

**The
Public
Utilities
Board**

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280 Smith Street
Winnipeg, Manitoba
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MANITOBA) Order No. 71/94
)
THE PUBLIC UTILITIES BOARD ACT) May 9, 1994

BEFORE: G. D. Forrest, Chairman
Catherine Milner, Member
W. C. Pearson, Q.C., Member

AN ORDER TO REFUND THE OVERCOLLECTION OF
REVENUES FLOWING FROM ORDERS 8/94 AND 11/94

OVERVIEW

The rates Centra Gas Manitoba Inc. ("Centra") charged its customers in February and March, 1994 were incorrectly calculated. The error in rates resulted in Centra overcollecting revenues from its customers in those months.

Centra, on its own initiative, notified The Public Utilities Board (the "Board") of this error in a timely and candid manner. The Board believes the error was unintentional and that Centra in no way or at any time attempted to profit by the error.

Centra has always acknowledged that the overcollected revenue belongs to its customers and would be refunded, with interest. The only issues were the timing and method of the refund.

In a previous Order, the Board approved revised rates which corrected the error for all gas consumed on and after April 1, 1994.

The Board staff and advisors, along with other interested parties, conducted a review of Centra's records at its offices. It was determined that \$761,301 was overcollected as a result of the error in the February and March, 1994 rates.

In this Order the Board has ordered Centra to refund the amount overcollected, plus interest at Centra's short term borrowing rate, at the earliest possible date, by way of a credit

adjustment to the individual customers' bills, calculated on a volumetric basis.

Centra has apologized for the error and has advised the Board that steps have been implemented to minimize the possibility of any similar error occurring in the future.

While making this decision to refund the overcollected amount, the Board is aware that Centra has had to pay a higher unit cost for gas than that embedded in the currently approved sales rates. Unless the unit cost of gas decreases over the balance of the year, the Board expects that the customers may owe a substantial amount to Centra for gas consumed in 1994.

1.0 BACKGROUND

Order 8/94 set out the decision of Board resulting from an application by Centra for an order approving rates for the sale of natural gas and the provision of transportation services to be effective for all gas consumed on or after January 1, 1994. Centra filed a schedule of rates in response to this Order. In Order 11/94, the Board approved the schedule of rates to be charged by Centra for all gas consumed on or after February 1, 1994.

2.0 DISCLOSURE OF ERROR

Subsequent to the implementation of the February 1, 1994 sales rates, Centra, on its own initiative in a letter dated February 22, 1994, notified the Board of an error in the sales rates approved in Order 11/94. If left unaltered to December 31, 1994, the error in rates could have resulted in an overcollection of revenue of approximately \$2.3 million from all customer classes. Centra also explained how the error was made, quantified the potential impact of the error and recommended how the overcollection of revenue might be treated. In the letter, Centra stated:

"We apologize for this error and any inconvenience or embarrassment it may cause the Board or any parties involved. We are taking corrective actions to minimize the possibility of any similar occurrences in the future."

In subsequent correspondence to the Board, Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors ("CAC/MSOS") stated that:

"...the overcharging by Centra Gas of its consumers was based on an innocent error in calculation, which it brought to the Board's attention of its own volition and at an early opportunity."

In the Board's view, Centra's actions were both candid and timely. At no time in its investigation of this matter did the Board find Centra's actions anything less than forthright and professional. The Board believes that the error was unintentional on the part of Centra and that Centra in no way or at any time attempted to profit by the error.

3.0 CORRECTION OF ERROR IN RATES

Centra's letter of February 22, 1994 recommended that the overcollection of revenue be accumulated in a Rate Stabilization Account through to year-end 1994 with final disposition to be determined by the Board at a later date. In making this recommendation, Centra observed that the impact of the overcollection was somewhat mitigated because as at December 31, 1993, the customers owed Centra approximately \$800,000 which is currently being tracked in the 1993 Purchased Gas Variance Account. Centra also observed that another change in rates at this time may be disruptive to its customers.

On review of Centra's recommendation, the Board considered rate stability, other existing deferral accounts with amounts owing to Centra by its customers and the cost of a rate change.

On March 4, 1994, the Board advised Centra to track the excess revenues by customer class and be prepared to refund the overcollected revenue with interest at a later date.

On March 17, 1994 the Board communicated its decision to all parties of record from the public hearing dealing with Centra's General Rate Application.

Subsequently, in a letter to the Board dated March 28, 1994, Centra set out alternative solutions available to deal with the overcollected revenues. The options proposed by Centra were:

1. Crediting each customer's account with the appropriate amount of money overcollected, with interest;
2. Holding the overcollected amount in an interest bearing deferral account to be dealt with by a future Board Order at year end 1994; or
3. Offsetting the overcollected amount with other monies owed by customers to the Company related to changes in cost of gas.

Centra's letter was circulated to parties of record on March 29, 1994 and the Board requested their positions regarding Centra's alternative solutions.

In reply, the City of Brandon, CAC/MSOS and Municipal Gas Company recommended that the rates be changed and that all amounts overcollected to date be refunded with interest.

