swan Valley Gas may enter on the land and do any of the following that it considers necessary to remove a safety hazard:
- (a) remove the building or structure;
  - (b) re-route a pipeline, Service Line, or Main;
  - (c) install a new pipeline, Service Line, or Main;
  - (d) move any Facility of Swan Valley Gas.
- 8.5.4 Swan Valley Gas may charge the Owner with Swan Valley Gas's costs in carrying out any of the activities mentioned in subsection [8.5.3].
- 8.5.5 If the Owner and Swan Valley Gas are unable to agree with respect to any of the costs mentioned in subsection [8.5.4] or with respect to any compensation that the Owner may claim as a result of Swan Valley Gas carrying out any of the activities mentioned in subsection [8.5.3], both parties shall submit the issue to the Manitoba Public Utilities Board.

- 8.5.6 Swan Valley Gas shall not be liable for any damage to any structure or improvement erected, installed or placed over any of Swan Valley Gas's regulators, shut-off valves, Service Lines pipelines, Facilities or Mains without the prior written consent of Swan Valley Gas.
- 8.5.7 Notwithstanding anything in this Paragraph [8.5], the parties shall have all such additional rights and obligations provided for in an applicable right of way, easement, caveat, miscellaneous encumbrance, or encumbrance agreement, consent or other written agreement. Unless otherwise provided for, no Person shall excavate, drill, install or erect, or permit to be excavated, drilled, installed or erected upon or under an easement or right of way any pit, well, foundation, pavement, building, or other structure or installation.

## **8.6 Alterations to Facilities**

- 8.6.1 If a Customer wishes to move or alter (including removal of) any Facilities on the Customer's Premises, the Customer shall contact Swan Valley Gas to discuss details of the proposed move or alteration.
- 8.6.2 Swan Valley may refuse the request or grant the request and impose any condition on the move or alteration that Swan Valley Gas considers necessary.
- 8.6.3 If Swan Valley Gas agrees to perform the requested work related to moving or altering (including removal of) the Facilities, Swan Valley Gas may require the Customer to pay all or any part of the costs of the move or alteration before the work has begun.

## **9. Liability and Indemnity**

- 9.1 Swan Valley Gas may:
- (a) sue with respect to any tort; and
  - (b) be sued with respect to liabilities in tort to the extent to which the Crown is subject pursuant to *The Proceedings Against the Crown Act* R.S.S. 1978, c. P-27, as amended or replaced from time to time.
- 9.2 **Notwithstanding Paragraph (9.1), no action or proceeding lies against Swan Valley Gas or any of their officers, directors, employees or agents for any injury, loss or damage to any Person or property arising out of, or directly or indirectly resulting from:**

- (a) the failure to Supply, Distribute or Transport gas due to any cause, except a failure by Swan Valley Gas or any of their officers, directors, employees or agents to exercise a reasonable standard of care having regard to the circumstances; or
- (b) the Supply, Distribution or Transportation of Gas to, or use of Gas by a Customer, beyond the point of Delivery to the Customer's Premises.

- 9.3 **Notwithstanding anything to the contrary contained in this Schedule, Swan Valley Gas, or any of their officers, directors, employees or agents, shall be liable only for direct physical damages.** "Direct physical damages" shall not include damages, injuries, losses, expenses, liabilities, fees (including legal fees), or costs which are of an indirect, special or consequential nature ('indirect damages') regardless of whether they arise in contract, tort, or otherwise and regardless of whether or not the Customer has advised Swan Valley Gas or any of its officers, directors, employees or agents of same. Without limiting the generality of the foregoing, indirect damages shall include loss of profits, loss of revenue, loss of production, loss of earnings, loss of contract, cost of capital, cost of purchased or replacement capacity or energy, loss of any use of any facilities or equipment or property owned, leased or operated by any Person and any other indirect, special or consequential damages, injuries, losses, expenses, liabilities, fees (including legal fees) or costs whatsoever.
- 9.4 The Customer shall be solely responsible for the installation, condition and maintenance of all piping, equipment, and apparatus downstream of the Metering Point, and the **Customer shall indemnify and save harmless** Swan Valley Gas and its officers, directors, employees or agents from and against any claim or demand for injury to Persons or damage to property, whether in contract, tort or otherwise, arising out of or in any way connected with piping, equipment, and apparatus downstream of the Metering Point and the use made by the Customer of Gas supplied to the Customer by Swan Valley Gas, so long as such injury or damage is not caused by the negligence or wilful misconduct of Swan Valley Gas or its officers, directors, employees or agents.
- 9.5 **Customer shall indemnify and save harmless** Swan Valley Gas and its officers, directors, employees or agents of and from all manner of actions, causes of action, proceedings, claims, demands, losses, costs, damages and expenses whatsoever which may be brought or made against Swan Valley Gas or its officers, directors, employees or agents or which they may sustain, pay or incur as a result of or in connection with any act, omission or default on the part of Customer, whether in contract, tort or otherwise, with respect to any of its obligations assumed under the provisions of this Schedule, or as a result of the negligence or wilful misconduct of Customer, its officers, directors, employees, or agents.

## **10. Liability for Damages to Buried Pipelines**

- 10.1 No Person shall dig, grade, level, excavate, blast or conduct any other activity on any land within which Swan Valley Gas's buried pipelines are located, and no Person shall request, or enter into a contract with, a third party to dig, grade, level, excavate, blast or conduct any other activity on that land, unless that Person, at least two working Days before the activity, has requested Swan Valley Gas to accurately locate the pipelines within that land.
- 10.2 A Person is liable to Swan Valley Gas or its Subsidiary for damages in an amount calculated pursuant to Paragraph [10.3] where that Person:
- (a) Digs, grades, levels, excavates, blasts or conducts any other activity on land within which Swan Valley Gas's pipelines are buried or requests or enters into a contract with a third party to dig, grade, level, excavate, blast or conduct any other activity on that land;
  - (b) Fails to request the accurate location of those pipelines in accordance with [10.1] or obtains an accurate location of those pipelines; and
  - (c) Damages the pipelines.
- 10.3 For the purposes of [10.2], the damages are equal to the total of:
- (a) The cost to Swan Valley Gas of repairing the pipeline, together with all other costs reasonably incurred by Swan Valley Gas as a result of the damage to the pipeline; and
  - (b) An amount equal to 50% of the costs described in clause (a) as compensation to Swan Valley Gas for loss of revenues.
- 10.4 Swan Valley Gas is conclusively deemed to have accurately located a buried pipeline if it has identified the location or route of the pipeline by means of visible markers that are:
- (a) Attached along the surface of the land along the route above the pipeline; and
  - (b) Spaced not more than seventy (70) metres apart and not more than one metre in horizontal distance from the route of the pipeline.
- 10.5 Swan Valley Gas's permanent crossing signs are not to be considered accurate markers.

- 10.6 All provisions of this Section 10 shall be subject to The Gas Pipe Line Act and The Gas Pipe Line Excavations Regulations.

## 11. Offence and Penalties

- 11.1 Subject to the provisions of The Gas Pipe Line Act, no Person shall:

- (a) Willfully or maliciously damage, destroy, pull down, deface, alter or remove or cause or knowingly permit the damaging, destroying, pulling down, defacing, altering or removing of any pipelines or other property of Swan Valley Gas;
- (b) Willfully alter or impair any of Swan Valley Gas's meters, or knowingly permit any of Swan Valley Gas's meters to be altered or impaired, so that the meter indicates less Gas than the amount of Gas that actually passes through it;
- (c) By any improper or wrongful means increase the amount of Gas delivered by Swan Valley Gas over the amount of that Swan Valley Gas has agreed have agreed to provide; or

- 11.2 Any Person who fails to comply with [11.1] is guilty of an offence. Swan Valley Gas takes a zero tolerance position and any of the actions described in [11.1] will be reported to the local police authority.

- 11.3 When it has been determined that a Customer has been deliberately diverting or stealing Gas, tampering with a meter, or deliberately misleading Swan Valley Gas employees with respect to matters including, but not limited to, billing, rates or pre-payments, Swan Valley Gas may recover the under-billed amount.

## 12. Force Majeure

- 12.1 **Except as otherwise provided for in this Schedule, if Swan Valley Gas or Customer fails to observe or perform any of the covenants or obligations herein imposed upon it and such failure shall have been occasioned by, or in connection with, or in consequence of Force Majeure, as hereinafter defined, such failure shall be deemed not to be a breach of such covenants or obligations.**

- 12.2 For the purposes of this Schedule, the term "Force Majeure" shall mean any cause not reasonably within the control of a party, which by the exercise of due diligence, the party is unable to prevent or overcome, including but without limiting the generality of the foregoing:

- (a) Lightning, storms, earthquakes, landslides, floods, washouts and other acts of God;

- (b) Fires, explosions, ruptures, breakages or accidents to machines or lines of pipe;
- (c) Freezing of pipelines or wells, or hydrate obstructions of pipelines or appurtenances thereto, causing temporary failure of Gas supply;
- (d) Civil disturbances, terrorism, sabotage, acts of public enemies, wars, blockades, insurrections, vandalism, riots, or epidemics;
- (e) Arrests and restraints of governments and people;
- (f) Shortages of necessary labour due to strikes, lockouts or other industrial disturbances;
- (g) The order of any court, government body or regulatory body;
- (h) Inability to obtain or curtailment of supplies of Gas, electric power, water, fuel or other utilities or Services;
- (i) Inability to obtain or curtailment of supplies of any other materials or equipment;
- (j) Inability to obtain, or revocation, or amendment of any permit, license, certificate or authorization of any governmental or regulatory body, unless the revocation or amendment of such permit, license, certificate or authorization was caused by the violation of the terms thereof or consented to by the Person holding the same;
- (k) Any claim by any third Person that any covenant or obligation of such third Person is suspended by reason of Force Majeure, including without limiting the generality of the foregoing, any such claim by any transporter of Gas to, from or for Swan Valley Gas, or Customer; and
- (l) Any other cause, whether herein enumerated or otherwise, not reasonably within the control of the party, which by the exercise of due diligence the party is unable to prevent or overcome, excluding, however, lack of funds or economic cause.

12.3 Notwithstanding anything to the contrary in this Article [12], expressed or implied, the parties agree that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the sole discretion of Swan Valley Gas and Swan Valley Gas may make settlement thereof at such time and on such terms and conditions as it may deem to be advisable and no delay in making such settlement shall deprive Swan Valley Gas of the benefits stated herein.

## **13. Confidentiality and Release of Information**

13.1 Any Customer who accepts uses or receives a Service from Swan Valley Gas consents to the collection, use, retention, disclosure and release of Confidential Information or Personal Information in accordance with this Schedule.

13.1.1 Swan Valley Gas agrees that Swan Valley Gas and any of its affiliates shall not, and shall ensure that each of their employees, sub-contractors, or agents used to perform the Services shall not, use or disclose any Confidential Information for any purpose, commercial or otherwise, other than the performance of the Services for and on behalf of the Customer, without the prior consent of the Customer (whether express or reasonably implied); provided however that Swan Valley Gas may disclose certain Confidential Information to those employees or sub-contractors participating in the performance of the Services relating to this Schedule, and who have a need to know such Confidential Information for purposes of such performance, and agree to be bound by provisions of confidentiality.

13.2 Swan Valley Gas values its Customer's privacy. Swan Valley Gas shall endeavour to collect, use, retain, disclose and release Personal Information pertaining to a Customer only in accordance with its Privacy Policy, as amended or replaced from time to time. Swan Valley Gas's current privacy policy is available at [www.saskenergy.com](http://www.saskenergy.com) or on request at any SaskEnergy office.

