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April 29, 2022

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba, R3C 0C4

ATTENTION: Dr. D. Christle, Board Secretary and Executive Director

Dear Dr. Christle:

**RE: CENTRA GAS MANITOBA INC. ("CENTRA")
REQUEST FOR AUTHORIZATION TO MODIFY LARGE GENERAL SERVICE FOR NEW GRAIN
DRYING CUSTOMERS**

Centra has received multiple requests from agricultural customers recently enquiring about the installation of natural gas service to support grain drying operations. Natural gas provides significant economic and operational advantages for grain drying operations over existing propane-based systems as it eliminates the transportation and storage costs required to use propane as a fuel source. Notably, in the fall of 2021, the per liter cost of propane was approximately 4 times higher than the energy equivalent of natural gas.

In order to accommodate these new customer requests in a timely manner while addressing potential capacity constraints that can arise by connecting grain drying operations to Centra's transmission system, Centra is requesting authorization for the ability to restrict natural gas service for the Large General Service ("LGS") customer class during the months of December through March.

Grain drying operations typically use high-capacity equipment with very high firing rates, exhibit sporadic usage patterns and assuming a normal harvest season, operate primarily over the August to November time period. With consideration of the gas consumption characteristics of these operations (annual consumption of less than 680,000 m³), new grain drying customers are ordinarily included in the LGS customer class.

Some of the natural gas service requests have originated from customers located on Centra's South Loop natural gas transmission system. This system serves about 10,000 customers in south-central Manitoba including the communities of Morden, Winkler, Altona, Morris, Emerson, Carmen, Dominion City and Oakville. Centra's South Loop transmission system is

currently approaching its maximum capacity during the winter peak load season. As an indication, the South Loop system reached 90% of total system capacity during a period of very cold weather in February 2021. Adding the requested grain drying equipment to this system could increase load by another 20-30% and put the reliable supply of gas to customers on the South Loop system at risk.

Although planning activities are in progress to increase transmission capacity for the 150 km South Loop system, it will have estimated capital costs in the millions of dollars and will take several years to complete such that the system would be unable to accommodate the capacity demands of grain dryer operations for the 2022 and possibly 2023 seasons. The implementation of operational restrictions to prevent the use of natural gas for grain drying during winter peak season (December through March) would allow for the connection of this load in a more-timely manner (i.e. for the 2022 season). Notably, seasonal operation restrictions could also reduce the required capital investment in additional transmission system capacity, resulting in reduced capital cost requirements.

The existing LGS customer contract has no provision for operational restrictions as these customers have access to year-round system capacity, regardless of their gas consumption profile. Simple modifications to the LGS contract for new grain drying operators can be made to reflect the operational restrictions during the winter peak period.

In addition to requests from customers on the South Loop system, Centra has received several requests from potential grain drying customers who are not located on the South Loop system (i.e. on parts of Centra's transmission pressure pipeline systems that are not capacity constrained). Such potential customers may also benefit from a modified LGS contract as avoiding operation of the grain dryers during winter peak periods can reduce the size of the distribution gas main required to connect to Centra's natural gas network. This can reduce the customers' required capital contribution to connect to Centra's system and for customers that are already connected, may eliminate the requirement to change their existing gas main connection which would significantly reduce and/or eliminate the need for a customer contribution.

Based on the nature of the grain drying operations, it is not likely that these potential customers would operate and need capacity during the winter peak period. As such, Centra proposes to include a new clause in the LGS customer contract that will permit Centra to physically turn off gas service to new grain drying customers during the December to March winter peak load period. The modified LGS as reflected in the amended contract effectively provides a "win-win" scenario for both potential grain drying customers and Centra. Customers are able to connect to the gas network much sooner and their operations are not expected to be negatively impacted by a peak winter restriction as they typically operate only during August to November. Centra benefits from being able to respond to customers in a

timely manner without negatively impacting existing capacity constraints while also being able to defer significant capital investment.

