

M A N I T O B A) Order No. 127/05
)
THE PUBLIC UTILITIES BOARD ACT) September 1, 2005

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

**SWAN VALLEY GAS CORPORATION
REQUEST TO REVIEW AND VARY
BOARD ORDER NO. 111/04**

BACKGROUND

By Order 111/04, the Public Utilities Board ("the Board") last set natural gas consumption charges applicable to all Swan Valley Gas Corporation (SVGC) customers effective September 1, 2004.

Included in the gas consumption charges was a Purchase Gas Variance Account (PGVA) Rate Rider of \$0.955 per GJ (\$0.036 per cubic metre) scheduled to expire August 31, 2005.

APPLICATION

By way of a letter dated August 2, 2005, SVGC requested the Board's approval to extend the expiry date of the PGVA rider to December 31, 2005. The extension was sought in the light of rapidly rising energy prices and in advance of a planned General Rate Application (GRA) seeking new rates effective January 1, 2006.

SVGC advised the Board that it had not achieved its forecasted level of new customer sign-ups and, as a result, had experienced financial losses that were expected to be ongoing. As well, SVGC reported that it is currently renegotiating its transportation agreement with its major customer, Louisiana Pacific, and expects a new agreement to be in place by December 31, 2005.

SVGC also indicated its intention to change the date for future adjustments in gas consumption charges from September 1st to November 1st of each year. SVGC suggested that the change would add certainty to its annual rate proposal, as its hedging program for each gas year would be completed by then.

Pursuant to the Board's direction, SVGC provided notice of its application to extend the rider to all its customers and invited comments to the Board. The Board received no comments.

BOARD FINDINGS

The Board notes with considerable concern the seemingly continuous increase in the price of natural gas since 1999, with a recent upward spike, and the consequences for all consumers, particularly those on low fixed incomes. The Board is concerned that with natural gas commodity costs now over three times the level of 1999, SVGC may not only find it difficult to further expand its customer base but may note some fuel switching away from the use of natural gas for space heating.

The Board is aware that SVGC is re-negotiating transportation rates with its major customer, Louisiana Pacific, and notes SVGC's intention to make a General Rate Application to the Board in time for revised January 1, 2006 rates.

The Board notes the significant losses experienced by the utility since its in-service date, and attributes these losses to SVGC's failure to attract the forecasted number of customer sign-ups. The Board associated that failure with rapidly rising and high natural gas commodity costs, a problem not likely to end in the foreseeable future.

Accordingly, the Board having thoroughly considered SVGC's request to extend the rider will vary the direction of Order No. 111/04 on an interim basis and extend the rider until a further Order of the Board following the forthcoming GRA.

IT IS THEREFORE ORDERED THAT:

1. Board Order No. 111/04 BE AND IS HEREBY VARIED on an interim basis.

2. Swan Valley Gas Corporation's request to maintain the existing rate rider until a further Order of the Board following the forthcoming General Rate Application BE AND IS HEREBY APPROVED.

THE PUBLIC UTILITIES BOARD

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

"H. M. SINGH"
Acting Secretary

Certified a true copy of
Order No.127/05 issued by
The Public Utilities Board

Acting Secretary