13.3 Notwithstanding anything in [13.2], it is Swan Valley Gas's practice to comply with the privacy legislation in the jurisdiction in which it operates. Sometimes the privacy legislation and/ or an individual's right to privacy are different from one jurisdiction to another. Swan Valley Gas's Privacy Policy applies only to those activities subject to the provisions of Manitoba's provincial privacy laws or Canada's federal privacy laws, where applicable.

## **14. Environment**

14.1 To prevent any incidents that may put the health or safety of Swan Valley Gas's employees or Customers at risk or create environmental concerns, the Customer shall supply Swan Valley Gas any and all information regarding potential or actual contamination, wastes or hazardous materials or other adverse environmental conditions on the Customer's property on or near where Swan Valley Gas Facilities or equipment are to be located. The Customer shall provide, and has the continuing obligation to provide Swan Valley Gas with copies of all environmental assessments

related to the Customer's property on or near where Swan Valley Gas Facilities or equipment are located.

## **15. Use of Services**

- 15.1 Customers shall ensure that Services are not used for an illegal purpose, in an illegal manner, or in any way that prevents other Customers from fairly or proportionately using or accessing Swan Valley Gas Services.

## **16. Gas Supply**

- 16.1 Title to Gas purchased from Swan Valley Gas, and all risk in respect thereto, shall remain with Swan Valley Gas until the Gas is delivered to the Customer at the Metering Point. At that point, title and risk shall pass to the Customer. Swan Valley Gas shall at no time obtain ownership of Gas purchased by a Customer from a Seller of Gas other than Swan Valley Gas and Swan Valley Gas assumes no risk in respect thereto. Swan Valley Gas shall have the right to co-mingle Gas delivered to it by or for a Customer with Gas owned by Swan Valley Gas or others.

## **17. Joint Several Liability**

- 17.1 All liability pursuant to this Schedule shall be **joint and several**, and a Customer is not released or discharged from liability if one or more other Customers are released or discharged.

## **18. Additional Important Terms**

- 18.1 The division of this Schedule into paragraphs, subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Schedule
- 18.2 No Contracts shall be assigned or be assignable by the Customer without the consent in writing of Swan Valley Gas first being obtained, which consent will not be unreasonably withheld by Swan Valley Gas.
- 18.3 The provisions of this Schedule are subject at all times to all applicable legislation, as amended from time to time, or such other legislation as may be enacted in replacement thereof. Notwithstanding any provisions in these terms and conditions to the contrary, if any provision of these terms and conditions is contrary to any present or future law, rule, regulation or order of any governmental authority having jurisdiction therein, now or hereafter in effect, the contravening provision of these terms and conditions shall be amended and read to be in compliance with the said law, rule, regulation or order.



- 18.4 Swan Valley Gas shall not be deemed to have waived the exercise of any right that it holds under this Schedule unless such waiver is made in writing. Forbearance or indulgence by Swan Valley Gas in any regard whatsoever shall not constitute a waiver and Swan Valley Gas shall be entitled to invoke any remedy available under this Schedule or by law despite the forbearance or indulgence. No waiver made with respect to any instance involving the exercise of any such right will be deemed to be a waiver with respect to any other instance involving the exercise of the right or with respect to any other such right.
- 18.5 If any provision in these terms and conditions or any part thereof shall be held by a court of competent jurisdiction to be invalid, illegal, void, voidable, or unenforceable for any reason whatsoever, such provision, or part thereof, shall be severable herefrom and of no force and effect without invalidating the remaining provisions hereof and this Schedule shall continue in full force and effect as if the same had not been a part hereof.
- 18.6 The words “hereof”, “hereto”, “hereunder” and “this Agreement”, “this Schedule” or “these terms and conditions” shall be construed as references to these terms and conditions and the tariffs and appendices attached hereto and not as references to any particular clause of these terms and conditions or tariff or appendix attached hereto.
- 18.7 References to a “Section”, “Clause”, “Paragraph” or “Article” shall be construed as references to a section, clause, paragraph or article of these terms and conditions, and the word “Clause”, “Paragraph” or “Section” shall include subclauses, subparagraphs or subsections and sub-subclauses, sub-subparagraphs or sub-subsections as the context may require.
- 18.8 In these terms and conditions words (including defined terms) importing the singular shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter or vice versa, and words importing Persons shall include corporate bodies.
- 18.9 These terms and conditions enure to the benefit of and binds the Customer and his or her respective heirs, executors, administrators, personal and legal representatives, successors and permitted assigns.
- 18.10 The tariffs and appendices to these terms and conditions are incorporated into these terms and conditions by reference and are deemed to be part hereof.

- 18.11 **Customer acknowledges that e-mail, fax or internet communications are transmitted over the internet and communication lines, and Swan Valley Gas cannot guarantee the privacy or security of, nor will Swan Valley Gas be responsible or liable for damages to, information sent in these ways or for any malfunction, interruption or failure in electronic communication or transmission.**
- 18.12 Each party shall at any time and from time to time, upon request of the other, execute and deliver such further documents and consents and do such further acts and things as the other party may reasonably request to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Schedule.
- 18.13 This Schedule shall be governed by, construed and interpreted in accordance with the laws of the Province of Manitoba. Except as otherwise provided for herein, the parties hereto hereby irrevocably and unconditionally attorn to the exclusive jurisdiction of the courts of the Province of Manitoba and all courts competent to hear appeals therefrom.
- 18.14 Time shall be of the essence.
- 18.15 Each and every right and remedy granted to a party hereunder pursuant to this Article or pursuant to these terms and conditions shall be cumulative and shall be in addition to any other right or remedy herein specifically granted or existing in equity, at law, by virtue of statute or otherwise and every other such right and remedy may be exercised by a party from time to time concurrently or independently and as often and in such order as such party may deem expedient.
- 18.16 The provisions of these terms and conditions which by their context are intended to survive termination of Service shall survive notwithstanding such termination including, without limitation, the provisions of Articles 9 (Liability and Indemnity) and 13 (Confidentiality and Release of Information).
- 18.17 Any reference to a statute is to such statute and to the regulations made pursuant to such statute as such statute and such regulations may at any time be amended or modified and in effect and to any statute or regulations that may be passed that have the effect of supplementing or superseding such statute or regulation.
- 18.18 Except as otherwise provided for herein, all notices and communications shall be effective on actual receipt.

- 18.19 No agent, representative, or employee of Swan Valley Gas has the authority to make any promise, agreement, or representation not incorporated within Swan Valley Gas' Schedule of Rates and Charges or executed through a Contract for service, and any such promise, agreement, or representation shall not bind Swan Valley Gas.

## **APPENDIX A – DEFINITIONS**

<b>Administrative Service Fees:</b>	Means Tenancy Change Fees, Service Activation Fees, Disconnection Fees, Missed Appointment Fees, Meter Dispute Fees, or Custom Service Fees.
<b>Applicant:</b>	Means the Person who applies or applied for a Service.
<b>Bad Debt:</b>	Means a debt which is at least forty-five (45) Days past due and which has been transferred to a Bad Debt status in Swan Valley Gas's computer system for collection purposes.
<b>Bad Debt Record:</b>	Means a record retained by Swan Valley Gas that indicates that a Bad Debt is outstanding or existed but has been paid.
<b>Basic Monthly Charge:</b>	Means a fixed monthly charge payable by the Customer for Natural Gas Services provided by Swan Valley Gas or made available to the Customer irrespective of the volume of Gas consumed.
<b>Business Day:</b>	Means Monday to Friday, excluding statutory holidays, during Business Hours.
<b>Business Hours:</b>	For the purposes of this Schedule, means the Hours between 8 A.M and 5 P.M. Central Standard Time (CST), Monday to Friday, excluding statutory holidays.
<b>Commercial Customers:</b>	Means Customers with a maximum annual load of 10,000 m <sup>3</sup> and are not Residential or Farm type Customers.
<b>Confidential Information:</b>	<p>Means information, other than Personal Information, about an identifiable Customer that a Customer might reasonably expect to be confidential. For greater certainty, Confidential Information does not include:</p> <ul style="list-style-type: none"><li>i) information that at the time of disclosure or acquisition is already known to Swan Valley Gas and was not acquired under any obligation of confidentiality or as a result of a Customer's previous contracts with Swan Valley Gas;</li><li>ii) information that at the time of disclosure or acquisition is or thereafter becomes part of the public domain through no act or failure to act on the part of Swan Valley Gas, or on the part of any third party under an obligation of confidentiality with respect to the information;</li><li>iii) information that is disclosed, either directly or indirectly to Swan Valley Gas via a third party who did not acquire the information from the Customer or Swan Valley Gas</li></ul>

- under an obligation of confidentiality;
- iv) information which may be required to be disclosed in accordance with any legal proceeding, law, regulation, order, or directive of a court or government;
  - v) information of a Person, other than an individual, that Swan Valley Gas would be required or permitted to disclose if that Customer were an individual under The Freedom of Information and Protection of Privacy Act of Manitoba. *New provision – February 8, 2008*

<b>Contract:</b>	Means an agreement to provide service either implied, written or oral.
<b>Cubic Metre:</b>	Means a quantity of Gas which, at a temperature of fifteen (15) degrees Celsius and at a pressure of 101.325 kPa absolute, occupies one (1) Cubic Metre of space. May be shown as "m <sup>3</sup> ".
<b>Custom Service Fee:</b>	Means a Special Service Fee. A Fee for a Service requested where, in the opinion of Swan Valley Gas, a charge, rate, term or condition described in the Tariff of Fees, Rate Tariff or this Schedule is not applicable or adequate to allow Swan Valley Gas to provide that Service to that Person.
<b>Customer:</b>	Means the Applicant or any Person who accepts, uses or receives a Service from Swan Valley Gas.
<b>Day:</b>	Means a period of 24 consecutive Hours beginning and ending at 9:00 a.m., in the time zone in which deliveries are made. The reference date for any Day shall be the calendar date on which the 24-Hour period commences.
<b>Delivery:</b>	Means the Distribution, Storage, and/or Transportation of Gas.
<b>Delivery Charge:</b>	Means the fee required to be paid by Customer on a unit basis for the service provided by Swan Valley Gas for delivery of natural gas from the inlet of the Swan Valley Gas system at the Manitoba – Saskatchewan border to the Customer's premise.
<b>Delivery Point:</b>	Means the Metering Point unless otherwise specified in a written Service Agreement.
<b>Delivery Pressure:</b>	Means the pressure of the Gas at the Metering Point.

<b>Deposit:</b>	Means the transfer of cash to Swan Valley Gas as a deposit. With respect to the Deposit, the relationship between the Customer and Swan Valley Gas shall be a relationship of creditor and debtor respectively and all right, title and interest in the Deposit (legal and beneficial) is transferred absolutely by the Customer to Swan Valley Gas. The Customer grants to Swan Valley Gas a right to commingle and use said funds in its sole discretion and to set-off any amounts payable by the Customer to Swan Valley Gas against the debt of Swan Valley Gas to the Customer created by the Deposit.
<b>Deposit Guidelines:</b>	Means the guidelines for Deposits attached to this Schedule as Appendix C.
<b>Deposit Interest Rate:</b>	Means interest payable on a Deposit (but not Security) where Swan Valley Gas has agreed in writing to pay interest on that Deposit. Deposit Interest is payable at the rate set out in the Deposit Guidelines, Appendix C.
<b>Disconnect(ed) (Disconnection):</b>	Means to Discontinue Service by physically preventing the flow of Gas.
<b>Disconnection Fee (Disconnect Fee):</b>	Means the fee charged by Swan Valley Gas to Disconnect Service at a Customer's request.
<b>Discontinue(d) (Discontinuation):</b>	Means to discontinue Service or discontinue billing a Customer for a Service, with or without physically preventing the flow of Gas, for any period of time and for any reason.
<b>Distribution (Distribute):</b>	Means the movement of Gas, by means of all Gas pipeline facilities, that is: <ul style="list-style-type: none"> <li>(i) downstream of the outlet of the shut-off valves of Gas Transmission pipelines at stations where pressure reduction first occurs; and</li> <li>(ii) upstream of the outlet of a Metering Point at the location where the Gas is delivered to a Person for consumption.</li> </ul>
<b>Emergency/Hazard Fee:</b>	Means the fee applicable to Services provided on an emergent basis where, in Swan Valley Gas's opinion, an immediate attendance is required to avoid a hazard to the public. Includes, but is not limited to, emergency response to fires, Gas explosions, line hits or damaged meter/service.