In addition to the above, Centra's approach to modifying the LGS contract is attractive to both the customer and Centra because there is:

- no requirement to change existing rates and thus, there is no impact on existing LGS customers and other customer classes;
- no demand charge for LGS customers so the customer is not required to pay this charge while the gas service is shut down over the winter months;
- no disadvantage to other similarly seasonal customers as new grain dryer customers are not receiving a preferential rate; and
- no change to Centra's existing billing practice as these new grain dryer customers would still be charged the Basic Monthly Charge through the winter months, but their consumption would be zero.

As a means to test customer acceptance of the new clause in the LGS contract, Centra approached two of the agricultural customers requesting natural gas service to support grain drying operations to determine if they would be willing to execute an LGS contract that restricted consumption from December to March, on the condition that this minor modification to the LGS contract would require the PUB's written authorization. Both customers were willing to execute the revised contract reflecting this minor and necessary modification. A copy of one of the signed contracts is provided as Attachment 1 to this letter.

Centra's proposed approach as outlined herein to respond to new grain dryer customer requests to convert from propane heating to natural gas in a timely manner is a simple, practical and efficient solution that results in a "win-win" situation for both customers and Centra. By including these customers in the LGS class with a simple and mutually agreeable modification to the existing LGS contract, Centra is able to respond to these requests in a timely manner for the 2022 harvest season without negatively impacting the customer's operations, existing LGS customers or any other customer class.

To enable Centra to proceed with the aforementioned modification to LGS as reflected in the amended contract and to communicate in a timely manner with its potential agricultural customers for the execution of an LGS customer contract reflecting such modification for the 2022 harvest season, Centra respectfully requests written approval from the Public Utilities Board of Manitoba for Centra to proceed at its earliest opportunity.

Should you have any questions with respect to this submission, please contact the writer at 204-360-3257 or Darryl Martin at 204-360-4487.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:



Brent Czarnecki
Barrister & Solicitor
Att.



**NATURAL GAS SERVICE CUSTOMER CONTRIBUTION AGREEMENT
("Agreement")
Centra Gas Manitoba Inc. ("Centra")**

Customer name "Customer"			
Mailing address		Location of service or work (if different from mailing address) (the "Property")	
City or Town Cartier	MB	Postal Code R4K 1B8	RM of Cartier
Customer Representative		Centra Contact Name Brian Rempel	
Instructions to Customer	<p>Please review this agreement thoroughly and if you accept:</p> <ul style="list-style-type: none"> a) Sign and date the agreement below, in the presence of a witness who must also sign; and b) Return one signed original with required payment as set out in Section 12 below before the Deadline 		
Contribution quoted valid until: ("Deadline")	yyyy mm dd 2022 04 15		

CENTRA AND THE CUSTOMER AGREE AS FOLLOWS:

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|---|--|
| Natural Gas Supply, Rates and General Terms | <ol style="list-style-type: none"> 1. The Terms and Conditions for natural gas service contained in the Centra Gas Manitoba Inc. Schedule of Sales and Transportation Services and Rates, (a copy which is available at www.hydro.mb.ca) shall be applicable to this Agreement as amended from time to time. Signature under the Customer's Authorization indicates that the Customer accepts all of the terms and conditions in the Schedule of Sales and Transportation Services and Rates. 2. Subject to payment of the total contribution in aid of construction (the "Contribution") and signing of this Agreement, Centra will finalise design drawings, obtain any necessary franchise, permits, consents or approvals which by law are required for this service extension and on terms satisfactory to Centra, and install such mains, services, equipment and related facilities required to provide natural gas to the Property. All franchise, permits, consents or approvals must be received by Centra before construction of the mains, service, equipment and related facilities required to provide natural gas service can be scheduled. 3. Subject to the approval of this Agreement by the Manitoba Public Utilities Board, Centra shall make available to the Customer up to, but not more than [REDACTED] cubic feet per hour ("cfh") to the Facility located on the Property between April 1 and December 1 of each year, unless otherwise extended in duration by mutual agreement by both parties as the circumstances may permit. Unless service is extended as noted above, natural gas service to the Property shall be disconnected and unavailable to the Customer from December 2 and March 31. As such, this natural gas service shall be supplied from a dedicated meter facility separate from other gas loads that require annual natural gas service. 4. At any time after December 31, 2027, Centra shall have the right to decrease the amount of contracted cfh to reflect the Customer's recorded capacity. Centra shall provide written notice to the Customer prior to decreasing the amount of capacity. The effective date of the decrease shall be ninety-one (91) days following the date of such notice. 5. The Customer shall pay for natural gas at the Large General Service Class ("LGS") rate ("Rate Class") in accordance with Centra Gas Manitoba Inc. Schedule of Sales and Transportation Services and Rates for a minimum period of five (5) years. Rates are subject to change as may be approved by the Public Utilities Board. 6. If after December 31, 2027 the Customer requests Centra to discontinue service and subsequently within five (5) years of such discontinuance, the Customer requests service at the same location again, the Customer shall pay Centra a reconnect fee in addition to the applicable Basic Monthly Charge. 7. The natural gas sold to the Customer will be for the Customer's own use, shall be used in preference to other fuels available, and may not be resold. 8. Upon Centra's request, the Customer shall provide operating information concerning natural gas requirements for the Property as they may affect the Customer's existing operations or proposed expansion thereof. 9. Contribution requirement for the grain dryer attaching in 2022 was determined by applying the ongoing contribution to main from [REDACTED]. This was done in accordance with the approved policy for services attaching to mains after year 5. 10. The Customer's payment is a contribution toward Centra's costs. Centra shall retain the title to and ownership of all facilities and equipment placed on the Customer's Premises. |
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Description of Service Extension Request	Add a new 4" PE 100 gas service, for a new grain dryer service attaching to [REDACTED] at [REDACTED]
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Contribution	11. The Customer agrees to pay the sum of [REDACTED] (plus GST) as a Contribution in aid of construction as follows:			
		Amount	GST MH GST Registration No. R122063779	Total
	Initial Payment ("Initial Payment") due upon signing of this Agreement	\$ NA	\$ NA	\$ NA
Customer Cancelation	13. The Customer may notify Centra in writing to cancel the Service Extension Request after the signing of this Agreement and payment of the Initial Payment or Contribution but Centra reserves the right in its sole discretion to subtract any amounts expended toward design, approvals, easements and construction for [REDACTED]			
Additional requests for service related to this service extension	14. Any further main extension or Customer additions to this natural gas service extension will require a new feasibility study to determine a contribution in aid of construction (if any) for that request.			
Customer's Responsibilities	15. It is the Customer's responsibility, without charge to Centra: i) to prepare the service line route, including grading and clearance of brush and obstacles; ii) to provide all facilities required to enable Centra to connect its natural gas distribution system at the point of delivery; iii) to provide any landscaping; and iv) to provide space and right-of-way for Centra's facilities in accordance with the requests of Centra. 16. If the Customer fails to connect a new service extension within six (6) months of the date of installation of the facilities the Customer must: i) pay the Basic Monthly Charge ; or ii) at Centra's option, shall pay the full cost of the installation and removal of services.			
Revision of Agreement	17. Centra reserves the right to revise the Agreement if the Customer: i) changes the specifications or details upon which the Agreement is based; or NOTE: If additional design costs are incurred by Centra because of a change requested by a Customer subsequent to signing of the Agreement, Centra may require that all estimated additional design costs be paid. Such a payment is NOT eligible for refund. ii) causes the work to be rescheduled to a period in which different cost schedules apply, through failure to complete the Customer's Responsibilities or by request. NOTE: Winter cost schedules are effective during the period December 1 through April 30, higher prices may apply.			
	18. The terms of this Agreement shall be binding upon the successors and assigns of each party. The Customer agrees that it will not transfer, convey or otherwise alienate the Property or its assets except on the condition that any purchaser of the Property or the assets agrees to be bound by the terms and conditions set out in this Agreement.			
Agreement Approved as to Feasibility:  Manager, Customer Policies & Gas Expansion	Customer's Authorization The undersigned requests and authorizes Centra to do the work needed to complete the Service Extension Request, certifies that it has the authority to sign this Agreement, certifies that customers contributing to the required payment are all identified below and signatories hereto, and accepts the terms and conditions above hereof. Customer's signature [REDACTED] Date [REDACTED]			 Energy Services Advisor Date: yyyy mm dd 2021 11 12
Agreement Approved as to Content:  Energy Services and Sales Supervisor	Print Customer's name and title (if applicable) November 16/21			