

**Order No. 2/23**

**ORDER IN RESPECT OF CENTRA GAS MANITOBA INC.'S REQUEST FOR  
AUTHORIZATION TO MODIFY LARGE GENERAL SERVICE FOR NEW SEASONAL  
HIGH-CAPACITY CUSTOMERS CONNECTING TO CAPACITY-CONSTRAINED  
AREAS OF CENTRA'S SYSTEM**

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**January 4, 2023**

**BEFORE: Marilyn Kapitany, B.Sc., (Hon), M.Sc., Panel Chair  
Shawn McCutcheon, Member  
Susan Nemec, FCPA, FCA, Member**

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## 1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (“Board”) approves Centra Gas Manitoba Inc.’s (“Centra”) request for authorization to offer modified Large General Service to high-capacity seasonal customers connecting to capacity-constrained areas of Centra’s system. Specifically, the Board approves the use of a modified Large General Service contract offering that would authorize Centra to provide service to high-capacity seasonal operations, such as grain drying facilities. Under the terms of the new modified Large General Service, gas service will not be available to these seasonal customers during the peak winter heating season months of December through March. During those months, Centra may physically lock off the gas supply for such seasonal customers.

The modified Large General Service offering does not affect existing year-round customers and there would be no cost savings to an existing Large General Service customer choosing seasonal service instead of year-round service. However, seasonal service could allow prospective customers to connect to capacity-constrained areas of Centra’s system sooner than is currently possible. Modified Large General Service customers must still meet the Board’s existing financial feasibility test. Furthermore, these customers must also pay the same rates, including paying the basic monthly charge on a year-round basis, as existing Large General Service customers. While the basic monthly charge is payable even during the months when the seasonal service may be locked off, modified Large General Service customers are not required to pay annual disconnection or reconnection fees to turn on and off their gas service at the beginning or end of the service season.

The Board directs Centra to file for Board approval, and before Centra finalizes modified Large General Service contracts with prospective customers, a revised version of Centra’s Schedule of Sales and Transportation Services and Rates (“Terms and Conditions of Service”) in order to adequately describe the modified Large General Service offering.

The Board further directs Centra to file, together with its next general rate application, an update regarding the new modified Large General Service offering. The update shall include the number of customers who contracted for the offering and Centra's rationale for applying the same cost of service and rate design treatment to modified Large General Service seasonal customers as the utility does for firm, year-round, Large General Service customers. Further, the update shall address whether customers taking modified Large General Service should be grouped into their own customer class with separate cost allocation treatment.

## 2.0 INTRODUCTION

### 2.1 Large General Service and New Customer Connections

Centra currently groups its natural gas customers into the following customer classes:

- Small General Service;
- Large General Service;
- High Volume Firm;
- Interruptible;
- Mainline;
- Power Station; and
- Special Contract.

Customers within the Large General Service customer class consume less than 680,000 m<sup>3</sup> of natural gas per year and pay a basic monthly charge, a gas commodity charge, and a delivery charge, all described in Centra's Schedule of Sales and Transportation Services and Rates, commonly referred to as the "Terms and Conditions of Service". Changes to Centra's Terms and Conditions of Service were last approved by the Board in Order 114/22.

In accordance with section III.B.2 of Centra's existing Terms and Conditions of Service, Large General Service customers receive "Firm Sales Service", meaning service that qualifies as "Firm Service" as well as "Sales Service", as those terms are defined in Part II of the document. The definition "Firm Service" limits Centra's opportunity to curtail to instances of Force Majeure, meaning circumstances beyond Centra's reasonable control:

*“FIRM SERVICE” means gas service at one Delivery Point and separately metered where the service may not be curtailed except for Force Majeure. [Centra Terms and Conditions of Service, Section II.CC]*

In accordance with the provision quoted above, Large General Service customers are currently entitled to receive natural gas on a year-round basis. As a result, Centra must design its system to provide year-round service, regardless of the actual consumption patterns of specific customers. This usually means designing to the peak capacity required during the winter heating season, as recently explained in Order 109/22.