<b>EPP Term:</b>	Means the Equalized Payment Plan term as defined in [3.3].
<b>Equalized Payment Plan (EPP):</b>	A plan that spreads the annual cost of Natural Gas Service out over several (usually 11) equal monthly payments, with the balance credited to or payable by the Customer at the end of the term (usually one year).
<b>Equipment Service Fee:</b>	Means a fee charged to restore Gas service at the Customer's appliance, excluding repair or appliance maintenance, but including (without limitation) relighting a Customer's Gas equipment.
<b>Facilities:</b>	Means (i) Regulating Equipment as defined in the Regulations and herein, (ii) all Gas or Service related facilities, pipelines, buildings and equipment on a Customer's property and upstream of the Metering Point, and (iii) all other Gas or Service related facilities, pipelines, buildings and equipment whatsoever installed or acquired by Swan Valley Gas.
<b>Farm:</b>	Means a tract of land devoted in whole or part to the growing of crops or raising of livestock, including a residence or dwelling on such lands.
<b>Force Majeure:</b>	Shall have the meaning set out in Paragraph [12.2] herein.
<b>Gas:</b>	Means all natural gas and manufactured gas, both before and after it has been treated or processed by absorption, purification, scrubbing or other means.
<b>Gas Consumption Charge:</b>	Means the charge to the Customer, in cents per Cubic Metre, for the gas consumed by the Customer. The charge includes the cost of purchasing, storage and transportation of natural gas at the inlet of Swan Valley Gas's system on behalf of the Customer.
<b>Gas Year:</b>	Means the period of time from November 1 to October 31 of the following Year.
<b>General Service:</b>	Customers whose annual consumption is greater than 10,000 m <sup>3</sup> , but does not exceed 100,000 m <sup>3</sup> .
<b>Hour:</b>	Means any consecutive 60 minute period.

<b>Industrial Delivery Service Customers:</b>	Means a Customer, who has entered into a Contract with Swan Valley Gas for Delivery Services, including Distribution, Storage, and Transportation of Gas by Swan Valley Gas, where the Gas is not sold to the Customer by Swan Valley Gas.
<b>Institutional Customer:</b>	Means a Customer with an annual consumption in excess of 100,000 m <sup>3</sup> , but less than 1,000,000 m <sup>3</sup> .
<b>Landlord:</b>	Means (i) a Person who is the Owner of a property that is leased or rented or otherwise in the possession of another Person, called the Tenant; or (ii) a Person authorized to manage such a property on behalf of the Owner.
<b>Landlord Service Agreement:</b>	A Service Agreement wherein the Landlord consents to the provision of a Service to Tenants and provides instructions to Swan Valley Gas in the event a Tenant is Discontinued from Service.
<b>Late Payment Charge:</b>	Means the interest payable by a Customer to Swan Valley Gas on sums payable and overdue, as set out in the Tariff of Fees.
<b>Line Locate Fee:</b>	Means the fee charged by Swan Valley Gas to locate a Gas line or Facility at a Customer's Premises.
<b>Load:</b>	Means a Customer's consumption of Gas.
<b>Main or Main Line:</b>	Means a pipeline capable of feeding one or many tributary branches of the Gas Distribution system.
<b>Meter Dispute Fee:</b>	Means a fee charged to a Customer who elects to dispute the accuracy of a Swan Valley Gas meter under <u>The Electricity and Gas Inspection Act</u> . This fee covers the removal of a Customer's meter for testing. It does not include any fees chargeable by Measurement Canada.
<b>Meter Dispute Test:</b>	Means an investigation conducted by an inspector from Measurement Canada pursuant to <u>The Electricity and Gas Inspection Act</u> when the Customer or Swan Valley Gas is dissatisfied with the condition or registration of a meter. May include the actual testing of the meter.
<b>Metering Point:</b>	Means the point at which Gas is measured and physical possession of Gas is transferred from Swan Valley Gas to a Person for consumption.



<b>Missed Appointment Fee:</b>	Means the fee charged by Swan Valley Gas to the Customer, when a Customer or Customer's contractor misses a second or subsequently scheduled appointment for Service.
<b>Month:</b>	The period beginning at 9:00 a. m. on the first Day of the calendar Month and ending at the same Hour on the first Day of the next succeeding calendar Month.
<b>Natural Gas Service:</b>	Means the Supply and/or Delivery of Gas to a Premise, and Services incidental to the Supply and/or Delivery of Gas to a Premise.
<b>Non-Residential Service:</b>	Means Services to Premises other than Residential Premises, and includes Services to Commercial, General Service, Institutional, or Industrial Premises.
<b>Non-Safety Service Fee:</b>	Means an Equipment Service Fee or Thermocouple Fee.
<b>Other Service Fees:</b>	Charges for Services not expressly listed in the Rate Tariff or Tariff of Fees, including but not limited to, the installation, removal, repair or alteration of Swan Valley Gas Facilities.
<b>Owner:</b>	Means: <ul style="list-style-type: none"> <li>(i) the Person registered in the Land Titles Registry as owner of the title to a parcel of land; or</li> <li>(ii) a Person who has purchased the parcel from the Person mentioned in sub-clause (i) pursuant to an agreement for sale.</li> </ul>
<b>Person:</b>	Means and includes Swan Valley Gas, an individual, a corporation, a company, a partnership, an association, a joint venture, a trust, an unincorporated organization, a government, or department of a government or a section, branch, or division of a department of a government.
<b>Personal Information:</b>	Means personal information about an identifiable individual that is recorded in any form, and for greater certainty, shall have the meaning set out in <u><i>The Freedom of Information and Protection of Privacy Act</i></u> of Manitoba.
<b>Pre-Authorized Payment Plan (PPP):</b>	The Pre-Authorized Payment Plan is a plan which allows Customers to pay their Natural Gas Service bills by having their bank account debited.
<b>Premise(s):</b>	Means the location specified in an application for Service, or such other location to which Swan Valley Gas delivers Gas.

<b>PUB:</b>	Means the Public Utilities Board of Manitoba.
<b>Queue Deposit:</b>	Means a Deposit paid to maintain a person's priority position in a line or file of persons waiting for a Service.
<b>Rate Classification:</b>	Swan Valley Gas rates and charges for the Supply and Delivery of Gas vary depending on the use of the Gas and the annual volume of Gas consumed. The Rate Classifications are Residential Service (M01, M11, or M21), Commercial (M02), General Service (M03), Institutional (M04), and Industrial Delivery Service (D11).
<b>Rate Code:</b>	An alphanumeric descriptor corresponding with the four basic Rate Classifications and the one Industrial Delivery Service Rate Class.
<b>Rate Tariff:</b>	Means the charges for providing Natural Gas Service to each classification of Customer.
<b>Regulations:</b>	Means <u>The Gas Pipeline Act Regulations</u> , as amended from time to time, or such other legislation as may be enacted in replacement thereof.
<b>Regulating Equipment:</b>	Means any equipment and related facilities that Swan Valley Gas or any of its Subsidiaries require to measure or regulate Gas provided to a Customer and includes pipes, Service Lines, meters and regulators used for those purposes.
<b>Rental Property:</b>	Means any Premise that is owned by one party and controlled or occupied by another.
<b>Residential Premises:</b>	Means the single unit, individually metered Premises of a Customer that is used primarily for living purposes and not a business purpose. May include such Premises as a house, a single condominium unit, a single duplex unit, a single apartment unit, resort cottage, or any other individually metered residence or dwelling. Unless otherwise indicated does not include a residence on a Farm.
<b>Residential Service:</b>	Means Services supplied to a Residential Premises (M01, M11 or M21 Rate Classes)

<b>Return Payment Fee:</b>	A fee added to the Customer's account for payments returned or not honoured by a financial institution for any reason, including, but not limited to: cheques returned 'NSF', stopped payment, funds not found, funds frozen, account closed, or account not found.
<b>Safety Service Fees:</b>	Means a Gas Leak or Odour Fee, a Line Locate Fee, or an Emergency/Hazard Fee.
<b>SaskEnergy:</b>	Means SaskEnergy Incorporated (also known as SaskEnergy), is the natural gas utility Crown Corporation in the Province of Saskatchewan, with its head office located in Regina, and governed by <u>The SaskEnergy Act</u> S.S. 1992, c. S-35.1, as amended from time to time.
<b>Swan Valley Gas:</b>	Means Swan Valley Gas Incorporated, a wholly owned subsidiary of SaskEnergy Incorporated. Swan Valley Gas owns a natural gas a distribution utility in the Swan Valley area of western Manitoba. The Public Utilities Board of Manitoba regulates Swan Valley Gas.
<b>Schedule:</b>	Means the Terms & Conditions of Service Schedule, as amended, supplemented or replaced from time to time, including the appendices thereto, as amended, supplemented or replaced from time to time.
<b>Security:</b>	A letter of credit or similar financial or other assurances, in a form acceptable to Swan Valley Gas, given to Swan Valley Gas to secure payment or performance under this Schedule or a Service Agreement.
<b>Service(s):</b>	Means any service provided by Swan Valley Gas to a Customer, including but not limited to transmitting Gas, providing and maintaining Facilities and equipment to transmit Gas and selling Gas.
<b>Service Activation:</b>	The procedure followed by Swan Valley Gas staff to physically turn on the flow of natural gas to a new installation or to re-establish the flow of natural gas when the Gas Supply or Delivery has been Disconnected.
<b>Service Activation Fee:</b>	Means a Fee payable to Swan Valley Gas for a Service Activation.
<b>Service Agreement:</b>	An agreement in writing for the provision of Swan Valley Gas Services.

<b>Service Fee:</b>	A fee payable to Swan Valley Gas for a Service.
<b>Service Line or Pipe:</b>	Means those parts of the Swan Valley Gas Facilities or equipment that start at the Main Line and ends at the outlet of the Metering Point.
<b>Special Service:</b>	A Service requested where, in the opinion of Swan Valley Gas, a charge, rate, term or condition described herein is not applicable or adequate to allow Swan Valley Gas to provide that Service to that Person.
<b>Storage:</b>	Means the storage of Gas.
<b>Subsidiary:</b>	Means any company controlled by SaskEnergy and includes Swan Valley Gas and TransGas Limited.
<b>Supply:</b>	The provision or sale of Gas molecules, as opposed to the Delivery of the Gas molecules.
<b>Tariff of Fees:</b>	Means Appendix B attached to and forming part of this Schedule, which sets out charges generally applicable to common Swan Valley Gas Services not included within the Rate Tariff.
<b>Temporary Service:</b>	Any Service that will be used by a Customer for a period of less than one Year.
<b>Tenancy Change Fee:</b>	The fee payable to Swan Valley Gas when a new Natural Gas Service account is set up at an existing Premise where the Gas has not been physically Disconnected.
<b>Tenant(s):</b>	Means any Person who has the use of or occupies a Premises or property owned by another Person.
<b>Terms and Conditions of Service:</b>	The terms and conditions set out in this document. May also be referred to as the "Schedule".
<b>Thermocouple Fee:</b>	Means a fee charged to provide and replace a thermocouple safety device on the Customer's space and/or water heating appliance.
<b>TransGas:</b>	Means TransGas Limited, a wholly owned Subsidiary of SaskEnergy.
<b>TransGas Direct Service Customer:</b>	Means a Person who has entered into a Contract with TransGas for the Delivery of Gas by TransGas, where the Gas is not sold by TransGas.