Through telephone calls, letters and petitions to the Board's office, it became evident that ratepayers preferred a refund and a rate reduction.

On April 6, 1994, the Board instructed Centra to file

rates to correct the error and stop further overcollection of revenue. Centra complied with the Board's request. In Order 61/94, dated April 8, 1994, the Board approved rates which stopped the overcollection for all gas consumed on and after April 1, 1994.

4.0 OVERCOLLECTED AMOUNT

In Order No. 61/94, the Board, noting Centra was currently up-dating its records for the March, 1994 billings, stated:

"Once that update is completed, the Board will review the records of the Company to determine the amount of any overcollection of revenues during February and March of 1994. At the conclusion of this review, the Board will determine the appropriate disposition of any overcollection and the accrued interest."

In a letter dated April 11, 1994, the Board advised Centra and all Intervenors of the review process it intended to follow. A technical conference was then held at Centra's office on April 26, 1994 to review Centra's records. In attendance were Centra officials, CAC/MSOS, Municipal Gas Company, Manitoba Energy & Mines, and Board staff and advisors.

The following table summarizes the amounts overcollected by customer class for February and March, 1994 together with accumulated interest.

CUSTOMER CLASS	NUMBER OF CUSTOMERS	<u>MONIES OVERCOLLECTED</u>			INTEREST ON OVER-COLLECTED MONIES	FINAL TOTAL
		FEBRUARY	MARCH	TOTAL		
SGS (including residential)	218,246	\$348,842	\$222,487	\$571,330	\$5,743	\$577,072
LGS 4	8,501	73,531	50,090	123,621	1,243	124,864
LGS 3	53	7,193	5,288	12,481	125	12,606
LGS 2	12	3,665	2,087	5,752	58	5,810
LGS 1	3	3,223	2,408	5,630	57	5,687
CSP Harrowby	1	0	0	0	0	0
Simplot	1	0	0	0	0	0
Interruptible cl 4	18	792	799	1,592	16	1,608
Interruptible cl 3	29	4,045	3,128	7,173	72	7,245
Interruptible cl 2	13	4,467	3,654	8,121	82	8,202
Interruptible cl 1	14	14,103	11,498	25,601	257	25,858
T-Ser	9	0	0	0	0	0
TOTAL	226,900	\$459,861	\$301,440	\$761,301	\$7,652	\$768,953

At the technical conference Centra reaffirmed its recommendation that the amount overcollected continue to be held in an interest bearing account to be refunded to customers at a later date, and CAC/MSOS and Municipal Gas Company reaffirmed their positions that a refund should be made with interest.

5.0 BOARD FINDINGS

Centra has always acknowledged that the overcollected amount belongs to its customers and would be refunded with interest. The only issues were the timing and method of the refund.

The overcollected amount arose as the result of an unintentional error. The error in rates which gave rise to this overcollected amount was corrected by Order 61/94, effective April 1, 1994. The further matter to be dealt with is the disposition of the overcollected amount.

The Board agrees with the position put forward by CAC/MSOS, Municipal Gas Company, the City of Brandon and the many consumers who contacted the Board's office that the amounts overcollected should be refunded with interest as soon as is practical.

The Board understands that it will take Centra approximately three weeks to assemble the necessary customer data to accommodate the refund. The Board will require Centra to confirm to the Board the date of the first and last billing cycle in which refunds are to be provided and confirm at the end of the last billing cycle that all monies with interest have been refunded. Centra will also be required to provide a detailed

schedule showing the total amounts refunded by customer class.

At the technical conference, Centra advised that checks and balances have been implemented to minimize the possibility of any similar error occurring in the future. Such preventive measures will, to the extent possible, prevent a recurrence.

While making this decision to refund the overcollected amount, the Board is aware that Centra has had to pay a higher unit cost for gas than that embedded in the currently approved sales rates. Unless the unit cost of gas decreases over the balance of the year, the Board expects that the customers may owe a substantial amount to Centra for gas consumed in 1994. This difference is being tracked in the 1994 Purchased Gas Variance Account in accordance with normal rate setting procedures which reflect the market fluctuations in gas costs. Centra is monitoring this account and may apply to the Board at a future date for an interim rate increase to recover the higher cost of gas.

6.0 IT IS THEREFORE ORDERED THAT:

1. the amounts overcollected by Centra Gas Manitoba Inc. during the months of February and March, 1994, of \$761,301 plus interest accrued thereon at the Company's short term borrowing rates be refunded to customers at the earliest possible date by way of a credit adjustment to the individual customers' bills calculated on a volumetric basis.

2. with respect to this matter, an appropriate message to be approved by the Board, be included in the billing, either by way of a bill stuffer or message on the invoice.

3. Centra Gas Manitoba Inc. confirm to the Board the dates of the first and last billing cycle in which refunds are provided and confirm, at the end of the last billing cycle, that all monies with interest have been refunded. Centra is to file a detailed schedule showing the total amount refunded by customer class.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"
Chairman

"D. deGRAFF"
Acting Secretary

Certified a true copy of Order No.
71/94 issued by The Public Utilities
Board



Acting Secretary