As more customers connect to Centra’s natural gas distribution system, or as customer loads change over time, certain segments of Centra’s system may become capacity limited. In capacity-constrained areas of Centra’s system, limitations in available capacity are usually first observed during the peak winter heating season. In such instances, Centra may not be able to accept new high-capacity customers who wish to connect to the system on a firm, year-round service basis, unless Centra first makes capacity upgrades.

When extending service to new customers, Centra also makes use of the Board-approved financial feasibility test to ensure that the required system extension is economically viable. In instances where the service extension to a new customer is not economically feasible on its own, Centra requires a third-party contribution per the methodology approved by the Board in Orders 109/94, 124/96, 89/97, and 123/98.

## **2.2 Seasonal Natural Gas Use for Grain Drying**

Most of Centra’s customers use natural gas as a heat source for space heating, water heating, or commercial processes. One such commercial process is grain drying, which is used to reduce the moisture content of harvested grains to maximize crop returns and to prevent spoilage during grain storage. Grain drying operations in Manitoba typically use high-capacity equipment with high firing rates but are typically operated only over the course of the August to November harvesting period. Based on their annual gas

consumption, seasonal grain drying operations are usually included in the Large General Service customer class.

As Centra's natural gas distribution pipeline system does not currently extend to every agricultural operation in Manitoba, many agricultural grain dryers have used propane as their main heat source. Historically, however, natural gas has provided significant economic and operational advantages for grain drying operations over propane-based systems due to its generally lower commodity cost and the elimination of ongoing propane transportation and on-site storage costs.

As a result, agricultural customers are increasingly approaching Centra for natural gas service to support their grain drying operations. Given Centra's general mandate to serve its franchise territories, Centra seeks to accommodate these service extension requests where possible and within the requirements of the Board's service extension feasibility test.

### **3.0 CENTRA'S WRITTEN AUTHORIZATION REQUEST**

On April 29, 2022, Centra filed with the Board a request for written authorization to modify its Large General Service offering for new grain drying customers. Specifically, Centra requested authorization for the ability to restrict, by temporarily locking-off, natural gas service to new grain drying customers in the Large General Service class during the months of December through March.

The Board issued information requests to Centra in regards to its April 29, 2022 request for modified Large General Service on May 20, 2022 and June 13, 2022. Centra subsequently filed its responses to the Board's information requests on September 21, 2022.

Through its submissions on April 29, 2022 and September 21, 2022, Centra clarifies that the intent of its request is to allow Centra the ability to offer modified Large General Service contracts to any prospective customer wanting to install grain dryers or other similar high-capacity seasonal operations on capacity-constrained areas of its system.

Centra also explains that its request to the Board stems from the fact that some of the recently received requests for new gas service have originated from grain dryers that would require connections to areas of Centra's system that are already capacity-constrained. Specifically, Centra identifies its South Loop transmission system as an example of an area that is approaching its maximum capacity during the winter peak load season.

Centra's South Loop transmission main system serves about 10,000 customers in south-central Manitoba, including the communities of Morden, Winkler, Altona, Morris, Dominion City, Emerson, Carman, and Oakville. According to Centra, adding additional grain drying equipment in that area on a firm year-round basis could put the reliable supply of gas to all customers on the South Loop system at risk. Although Centra is already planning to increase the capacity of the South Loop transmission system to accommodate future load

growth in the area, the required costs of such upgrades are estimated to be in the millions of dollars and the project may take several years to complete.

Under the proposed terms of the modified Large General Service contract, customers would pay the same rates as all other customers within the Large General Service customer class. But their gas service could be locked off between December 2 and March 31 to avoid negatively affecting existing capacity constraints during Centra's winter peak period. These customers would pay the basic monthly charge on a year-round basis, just like year-round Large General Service customers, but would not be charged any disconnection or reconnection fees with respect to the annual winter disconnection period. As such, new grain drying customers in capacity-constrained areas would not be receiving preferential rates and existing customers would not be disadvantaged.