**TransGas Energy Pool (TEP):** A notional hub. TEP contains a collection of Customer energy accounts that relate to the movement of Gas from a point of receipt to a point of delivery on the TransGas transmission system through this notional hub.

**Transportation (Transport):** Means the movement of Gas by means of any Gas pipeline and compression facilities, where that movement is:

- (i) downstream of the point where physical possession of the Gas is transferred to a Gas transmission pipeline from:
  - (a) a Gas gathering and processing system;
  - (b) a Gas gathering system;
  - (c) an interconnected interprovincial or international Gas transmission pipeline; or
  - (d) a Gas storage facility; and
- (ii) upstream of:
  - (a) the outlet of the shut-off valves of Gas transmission pipelines at stations where pressure reduction first occurs; or
  - (b) the point where physical possession of the Gas is transferred to:
    - (I) an interconnected interprovincial or international Gas transmission pipeline;
    - (II) a consumer of Gas in Manitoba who takes delivery of the Gas from a Gas transmission pipeline; or
    - (III) a Gas storage facility.

Transportation of Gas incidental to Delivery is performed under contract to Swan Valley Gas by TransGas Limited.

**Variable Charge Basis:** A charge calculated per hour of work performed, and per unit of materials used, together with disbursements equipment charges, travel time, travel expenses, and other charges, which hourly rates and unit costs are as set out in or permitted by SaskEnergy's Cost & Methods Manual, as amended or replaced from time to time.

**Year(s):** Means a period of 365 consecutive Days; provided however, that any such Year which contains a date of February 29 shall consist of 366 Days.

## **APPENDIX B - TARIFF OF FEES**

**EFFECTIVE JANUARY 1, 2010**

<b>Service</b>	<b>Applicable Customer Rate Code</b>	<b>Service Fee During Business Hours</b>	<b>Service Fee After Business Hours</b>
<b>Safety Service</b>			
Gas Leaks/Odors Fee	All Rate Codes	No Charge	No Charge
Line Locate Fee	All Rate Codes	No Charge	\$50
Emergency/Hazard Fee	All Rate Codes	Variable Charge Basis	Variable Charge Basis
<b>Non-Safety Service</b>			
Equipment Service Fee	All Rate Codes	\$65	\$90
Thermocouple Fee	All Rate Codes	\$40	\$40
<b>Administrative Service Fees</b>			
Tenancy Change Fee	All Rate Codes	\$25	\$60
Service Activation Fee	M01, M02, & M03	\$65	\$90
	M04, D11, & D19	\$100	\$135
Disconnection Fee	All Rate Codes	\$35	\$70
Missed Appointment Fee	All Rate Codes	\$25	\$60
Meter Dispute Fee	All Rate Codes	\$25	N/A
<b>Other Service Fees, excluding Custom Services Fees</b>	All Rate Codes	Variable Charge Basis or as otherwise quoted prior to the supply of Service.	Variable Charge Basis or as otherwise quoted prior to the supply of Service.

### **Late Payment Charge**

The interest rate payable to Swan Valley Gas on all Swan Valley Gas accounts is 1.17% per Month, compounded monthly, or 15% per annum.

### **Return Payment Fee**

The Return Payment Fee is \$25.00 for each returned payment.

## **APPENDIX C - DEPOSIT GUIDELINES**

**EFFECTIVE JANUARY 1, 2010**

**This Appendix contains guidelines for Deposits only. Swan Valley Gas reserves the discretion and right to require a Deposit or Security in any circumstance and in any amount Swan Valley Gas deems appropriate.**

In Swan Valley Gas's sole discretion, Deposits may be collected when the application is made, or may be billed on the first Natural Gas Service bill. Failure to pay the Deposit may result in Discontinuance of Service.

a) Residential Service:

Swan Valley Gas will collect a Deposit equal to 15 % of the anticipated annual bill for Customers requesting Natural Gas Service under the following circumstances:

- i) Customer has a previous Disconnect or Discontinuation of Service for non-payment; or
- ii) Customer applying for Service has a Bad Debt or Bad Debt Record.

b) General Service, Commercial, and Institutional Service:

General Service, Commercial, and Institutional Service Customers will be required to provide a Deposit equal to 30% of the anticipated annual bill unless excepted as per the criteria outlined in (d). Customers who enrol in Swan Valley Gas's Pre-Authorized Payment Plan (PPP) will have their Deposit assessment reduced to 15% of the annual bill for such period as the Customer remains enrolled.

c) Industrial Delivery Service:

A Deposit will be individually assessed and included in a written Service Agreement.

d) The following Customers will generally be excused from the requirement for a Deposit:

- i) Federal, provincial and municipal government departments, agencies, and crown corporations; school boards, universities, and technical schools; and national charitable organizations;
- ii) Financial institutions including banks, trust companies and credit unions;

- iii) Non-Residential Customers who currently have an acceptable credit rating with Swan Valley Gas and are requesting a new or additional Service(s) under the same name, same business type, and same owner(s);
- iv) Non-Residential Customers that supply a credit references satisfactory to Swan Valley Gas from another gas or electric utility; and
- v) Customers providing Security in a form acceptable to Swan Valley Gas, such as a letter of credit.

All consumption estimates shall be in the sole discretion of Swan Valley Gas.

#### **Deposit Refunds:**

- a. Customers will have their Deposit refunded after an acceptable credit rating has been established.
- b. For Residential and Farm Customers, an acceptable credit rating is defined as not being in 60 day arrears more than once over 12 consecutive months.
- c. For Non-Residential/Farm Customers, an acceptable credit rating is defined as not being in 60 day arrears more than three times over a 36 month period.

#### **Deposit Interest**

The interest rate per annum payable by Swan Valley Gas on all Deposits during a calendar year is the average Royal Bank Prime interest rate for the immediately previous calendar year, rounded to the next higher quarter-percent, less one percent. In the event the Royal Bank Prime rate is not published or available, or the rate payable is otherwise incapable of calculation, the interest rate payable shall be three percent per annum.

**“Royal Bank Prime”** means the annual rate of interest announced by the Royal Bank of Canada from time-to-time as being a reference rate then in effect for determining interest rates on commercial loans made in Canadian currency in Canada.



**PUB/Centra I-4**

**Reference: Tab 3 Pages 5 to 8 of 11 – Service Levels**

**b) Please identify any material differences in the Terms and Conditions of Service between Centra and SVGC.**

**ANSWER:**

The material differences between Centra's and SVGC's Terms and Conditions of Service are summarized below:

**Customer Classes**

<b>Swan Valley Gas Corporation</b>		
<b>Service Offering</b>	<b>Rate Code</b>	<b>Conditions</b>
Residential Service	M01/M11/M21	<ul style="list-style-type: none"> <li>- Maximum annual load of 10,000 m<sup>3</sup></li> <li>- Supply and delivery of gas provided by SVGC</li> </ul>
Commercial	MO2	<ul style="list-style-type: none"> <li>- Maximum annual load of 10,000 m<sup>3</sup></li> <li>- Supply and delivery of gas provided by SVGC</li> </ul>
General Service	M03	<ul style="list-style-type: none"> <li>- Annual load between 10,000 and 100,000 m<sup>3</sup></li> <li>- Supply and delivery of gas provided by SVGC</li> </ul>
Institutional	M04	<ul style="list-style-type: none"> <li>- Annual load between 100,000 and 1,000,000 m<sup>3</sup></li> <li>- Supply and delivery of gas provided by SVGC</li> </ul>
Industrial Delivery Service	D11	<ul style="list-style-type: none"> <li>- Annual consumption in excess of 1,000,000m<sup>3</sup>/year <i>or</i> contracted consumption volumes in excess of 10,000 m<sup>3</sup>/day</li> <li>- require 100% firm continuous service and the gas supply is independently arranged and managed by the Customer</li> <li>- eligible to contract for interruptible delivery service, based on maximum peak daily flow requirements</li> </ul>

## Acquisition of the Assets of the Swan Valley Gas Corporation

<b>Centra Gas Manitoba Inc.</b>	
<b>Service Offering</b>	<b>Conditions</b>
Small General Class	<ul style="list-style-type: none"> <li>- Annual consumption less than 680,000 m<sup>3</sup></li> <li>- Transportation service ("T-Service") is not available.</li> </ul>
Large General Class	<ul style="list-style-type: none"> <li>- Annual consumption of less than 680,000 m<sup>3</sup></li> <li>- T-Service is not available.</li> </ul>
High Volume Firm	<ul style="list-style-type: none"> <li>- Annual consumption equals or exceeds 680,000 m<sup>3</sup></li> </ul>
Co-op	<ul style="list-style-type: none"> <li>- Customer served directly from medium pressure transmission system or through dedicated distribution facilities at pressures in excess of medium pressure</li> <li>- Annual gas consumption less than 680,000m<sup>3</sup></li> </ul>
Interruptible Class	<ul style="list-style-type: none"> <li>- Service may be interrupted by Centra upon notice to the Customer</li> <li>- Annual consumption equals or exceeds 680,000 m<sup>3</sup></li> </ul>
Mainline Class	<ul style="list-style-type: none"> <li>- Customer served directly from transmission system or through dedicated distribution facilities at pressures in excess of medium pressure</li> <li>- Annual consumption equals or exceeds 680,000m<sup>3</sup></li> </ul>
Special Contract	<ul style="list-style-type: none"> <li>- Service to a customer under special contract</li> </ul>
Power Stations	<ul style="list-style-type: none"> <li>- Service to electrical generating stations under special contract</li> </ul>

### **Western Transportation Service**

Centra offers Western Transportation Service ("WTS"), as outlined in Section VII. of Centra's Terms & Conditions of Service. Under WTS, Centra manages and delivers Broker-supplied Primary Gas from the Alberta border to customer's facilities. An executed Western Transportation Service Agreement is required to take this service and customers in all classes are eligible for this service.

SVGC does not offer a similar service.

**Rental Property Process**

Section 7 of SVGC's Terms & Conditions of Service provide conditions related to the provision of service to customers who are tenants. SVGC may refuse service to tenants, unless a separate Service Agreement is entered into between SVGC and the landlord. By entering into such an agreement, the landlord consents to the provision of service to tenants and provides instructions to SVGC in the event a tenant is discontinued from natural gas service or discontinues natural gas service.

Centra does not have similar conditions.

**Service Extension Policy**

Under SVGC's Terms & Conditions of Service (Section 1.3.1), where a customer requests a new service installation, the customer will be responsible for all construction costs and service fees associated with the new services, unless otherwise agreed to by SVGC in a written service agreement with the customer.

Under Centra's Terms & Conditions of Service, Centra will complete a feasibility test, as approved by the PUB, to evaluate the financial feasibility of the proposed service extension. Where Centra deems anticipated revenue from the customer is insufficient to justify a service extension, it may require the customer to pay a contribution in aid of construction of the extension. This contribution is refundable at the end of five years, under certain circumstances, set out in Section IV. C) 1) of Centra's Terms & Conditions of Service.

**PUB/Centra I-4**

**Reference: Tab 3 Pages 5 to 8 of 11 – Service Levels**

- c) Please confirm whether SVGC offers a program similar to Centra's Customer Equipment Problems Program and, if so, identify the similarities and differences.**

**ANSWER:**

SVGC does have a similar program to Centra's Customer Equipment Problems Program ("CEPP").

A comparison of SVGC's & Centra's programs is as follows:

- SVGC's program is focused on primary heating only, while Centra's CEPP includes residential primary space heating, water heating, ranges and stoves;
- Under SVGC's program, customers are charged a flat rate for labour for work undertaken. Under its CEPP, Centra does not charge customers for the cost of labour;
- SVGC's program includes only minor repairs completed on residential primary heating devices, including the re-light of the appliance, cleaning or replacement of a thermocouple. Centra's CEPP includes repairs and the supply of parts related to the gas burning portions of the appliance. Under the CEPP, the cost of parts are charged to the customer.
- Under SVGC's program, if repairs are required beyond the SVGC policy, the customer is advised to contact a local heating dealer. Under the CEPP, Centra will

## Acquisition of the Assets of the Swan Valley Gas Corporation

also advise the customer to contact a local heating dealer for repairs beyond the scope of Centra's policy.

**PUB/Centra I-7**

**Reference: Attachment 3.1 Technical Evaluation page 7, 9**

**Please confirm whether Centra assessed the condition of the Louisiana Pacific regulating and metering station when preparing the Technical Evaluation and if so, please provide Centra's assessment and any cost implications of maintaining or abandoning this station.**

**ANSWER:**

Please see Centra's response to PUB/Centra I-10.

**PUB/Centra I-8**

**Reference: Attachment 3.1 Technical Evaluation, p. 12**

- a) Please advise whether and how Centra will compensate for the higher heating value of gas supplied from SaskEnergy in the billings to the former SVGC customers.**

**ANSWER:**

It is expected that the heating value of gas supplied from SaskEnergy be integrated with the heating value from Centra's other gas supply sources, the margin residual of which will be disposed of to all customers in the normal course. Given the materiality of any differences, Centra is not intending on differentiating the heating value between its sources. Please see Centra's response to PUB/Centra I-8(b).

**PUB/Centra I-8**

**Reference: Attachment 3.1 Technical Evaluation, p. 12**

- b) If Centra does not intend to compensate for the higher heating value of the gas in the billings to former SVGC customers, please estimate the reduction in gross margin that will result.**

**ANSWER:**

Centra intends to incorporate the gross margin impact of the heating value of gas delivered to former SVGC customers as part of its Heating Value Margin Deferral calculations.

For the 2013/14 Gas Year, the expected annual impact is estimated to be a reduction to Centra's gross margin (i.e. an amount *recoverable from customers*) of approximately \$5,000.



**PUB/Centra I-8**

**Reference: Attachment 3.1 Technical Evaluation, p. 12**

- c) Please confirm whether Centra will purchase gas from SaskEnergy on an energy basis as opposed to a volumetric basis.**

**ANSWER:**

Confirmed.

**PUB/Centra I-9**

**Reference: Attachment 3.1 Technical Evaluation, p. 13**

**Please estimate the cost of abandoning the pipeline from the Minitonas station to Louisiana Pacific, and the annual maintenance costs that will be saved by doing so.**

**ANSWER:**

The abandonment costs for the Louisiana Pacific pipeline were estimated to be approximately \$16,000. Annual savings related to maintenance costs would be minimal.

**PUB/Centra I-10**

**Reference: Attachment 3.2 Environmental Evaluation**

**Please confirm whether Centra assessed the condition of the Louisiana Pacific regulating and metering station when preparing the Environmental Evaluation and if so, please provide Centra's assessment and any cost implications of maintaining or abandoning this station.**

**ANSWER:**

A review of SVGC's distribution systems was conducted by SVGC and Centra staff. The review included an on-site tour of the Louisiana Pacific site and associated equipment.

The Louisiana Pacific industrial metering facility is located within the Louisiana Pacific OSB Mill property, and consists of a small slab on grade building (4.3 m x 5.5 m). Currently, the natural gas in the pipeline is flared as required, to ensure the readily detectable level of odourant is maintained in the gas stream. This process will occur when the odour levels falls to or below the required levels of detectability. Although the flaring of gas is associated with combustion emissions, this practice has less environmental impact than venting, and will be conducted in accordance with Centra's Natural Gas Standards.

The equipment within the metering facility is not in-service at this time, and any cost implications for maintaining or abandoning the station would be minimal. If the facility is abandoned following the acquisition, the facility would enter Manitoba Hydro's Potentially Contaminated Sites Management Program, and an environmental site assessment (ESA) would be conducted, in accordance with Provincial guidelines.

**PUB/Centra I-11**

**Reference: Attachment 3.3 Gas Cost Forecast**

- a) Please explain how Centra plans to forecast the gas costs incurred under the Gas Management Agreement and incorporate them into the Primary Gas Rate Setting Methodology.**

**ANSWER:**

Centra will not forecast Primary Gas purchases for former SVGC customers in its Quarterly Primary Gas Rate Setting Applications, as the volumes concerned for these customers are extremely small compared to total Primary Gas purchases.

Centra will, however, separately track the Primary Gas cost inflows under the Gas Management Agreement and flow those costs through the Primary Gas PGVA.

**PUB/Centra I-11**

**Reference: Attachment 3.3 Gas Cost Forecast**

- b) Please explain whether Centra plans to separately track the actual gas costs incurred under the Gas Management Agreement or whether these costs will flow into the existing Primary Gas PGVA.**

**ANSWER:**

Please see Centra's response to PUB/Centra I-11(a).

**PUB/Centra I-11**

**Reference: Attachment 3.3 Gas Cost Forecast**

- c) Please provide a schedule comparing the Primary Gas supply costs at Empress (including compressor fuel charges and overhead) with the Primary Gas supply costs to the Swan Valley area on a monthly basis for the 2013/14 Gas Year.**

**ANSWER:**

Please see the attached schedule.

Centra Gas Manitoba Inc.  
Sale of SVGC Assets to Centra  
Forecast Costs of Primary Supply Direct to Load

PUB/Centra-11(c)  
Attachment  
January 17, 2014

As at September 1, 2013

		<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>	<u>Weighted Average</u>
		Futures	Futures	Futures	Futures	Futures	Futures	Futures	Futures	Futures	Futures	Futures	Futures	Futures
1 Primary Gas Direct to Load From Empress Total Cost (Incl. UFG)	\$CAD	\$10,101,044	\$17,329,069	\$17,472,319	\$15,791,490	\$10,823,295	\$11,489,823	\$6,363,018	\$3,636,846	\$3,156,449	\$3,422,363	\$4,778,948	\$11,262,912	
2 Primary Gas Direct to Load From Empress Average Unit Cost	\$CAD / GJ	\$3.3336	\$3.4714	\$3.5001	\$3.5023	\$3.4588	\$3.4184	\$3.4269	\$3.4226	\$3.4393	\$3.4423	\$3.4661	\$3.5475	\$3.4621
3 SVGC Primary Direct to Load Total Cost (Incl. UFG)	\$CAD	\$22,347	\$34,557	\$38,318	\$38,201	\$29,709	\$19,884	\$10,892	\$7,920	\$4,528	\$4,986	\$7,830	\$11,658	
4 SVGC Primary Direct to Load Average Unit Cost	\$CAD / GJ	\$3.5575	\$3.7000	\$3.7300	\$3.7300	\$3.6825	\$3.6225	\$3.6325	\$3.6325	\$3.6525	\$3.6550	\$3.6750	\$3.7500	\$3.6806

**PUB/Centra I-11**

**Reference: Attachment 3.3 Gas Cost Forecast**

- d) Please provide a schedule comparing Centra's unit transportation costs for Western Canadian supply to the MDA with the transportation costs shown in Attachment 3.3 to the Swan Valley area on a monthly basis for the 2013/14 Gas Year.**

**ANSWER:**

Please see the attached schedule.



**Centra Gas Manitoba Inc.**  
**Sale of SVGC Assets to Centra**  
**Fixed Unit Transportation Costs**

**PUB/Centra-11(d)**  
**Attachment**  
**January 17, 2014**

As at September 1, 2013

<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>
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[illegible]

**PUB/Centra I-13**

**Reference: Tab 4 Page 3 of 5; SVGC Application**

**Schedule B - Asset Purchase Agreement**

- a) Please provide the full detail of the accounting transaction(s) for the acquisition of SVGC's assets, including the net book value to be assigned by asset class.

**ANSWER:**

To record the acquisition of SVGC's assets, the following transaction will take place:

Dr. Services	23,448	
Dr. Meter & Regulator installations	5,107	
Dr. Mains	155,785	
Dr. Measuring & Regulatory equipment	16,455	
Dr. Meters	1,725	
Dr. Line Pack	446	
Dr. Land Rights	12,038	
Cr. Cash		1
Cr. Accounts Payable		215,002

**PUB/Centra I-13**

**Reference: Tab 4 Page 3 of 5; SVGC Application**

**Schedule B - Asset Purchase Agreement**

- b) In Schedule 1 to the Asset Purchase Agreement, please provide the working papers supporting the Allocation of Purchase Price assigned to the assets purchased from SVGC.**

**ANSWER:**

The following tables provide the working papers to support the allocation of the purchase price for the acquisition of SVGC by Centra.

# Acquisition of the Assets of the Swan Valley Gas Corporation

## PUB/Centra I-13(b) Swan Valley Gas Corporation Purchase Price Allocation

		Original	NBV Before	NBV After		Allocation of	Allocation of	Allocation of				
		Cost	Accumulated	Capital	Net Capital	Capital	purchase	\$93,963	by Asset	Subject	RST	Allocation
			Depreciation	Contributions	Contribution	Contributions	price	(Note 1)	Type	to RST	Applied	after tax
Asset Type						NBV %						
Initial investment	1	3,928,914	(1,217,261)	2,711,653		46.98%	93,963	(93,963)	-		-	-
Services		1,017,934	(391,369)	626,564		10.86%	21,711	-	21,711	*	1,737	23,448
Meter & regulator installations		232,493	(96,031)	136,462		2.36%	4,729	-	4,729	*	378	5,107
Mains		2,515,260	(715,097)	1,800,163		31.19%	62,378	81,866	144,245	*	11,540	155,785
Measuring & regulatory equipment		687,376	(249,357)	438,020		7.59%	15,178	58	15,236	*	1,219	16,455
Meters		72,484	(26,408)	46,076		0.80%	1,597	-	1,597	*	128	1,724
Land Rights		-	-	-		0.00%	-	12,038	12,038		-	12,038
Line Pack		12,857	-	12,857		0.22%	446	-	446		-	446
		8,467,319	(2,695,524)	5,771,794	(4,425,866)	1,345,929	100.00%	200,001	-	200,001	15,002	215,003

Note 1 - Initial investment breakdown					Allocation of \$93,963
Mains	2,429,904	(754,366)	1,675,539	87.13%	81,866
Measuring & regulatory equipment	1,731	(537)	1,193	0.06%	58
Land rights	357,305	(110,926)	246,380	12.81%	12,038
	2,788,940	(865,829)	1,923,112	100.00%	93,963

**PUB/Centra I-14**

**Reference: SVGC Application, Schedule “B” – Asset  
Purchase Agreement, s. 11.9**

**Please advise whether the parties have executed a gas supply agreement as envisioned by section 11.9 of the Asset Purchase Agreement, If not, please advise when the parties anticipate executing such an agreement. Alternatively, please confirm whether this agreement is the same agreement referred to as the Gas Management Agreement-in-principle referred to at Tab 3, Page 3 of Centra’s Application, which has already been requested by way of a Pre-Ask.**

**ANSWER:**

The parties have executed a gas supply agreement as envisioned by section 11.9 of the Asset Purchase Agreement, which is the same Gas Management Agreement-in-principle referred to at Tab 3, Page 3 of Centra’s Application.