While the Board's existing financial feasibility test would be used to determine any third party contribution required for extending service to a location without an existing gas connection, avoiding added winter peak usage could reduce the size of the distribution main required to connect new high-capacity seasonal customers, which could in turn reduce the required customer contribution.

Centra also sees a timing benefit to modified Large General Service, as the utility could accommodate high-capacity seasonal connections before capacity upgrades are installed. This could allow new customers to connect to the system sooner than they would be able to if they had to wait to connect on a year-round basis. Consequently, Centra views its request for modified Large General Service as a win-win for the potential grain drying customers and for Centra.

Centra also notes that its proposal for a modified Large General Service contract would not require any changes to Centra's rates charged to any customer class or entail different customer billing methodologies. Furthermore, Centra maintains that the expected addition of modified Large General Service contract customers would have little to no impact on Centra's upstream gas supply portfolio given that these customers would

represent a relatively small increase to the Manitoba load, and would not have an impact on the winter peak.

Centra's proposed modified Large General Service contract does not prevent modified Large General Service customers from having a separate year-round connection for other loads such as residential heating. These other loads would be separately metered and not subject to the possibility of being locked off seasonally.

Overall, Centra views the modified Large General Service as an interim solution applicable only to high-capacity seasonal operations connecting to capacity-constrained areas of its system. This is because Centra's ongoing capacity planning and design activities would size future capacity upgrades to accommodate the possibility of modified Large General Service customers moving to year-round firm service. Consequently, Centra states that it does not see a need to amend its Terms and Conditions of Service in order to implement modified Large General Service. Furthermore, Centra indicates that it does not intend to advertise modified Large General Service but that eligible customers would be identified as part of Centra's ongoing customer enrolment process, which assesses, among other things, the prospective customer's location and load requirements and compares these to the available capacities of Centra's local pipeline system.

As a means to test customer acceptance of the proposed clauses of the modified Large General Service contract, Centra approached two agricultural customers requesting natural gas service to support grain drying operations. Both prospective grain drying customers subsequently indicated to Centra that they would be willing to execute modified Large General Service contracts, including accepting the gas supply service restrictions between December and March, should Centra's request for modified Large General Service be approved by the Board.

#### **4.0 BOARD FINDINGS**

The Board approves Centra's request for authorization to offer modified Large General Service to high-capacity seasonal customers on capacity-constrained areas of Centra's system. The Board finds that doing so is in the public interest as it may allow new customers to connect to the system sooner than they would otherwise be able to do so, without disadvantaging any existing customers.

However, the Board finds that Centra's Terms and Conditions of Service require amendment to accommodate the new offering. This is because under Centra's existing Terms and Conditions of Service, Large General Service customers are entitled to receive firm service that may not be curtailed except in circumstances of Force Majeure. In the Board's view, these service terms are inconsistent with the gas supply seasonal restrictions that would be implemented under the modified Large General Service offering.

As a result, the Board directs Centra to file for Board approval, and before Centra finalizes modified Large General Service contracts with prospective customers, a revised version of Centra's Terms and Conditions of Service which adequately describes the modified offering.

The Board accepts as information that customers offered modified Large General Service will still be subject to the requirements of the Board's existing feasibility test for service extensions. Further, these customers will, if connected to Centra's system, be charged the same rates as other customers within their customer class and will not be charged additional fees to turn their gas supply on and off every season.

While the Board approves the modified Large General Service offering in this order, the Board directs Centra to file, together with its next general rate application, an update regarding the new modified Large General Service offering. The update shall include the number of customers who contracted for the offering and Centra's rationale for applying

the same cost of service and rate design treatment to modified Large General Service seasonal customers as the utility does for firm, year-round, Large General Service customers. Further, the update shall address whether customers taking modified Large General Service should be grouped into their own customer class with separate cost allocation treatment.