**PUB/Centra I-15**

**Reference: Tab 3 Page 10 of 11; SVGC Application,  
Schedule “B” – Asset Purchase Agreement, Schedule 3**

- a) Please advise whether the meter reading agreement between Manitoba Hydro Utility Services and SVGC will be assigned to Centra. If so, please file a copy of the agreement and explain the differences between the terms of that agreement and any existing agreement(s) between Manitoba Hydro Utility Services and Centra.**

**ANSWER:**

The meter reading contract between Manitoba Hydro Utility Services (MHUS) and SVGC will be assigned to Centra, however, MHUS and Centra intend to terminate this agreement upon closing. Once Centra assumes the SVGC customers, it will place these customers onto the same meter read and billing cycle as the corresponding Manitoba Hydro electric accounts, which will result in reduced costs for meter reading. Accordingly, the SVGC customers' meters will be read under the terms of the existing contract between MHUS and Manitoba Hydro.

**PUB/Centra I-15**

**Reference: Tab 3 Page 10 of 11; SVGC Application,  
Schedule “B” – Asset Purchase Agreement, Schedule 4**

- b) If the agreement will not be assigned, please confirm that meter reading  
for SVGC customers will take place pursuant to the same terms and  
conditions as for other Centra customers.**

**ANSWER:**

Please see Centra’s response to PUB/Centra I-15 a).

**PUB/Centra I-16**

**Reference: Tab 5 Pages 2 and 3 of 4**

- a) Please articulate the benefits that will be realized by Centra's existing ratepayers resulting from acquiring the assets of SVGC.**

**ANSWER:**

Centra views this acquisition as an opportunity for SVGC's customers, who are all Manitoban, to benefit from being a part of a much larger customer base.

While Centra does not anticipate any immediate benefits to be realized by existing ratepayers, this transaction will also not create a material impact on the rates charged to existing customers.



**PUB/Centra I-16**

**Reference: Tab 5 Pages 2 and 3 of 4**

- b) Please calculate the temporary surcharge that would result in zero impact to Centra's requested additional revenue requirement.**

**ANSWER:**

Assuming the costs are incurred as forecast, and a surcharge recoverable over four years, approximately \$360,000 per year would be required to avoid a 0.008% revenue requirement increase. This surcharge would result in some customers in the Swan Valley area experiencing an annual bill increase by as much 75% over current annual bills.

**PUB/Centra I-16**

**Reference: Tab 5 Pages 2 and 3 of 4**

- c) Please estimate each of the costs of the items identified as items 1 to 5 on page 3 including the costs of: replacing all the meters for SVGC's customers, connecting SVGC's system to Centra's SCADA system, updating station signage, conducting surveys including leakage, watercourse cover, depth of cover, and cathodic status, transferring SVGC's records, and abandoning the 268 inactive service lines.

**ANSWER:**

The estimates are as follows:

- 1) Estimated cost to replace meters \$ 42,660
- 2) Estimated cost of physical plant required to connect the SVGC system to Centra's SCADA system, to change pipeline and station signage, and to mark inactive services.

Abandon pipeline for LP	\$16,000
Connect MH SCADA	\$5,000
Add bollards to services and stations	\$4,800
Add anodes	\$4,000
Change pipeline signage	\$12,000
Change station signage	\$4,300
Mark inactive services	\$5,800
Tools & Equipment	\$1,500
<b>Total</b>	<b>\$53,400</b>

- 3) Estimated cost of leakage, watercourse cover, depth of cover, geotechnical, class location and cathodic reading surveys.

## Acquisition of the Assets of the Swan Valley Gas Corporation

Leakage Surveys to confirm pipeline integrity, class location, river crossing inspection and depth of cover	\$11,600
Watercourse cover survey (major rivers)	\$6,000
Geotechnical surveys	\$8,000
Cathodic reading survey	\$10,000
<b>Total</b>	<b>\$35,600</b>

- 4) Estimated cost of asset incorporation including the transfer of meter records, easements, agreements and to place pipeline data into Centra's GIS system.

Transfer meter records	\$4,000
Transfer easements, agreements, leases, property	\$27,200
Place pipeline as-built data in GIS system	\$24,000
<b>Total</b>	<b>\$55,200</b>

- 5) Estimated cost of abandoning service lines that were never activated in SVGC service area. \$384,312

**PUB/Centra I-17**

**Reference: Tab 5 Page 1 of 4**

- a) Please explain why volumetric-based recovery of the acquisition costs through the temporary surcharge is fairer than recovery through a demand-related or customer number-based surcharge, or a combination of the three as determined by a cost of service study.**

**ANSWER:**

Centra chose to recover acquisition costs through a volumetric surcharge as this met Centra's goal to provide a lower annual bill to SVGC customers, than they would have experienced under prevailing SVGC rates. To accomplish this goal by other rate designs would be unduly complicated, which given the materiality of the costs, was not warranted.

**PUB/Centra I-17**

**Reference: Tab 5 Page 1 of 4**

- b) Please confirm whether Centra considered applying a surcharge proportional to each customer class's benefit instead of a flat \$0.0304/GJ surcharge for all customers. Please provide Centra's views on the fairness of such a proportional surcharge.**

**ANSWER:**

Please refer to the response to PUB/Centra I-17(a).

**PUB/Centra I-17**

**Reference: Tab 5 Page 1 of 4**

- c) Please confirm whether Centra will extend the proposed period the surcharge is in force if the \$200,001 acquisition cost is not recovered within the 48 months. Likewise, please confirm whether Centra will terminate the surcharge early if the acquisition cost is recovered prior to the end of 48 months.**

**ANSWER:**

Not confirmed. It is Centra's intention to recover the acquisition costs through a surcharge applied over a 48 month period. For reasons of materiality, Centra does not intend to true up any residual.

**PUB/Centra I-17**

**Reference: Tab 5 Page 1 of 4**

- d) Please calculate the surcharge that would recover the \$200,001 acquisition charge in addition to the integration costs Centra expects to incur as detailed in items 1 through 5 on page 3 (specifically: replacing all the meters for SVGC's customers, connecting SVGC's system to Centra's SCADA system, updating station signage, conducting surveys including leakage, watercourse cover, depth of cover, and cathodic status, transferring SVGC's records, and abandoning the 268 inactive service lines.)**

**ANSWER:**

Assuming these costs are incurred as forecast, incorporating these costs into the Acquisition Surcharge could materially increase the surcharge such that some customers in the Swan Valley area could experience annual bill increases by 35% over current annual bills. In addition, to do this would require Centra to create and maintain separate accounting records, revenue requirement and cost allocation. Such an undertaking is not warranted relative to the overall magnitude of the investment.

**PUB/Centra I-18**

**Reference: Tab 5 Page 2 of 4**

- a) Please provide a feasibility test in the form typically provided for main extensions that shows the 30 year Net Present Value of revenues and costs resulting from acquiring the SVGC assets as well as the revenue to cost ratios each year.**

**ANSWER:**

The purpose of Centra's natural gas service extension feasibility test is to determine the amount of contribution (if any) that is required from customers to ensure that the expansion of the existing system into a new service territory is feasible and has no undue impact on the rates of existing customers.

The proposed transaction is an acquisition of an existing natural gas distribution system and not an extension of Centra's existing system into a new service area.



**PUB/Centra I-18**

**Reference: Tab 5 Page 2 of 4**

- b) Please calculate the temporary surcharge that would result in a positive 30 year NPV and a revenue-to-cost ratio that exceeds unity in the fifth through thirtieth years. If the surcharge must remain in place longer than four years for these conditions to be met, please state the duration of the surcharge.**

**ANSWER:**

Please see Centra's response to PUB/Centra I-18(a).

**PUB/Centra I-20**

**Reference: SVGC Application Schedule I – Emergency  
Services Agreement**

- a) Please explain Centra’s course of action if SaskEnergy cancels or fails to renew the Emergency Services Agreement. Please identify the one-time and annual costs that Centra would expect to incur if the Agreement was terminated or not renewed.**

**ANSWER:**

In the event that the Emergency Services Agreement was terminated or not renewed, Centra would continue to provide emergency services to customers in the SVGC service area.

Centra is exploring alternative options, including using existing staff or external contracted services. However, the cost of these options have not been fully quantified.

**PUB/Centra I-20**

**Reference: SVGC Application Schedule I – Emergency  
Services Agreement**

- b) Please clarify whether SaskEnergy or Centra will respond to “no-heat”  
calls from customers.**

**ANSWER:**

Centra will respond to “no heat” calls from residential customers.

**PUB/Centra I-20**

**Reference: SVGC Application Schedule I – Emergency  
Services Agreement**

- c) Please file a table that shows the current hourly rates for service charged by SaskEnergy and compares them to the current PUB-approved rates charged by Centra.**

**ANSWER:**

Please see Attachment 1 for SVGC's Tariff of Fees and Attachment 2 for Centra's Miscellaneous Charges for Service and approved Company Labour Rates.

A table has not been prepared, as the nature of the fees and services provided both companies are not readily comparable.

## **APPENDIX B - TARIFF OF FEES**

**EFFECTIVE JANUARY 1, 2010**

<b>Service</b>	<b>Applicable Customer Rate Code</b>	<b>Service Fee During Business Hours</b>	<b>Service Fee After Business Hours</b>
<b>Safety Service</b>			
Gas Leaks/Odors Fee	All Rate Codes	No Charge	No Charge
Line Locate Fee	All Rate Codes	No Charge	\$50
Emergency/Hazard Fee	All Rate Codes	Variable Charge Basis	Variable Charge Basis
<b>Non-Safety Service</b>			
Equipment Service Fee	All Rate Codes	\$65	\$90
Thermocouple Fee	All Rate Codes	\$40	\$40
<b>Administrative Service Fees</b>			
Tenancy Change Fee	All Rate Codes	\$25	\$60
Service Activation Fee	M01, M02, & M03	\$65	\$90
	M04, D11, & D19	\$100	\$135
Disconnection Fee	All Rate Codes	\$35	\$70
Missed Appointment Fee	All Rate Codes	\$25	\$60
Meter Dispute Fee	All Rate Codes	\$25	N/A
<b>Other Service Fees, excluding Custom Services Fees</b>	All Rate Codes	Variable Charge Basis or as otherwise quoted prior to the supply of Service.	Variable Charge Basis or as otherwise quoted prior to the supply of Service.

### **Late Payment Charge**

The interest rate payable to Swan Valley Gas on all Swan Valley Gas accounts is 1.17% per Month, compounded monthly, or 15% per annum.

### **Return Payment Fee**

The Return Payment Fee is \$25.00 for each returned payment.

**IX. RATE SCHEDULES (BASE RATES ONLY – NO RIDERS)**

Please see pages 1 and 2 of Appendix A as attached.

**X. RATE SCHEDULES – ANNUAL RATES (BASE RATES PLUS RIDERS)**

Please see pages 3 and 4 of Appendix A as attached.

**XI. MISCELLANEOUS CHARGES FOR SERVICE**

**ABC SERVICE FEE**

\$0.25 per customer per month

**COMPANY LABOUR RATES:**

Please see Appendix B as attached.

**DAMAGE TO COMPANY EQUIPMENT:**

Materials, labour, equipment and cost of gas, including Damage Investigation and Damage Repair and the cost of all Appliance Relights necessitated by the damage or the repair thereof, as set out in Appendix B, Attached.

**EQUIPMENT RENTAL RATE:**

Various rates depending on equipment and customer class.

**FURNACE SAFETY CHECK:**

The charge for a safety check and tune-up of a natural gas furnace will be \$50. There is no charge for the Company to investigate a situation involving the potential leakage of gas.

**INSPECTION/REINSPECTION FEES:**

Inspection or reinspection of a single replacement or additional residential appliance will be \$35.00. All other inspections or reinspections (minimum charge of 1 hour) will be \$55.00 per hour.

**LATE PAYMENT CHARGE:**

A late payment charge of 1 ¼% per month shall be charged on the dollar amount owing after each billing due date. The due date will be at least 14 days after the mailing of the bills.

**MATERIALS:**

Manufacturer's listed price plus freight and taxes.

**METER RELOCATIONS:**

Various rates depending on size of meter.

**METER TEST:**

**CENTRA GAS MANITOBA INC.**

**AUGUST 2, 2013**

***Schedule of Sales and Transportation Services and Rates***

**Page 51 of 52**

When a Customer requests a test for the meter, the charge will be \$35 for a Residential Meter or \$130 for a Commercial Meter. This charge includes the cost of the test performed, and the removal and replacement of the natural gas meter.

**UNAUTHORIZED OVER-RUN DELIVERY CHARGE:**

For delivery service taken in contravention of the Company's notice of curtailment, the applicable Unauthorized Over-Run Delivery Charge shall be equal to the greater of: firm LGS volumetric rate for Transportation to Centra and Distribution to Customer Service, or; a pro rata share with any other Customers in contravention of the Company's notice of curtailment of any incremental costs incurred directly or indirectly as a result of such contravention.

**UNAUTHORIZED OVER-RUN GAS CHARGE:**

For Unauthorized Over-Run Gas taken in contravention of any conditions set forth in these terms and conditions of service, the Company may charge the applicable delivery charge, plus the greater of either:

- a) 1.5 times the settled maximum daily NGX AB-NIT Same Day Index (High) as reported in the Canadian Gas Price Reporter (CGPR) during the time period that the Customer was curtailed, or
- b) the natural gas rate in dollars per cubic metre equivalent to 1.5 times the maximum daily terminal unbranded rack price for Furnace Fuel Oil in dollars per litre that was reported in Winnipeg during the time period that the Customer was curtailed, or
- c) the cost to the Company of obtaining replacement gas for delivery to the designated receipt point on that day.

**RECONNECT FEES:**

On each occasion when gas service is discontinued and subsequently resumed to the same Consumer at the same Premises, a reconnect fee will be charged in addition to: (a) the Basic Monthly Charge, except where a customer is disconnected in accordance with Section G) 2) of the Terms and Conditions of Service; and (b) the Demand Charge (if applicable) for the period of disconnection. For purposes of establishing the Monthly Demand Charge, the Demand Charge billed during the last month that service was provided will apply.

Where a service reconnection takes place during regular business hours, a reconnect fee of \$50 (plus GST) shall be charged. Where a service reconnection takes place outside of regular working hours a reconnect fee of \$65 (plus GST) shall be charged.

In the event that the meter, regulation equipment and/or service line are removed and replaced on the same Premises within five years of removal, the Company may charge an additional fee equal to the cost of resetting the meter and regulator and installation of the new service line.

**RETURNED CHEQUE CHARGE:**

**CENTRA GAS MANITOBA INC.**

**AUGUST 2, 2013**

***Schedule of Sales and Transportation Services and Rates***

**Page 52 of 52**

When a Consumer's cheque is returned by banks or other financial institutions for reasons beyond the control of the Company, a returned cheque charge of \$20.00 will be assessed to the Customer.

**SECURITY DEPOSITS:**

Three highest months consumption to a maximum of \$225.

**TEMPORARY DISCONNECTION:**

In situations where a Premise is renovated, demolished or altered such that temporary removal of the Company's equipment is required, the Company may charge a cost based fee for re-establishing the natural gas service.

**SERVICE RELOCATIONS AND ALTERATIONS**

Where a customer requests, or where the customer's conduct requires, that an existing meter, regulator and/or service line be altered or relocated (so that it follows a different route from that chosen by the Company when it was initially installed or alters the existing configuration), the Company may require and the Customer shall pay all costs associated with the alteration or relocation, including the material, labour, and equipment required to perform the alteration or relocation.

**YARD SERVICES:**

Materials plus 40% plus labour.



Centra Gas Manitoba Inc.

August 2, 2013

**Appendix B - Schedule of Sales and Transportation Services and Rates**

***Company Labour Rates Effective August 2, 2013***

**Page 1 of 1**

Service Type	Location	Regular Hourly Rate	Overtime Hourly Rate
Service Line Alterations	All Areas	\$121.00	\$169.00
Damage Repairs	All Areas	\$121.00	\$169.00
Damage Investigation	All Areas	\$131.00	\$184.00
Appliance Relights	All Areas	\$121.00	\$169.00
Metering Services	All Areas	\$136.00	\$191.00
Gas Pipeline Operational Services	EastMan	\$131.00	\$184.00
"As Built" Plans	All Areas	\$134.00	\$187.00

Approved by PUB Order No.:

89/13

Date of Board Order:

Aug 2/2013

**PUB/Centra I-21**

**Reference: Tab 4 Attachment 4.1 – Due Diligence Checklist**

- a) Please provide a copy of all business valuations or appraisals undertaken in support of the acquisition.**

**ANSWER:**

Please see the attachment to this response for a copy of the initial internal analysis of the potential value of SVGC's assets, assuming SVGC's and Centra's rates in effect May 1, 2012

This analysis was not relied upon in the determination of the final purchase price. Please see Centra's response to CAC/Centra I-7(a) and (b) for a discussion of the determination of the negotiated purchase price.

# Internal Analysis

## Swan Valley Gas Corporation

8/14/2012  
Manitoba Hydro

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## 1.0 Executive Summary

SaskEnergy has approached Manitoba Hydro to explore the possibility of selling Swan Valley Gas Corporation (SVGC) to Centra Gas Manitoba Inc. (Centra).

Louisiana Pacific (LP), SVGC's largest industrial customer representing approximately 70% of SVGC's delivery revenues, no longer requires natural gas from SVGC to run its regenerative thermal oxidizer units. As a result of the lost volumes from LP, the remaining customers experienced significant increases to their delivery rates effective November 1, 2009, which were offset by reductions in commodity rates.

Two scenarios were evaluated: 1) SVGC customers kept at the rates they are currently being charged by SVGC; 2) SVGC customers switched to Centra's rates. Based on the assumptions used, the value of the assets of SVGC as at July 31, 2012 ranges from a positive \$0.6 million for Scenario 1 to a negative \$2.2 million for Scenario 2.

The analysis in Scenario 1) of keeping SVGC customers at the current SVGC rates under Centra ownership results in a positive estimate of value of \$0.6 million. However, charging a separate rate for SVGC customers would be inconsistent with the treatment afforded the Gladstone Austin Natural Gas Co-op customers and is contrary to the established uniform rate methodology applied to other natural gas and electricity customers in Manitoba.

If Centra switches SVGC customers to the rates it charges to all of its other natural gas customers as analyzed in Scenario 2), the value is estimated to be a negative \$2.2 million assuming no customer growth. The negative impact is due to lower revenues as a result of charging Centra's lower rates, as well as the incremental operating costs to serve these customers and maintain SVGC's system, which is isolated from the rest of Centra's natural gas distribution system.

## 2.0 Introduction

Manitoba Hydro through its subsidiary, Centra Gas Manitoba Inc. (Centra), is evaluating the opportunity to purchase the assets of Swan Valley Gas Corporation (SVGC) from SaskEnergy Incorporated (SaskEnergy). The purpose of this internal analysis is to provide Manitoba Hydro an estimate of value on the assets of SVGC. This report provides the scope of the analysis, the methodology and assumptions used to determine an estimate of value from Manitoba Hydro's perspective.

## 3.0 Scope of Work

The following sources of information were used:

### SVGC Financial information

- Financial statements for the five years ending March 31, 2007 to 2011
- SVGC forecast volumes for 2012/13
- Property tax information from 2008 to 2012

### Reports

- Manitoba Hydro's Internal Technical Evaluation Report of SVGC

### Contracts and Agreements

- Franchise agreements with the Rural Municipalities of Swan River, Minitonas, the Towns of Swan River, Minitonas and the Village of Benito
- Natural Gas Package Agreement (for gas supply) between SVGC and SaskEnergy
- Transportation agreement between SVGC and TransGas Ltd.
- Transportation agreement between SVGC and Many Island Pipelines Ltd.

## 4.0 Background

SVGC was formed in 2000 and operates a natural gas distribution system in the Rural Municipalities of Swan River and Minitonas, and the Towns of Swan River, Minitonas and Benito. They currently have approximately 238 customers consisting of 138 residential, 62 commercial, 35 general service and 3 institutional. There are however, another 268 customers with service lines that were never activated and have no meter installed.

LP was its major industrial customer, which operates a strand board plant in the Swan Valley area. LP used to require natural gas to run its regenerative thermal oxidizer (RTO) units to reduce emissions by re-burning particulate matter and volatile organic compounds. In March 2011 however, LP received a new license from Manitoba Conservation and is not required to run its RTO units and therefore, no longer needs natural gas on a permanent basis. LP has been paying a monthly access fee but has informed SVGC it will not require any access or make any payments beyond 2012.

As a result of the lost volumes due to LP no longer requiring natural gas, the remaining customers have experienced significant increases to their delivery rates, which have been offset by reductions in commodity rates.

In early 2012 SaskEnergy approached Manitoba Hydro to explore the possibility of selling SVGC to Centra. The purpose of this internal analysis is to provide Manitoba Hydro an estimate of value on the assets of SVGC.

## 5.0 Assumptions

Two scenarios were evaluated to determine the estimate of value under Centra ownership: 1) SVGC customers kept at the rates they are currently being charged; 2) SVGC customers switched to Centra's rates.

The following assumptions were used:

- For Scenario 1) sales revenue is estimated using SVGC current approved rates per PUB Order 108/10 and volumes based on SVGC's forecast for 2012/13. For scenario 2) sales revenue is estimated using Centra's approved rates effective May 1, 2012 and volumes based on SVGC's forecast.
- Cost of gas is based on SVGC's 2012/13 cost of gas forecast. The gas supply and delivery will continue to be provided by SaskEnergy as it would not be economically feasible to connect Swan Valley to Centra's system due to the significant distance from Centra's existing system.
- Bad debt is based on the historical experience of SVGC as it is assumed the credit behaviours of the customer base will remain the same under new ownership.
- Operations and maintenance is an estimate of Centra's costs to operate and maintain the system with leak surveys, cathodic protection monitoring, system odorant checks, station maintenance and meter reading. The estimate also includes emergency response services provided by SaskEnergy out of its Kamsack and Canora, Saskatchewan offices.
- Property taxes are based on SVGC's 2012 property tax assessment.
- The following integration costs were included as up-front costs in determining the estimate of value:
  - Physical plant upgrades, tools and equipment, required surveys and asset incorporation at a total cost of \$144,200.
  - Meter changes required within 5 years at a estimated cost of \$42,660
  - Abandon service lines for customers that never took gas need at a total cost of \$384,312, if all 268 service lines are abandoned.

## 6.0 Estimate of Present Value

### Scenario 1: SVGC Customers Kept at SVGC Current Rates after Purchase

		<u>Assumptions</u>
Sales	\$534,022	SVGC's current rates per PUB Order 108/1
Cost of Sales	266,433	SVGC's Cost of Gas Forecast for 2012/13
<b>Gross Margin</b>	<b>\$267,589</b>	
Bad Debt Expense	1,508	SVGC historical average from last 3 years
Weekly Maintenance	52,000	Estimate of Manitoba Hydro maintenance costs
Emergency Service	7,980	Service provided by SaskEnergy
Station Maintenance	10,960	Estimate of Hydro's costs to operate and maintain
Line Heaters	3,500	"
Cathodic Testing	2,400	"
Surveys	6,500	"
Meter Reading (MHUS)	2,820	"
<b>Operating Expenses</b>	<b>\$87,668</b>	
<b>Net</b>	<b>\$179,921</b>	
Property Taxes	115,782	SVGC's 2012 actual property tax
Capital Taxes	5,000	Assume capital tax on assumed \$1M in debt financing
<b>Tax Expense</b>	<b>\$120,782</b>	
<b>Net Income</b>	<b>\$59,139</b>	
Multiple	18.004	Reciprocal of SVGC's return on rate base per SVGC 2012 & 2013 forecast , adjusted to a real capitalization rate , calc is $1/((7.56\%-1.9\%)/(1+1.9\%))$
<b>Capitalized Earnings Value</b>	<b>\$1,064,706</b>	
Physical Plant	(51,900)	Connect to MH SCADA, change pipeline and station signage, mark inactive services
Tools & Equipment	(1,500)	Purchase bar locator for line locators, take inventory of NPS 1.5 pipe and fittings
Surveys	(35,600)	Leakage, watercourse cover, depth of cover, geotechnical, class location, cathodic reading surveys
Asset Incorporation	(55,200)	Transfer meter records, easements, agreements, place pipeline as-built data in GIS system
<b>Abandon services</b>	<b>(\$309,583)</b>	Abandon 268 service lines that were never activated
<b>Meter changes</b>	<b>(\$32,557)</b>	Meter changes for 237 customers
<b>Estimated Present Value</b>	<b>\$578,366</b>	



## Scenario 2: SVGC Customers Switched to Centra's Rates after Purchase

		<u>Assumptions</u>
Sales	\$373,467	Centra's approved rates May 1, 2012, includes Primary and Supplemental Gas
Cost of Sales	266,433	SVGC's Cost of Gas Forecast for 2012/13
<b>Gross Margin</b>	<b>\$107,034</b>	
Bad Debt Expense	1,508	SVGC historical average from last 3 years
Weekly Maintenance	52,000	Estimate of Manitoba Hydro maintenance costs
Emergency Services	7,980	Service provided by SaskEnergy
Station Maintenance	10,960	Estimate of Hydro's costs to operate and maintain
Line Heaters	3,500	"
Cathodic Testing	2,400	"
Surveys	6,500	"
Meter Reading (MHUS)	2,820	"
<b>Operating Expenses</b>	<b>\$87,668</b>	
<b>Net</b>	<b>\$19,366</b>	
Property Taxes	115,782	SVGC's 2012 actual property tax
Capital Taxes	-	Assume no debt financing
<b>Tax Expense</b>	<b>\$115,782</b>	
<b>Net Income</b>	<b>(\$96,416)</b>	
Multiple	18.004	Reciprocal of SVGC's return on rate base per SVGC 2012 & 2013 forecast, adjusted to a real capitalization rate, calc is $1/((7.56\% - 1.9\%)/(1 + 1.9\%))$
<b>Capitalized Earnings Value</b>	<b>(\$1,735,836)</b>	
Physical Plant	(51,900)	Connect to MH SCADA, change pipeline and station signage, mark inactive services
Tools & Equipment	(1,500)	Purchase bar locator for line locators, take inventory of NPS 1.5 pipe and fittings
Surveys	(35,600)	Leakage, watercourse cover, depth of cover, geotechnical, class location, cathodic reading surveys
Asset Incorporation	(55,200)	Transfer meter records, easements, agreements, place pipeline as-built data in GIS system
<b>Abandon services</b>	<b>(\$309,583)</b>	Abandon 268 service lines that were never activated
<b>Meter changes</b>	<b>(\$32,557)</b>	Meter changes for 237 customers
<b>Estimated Present Value</b>	<b>(\$2,222,176)</b>	

## **7.0 Rate Impact**

If Centra charges its prevailing rates to the new customers from SVGC, the impact to Centra's existing ratepayers would be a negative net present value of \$2.2 million plus the negotiated purchase price. Assuming the negotiated purchase is at most \$0.5 million, the incremental impact on projected general revenue increases for all of Centra's customers would be less than 0.01% per year to recover these costs and the purchase price. To achieve break even position, Centra would need to more than double the existing customer load, which is highly unlikely given the lack of population growth in the Swan River area and Centra's past experience with other similar expansion areas within Manitoba.

## **8.0 Conclusions**

Based on the information and documents reviewed and subject to the assumptions noted above, the value of the assets of SVGC as at July 31, 2012 ranges from a positive \$0.6 million to a negative \$2.2 million, depending on whether Centra charges SVGC customers the rates they are currently being charged by SVGC or switches them to Centra's current rates assuming no customer growth.

**PUB/Centra I-21**

**Reference: Tab 4 Attachment 4.1 – Due Diligence Checklist**

**b) Please file a copy of any reports prepared internally or externally related to the due diligence for the acquisition of SVGC's assets.**

**ANSWER:**

Centra prepared the following reports for due diligence purposes, with respect to the proposed transaction:

- Technical Evaluation of Swan Valley Gas Corporation Natural Gas Transmission and Distribution System – filed as Attachment 3.1 of the Application;
- Environmental Evaluation of the Swan Valley Gas Corporation Gas Transmission and Distribution System– filed as Attachment 3.2 of the Application; and,
- Internal Analysis – please see Centra's response to PUB/Centra I-21(a).

**PUB/Centra I-22**

**Reference: Tab 4 Page 5 of 5 - Asset Purchase Agreement**

**Article 11.3 Employees**

**Please confirm that the acquisition of SVGC's assets will not result in any additional employees to Centra. If not confirmed, please provide details of the number of employee additions and related salaries and benefits.**

**ANSWER:**

Confirmed.

**PUB/Centra I-23**

**Reference: Attachment 5.2 CGM12; Appendix 4.2 from  
Centra 2013/14 GRA**

- a) Please provide a comparison with Appendix 4.2 from the 2013/14 Centra GRA for the income statement, balance sheet and cash flow statement of CGM12 in (\$1,000) with the CGM12 SVGC Acquisition Scenario in sufficient detail in support of the values determined in Scenario less Base Case.**

**ANSWER:**

The following tables provide:

- (1) An income statement and statement of cash flow:
  - a. Comparison of the sum of years 2013 and 2014 from CGM12 to CGM12 SVGC Purchase Scenario; and
  - b. Comparison of the sum of years 2013 through 2024 from CGM12 to CGM12 SVGC Purchase Scenario.
- (2) A balance sheet:
  - a. Comparison of 2013 balances from CGM12 to CGM12 SVGC Purchase Scenario; and
  - b. Comparison of 2024 balances from CGM12 to CGM12 SVGC Purchase Scenario.

**Comparison of Centra Gas CGM12 to CGM12 SVGC Purchase Scenario****Increase/(Decrease)****(thousands of \$)**

	<b>Sum of 2013 &amp; 2014</b>			<b>Cumulative of 2013 through 2024</b>		
	CGM12	CGM12 SVGC	Variance	CGM12	CGM12 SVGC	Variance
Revenue at projected rates	637,546	637,546	-	4,274,424	4,280,543	6,119
Cost of Gas	343,855	343,855	-	2,367,111	2,370,284	3,173
Gross Margin	293,691	293,691	-	1,907,313	1,910,259	2,946
Other	3,571	3,571	-	22,744	22,747	3
Total Revenues	297,262	297,262	-	1,930,057	1,933,006	2,949
Operating, Maintenance and Administrative	136,100	136,100	-	938,730	940,075	1,345
Finance Expense	35,197	35,197	-	290,674	291,009	335
Depreciation and Amortization	57,711	57,711	-	290,390	290,486	96
Capital and Other Taxes	37,084	37,084	-	201,118	202,293	1,175
Corporate Allocation	24,000	24,000	-	144,000	144,000	-
	290,092	290,092	-	1,864,912	1,867,863	2,951
<b>Net Income</b>	<b>7,170</b>	<b>7,170</b>	<b>-</b>	<b>65,145</b>	<b>65,143</b>	<b>(2)</b>

## Comparison of Centra Gas CGM12 to CGM12 SVGC Purchase Scenario

Increase/(Decrease)

*(thousands of \$)*

	Sum of 2013 & 2014			Cumulative of 2013 through 2024		
	CGM12	CGM12 SVGC	Variance	CGM12	CGM12 SVGC	Variance
<b>OPERATING ACTIVITIES</b>						
Cash Receipts from Customers	712,381	712,381	-	4,699,207	4,705,881	6,674
Cash Paid to Suppliers and Employees	(626,677)	(626,677)	-	(4,136,193)	(4,142,429)	(6,236)
Interest Paid	(38,195)	(38,195)	-	(288,372)	(288,707)	(335)
	47,509	47,509	-	274,642	274,745	103
<b>FINANCING ACTIVITIES</b>						
Proceeds from Long-Term Debt	90,000	90,000	-	280,000	280,000	-
Retirement of Long-Term Debt	(62,671)	(62,671)	-	(117,671)	(117,671)	-
Other	-	-	-	-	-	-
	27,329	27,329	-	162,329	162,329	-
<b>INVESTING ACTIVITIES</b>						
Property, Plant and Equipment, net of contributions	(76,082)	(76,082)	-	(423,071)	(423,479)	(408)
Other	(791)	(791)	-	(8,450)	(8,450)	-
	(76,873)	(76,873)	-	(431,521)	(431,929)	(408)
<b>Net Increase (Decrease) in Cash</b>	(2,035)	(2,035)	-	5,450	5,145	(305)
<b>Cash at Beginning of Year</b>	(22,171)	(22,171)	-	(146,195)	(142,173)	4,022
<b>Cash at End of Year</b>	(24,206)	(24,206)	-	(140,745)	(137,028)	3,717

**Comparison of Centra Gas CGM12 to CGM12 SVGC Purchase Scenario****Increase/(Decrease)****(thousands of \$)**

	<b>2013</b>			<b>2024</b>		
<b>Assets</b>	CGM12	CGM12 SVGC	Variance	CGM12	CGM12 SVGC	Variance
Plant in Service	655,874	655,874	-	938,298	938,706	408
Accumulated Depreciation	(232,100)	(232,100)	-	(333,538)	(333,634)	(97)
Net Plant in Service	423,774	423,774	-	604,760	605,072	311
Construction in Progress	1,857	1,857	-	9,087	9,087	-
Current and Other Assets	72,540	72,540	-	67,791	67,791	-
Goodwill and Intangible Assets	8,919	8,919	-	3,085	3,085	-
Regulated Assets	78,831	78,831	-	-	-	-
	585,921	585,921	-	684,723	685,035	311
<b>Liabilities and Equity</b>						
Long-Term Debt	295,000	295,000	-	460,000	460,000	-
Current and Other Liabilities	99,301	99,301	-	41,804	42,115	311
Contributions in Aid of Construction	34,508	34,508	-	39,639	39,639	-
Share Capital	121,250	121,250	-	121,250	121,250	-
Retained Earnings	35,863	35,863	-	22,032	22,032	-
	585,921	585,921	-	684,723	685,035	311



**PUB/Centra I-23**

**Reference: Attachment 5.2 CGM12; Appendix 4.2 from  
Centra 2013/14 GRA**

- b) To the extent the analysis is impacted by IFRS transition, please re-file the analysis assuming the continuation of rate regulated accounting.**

**ANSWER:**

Centra is not acquiring any assets that would qualify for rate-regulated accounting in the SVGC acquisition, as such there would be no impact to Attachment 5.2 due to the acquisition of SVGC assuming the continuation of rate regulated accounting.

**PUB/Centra I-23**

**Reference: Attachment 5.2 CGM12; Appendix 4.2 from  
Centra 2013/14 GRA**

- c) Please explain the reason for incremental long term debt of \$10 million  
and the \$9.23M change in Current and Other Liabilities in 2017.**

**ANSWER:**

The Long-Term Debt of \$10 million and the (\$9.23) million in Current and Other Liabilities in 2017 on the Projected Balance Sheet included in Appendix 5.2 reflects that short-term debt reaches the \$10 million threshold one year earlier than the base case (2017 instead of 2018).

When short-term debt totals \$10 million it is assumed that it is converted into a new long-term debt issuance. The Projected Cash Flow Statement included in Attachment 5.3 of the Application indicates that short-term debt reaches \$10 million one year earlier than the base case (in 2017 instead of 2018).