

MANITOBA
THE PUBLIC UTILITIES BOARD ACT

Order No. 19/00

February 14, 2000

Before G. D. Forrest, Chairman
 D. L. Barrett-Hrominchuk, Member
 J. A. MacDonald, Member

**APPLICATION BY CENTRA GAS MANITOBA INC. FOR
APPROVAL OF A WESTERN TRANSPORTATION SERVICE
WITH RESPECT TO THE SALE OF NATURAL GAS AND AN
ASSOCIATED AGENCY BILLING AND COLLECTION SERVICE**

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Executive Summary

Background

In Order 15/98, the Public Utilities Board (“the Board”) directed Centra to develop a Western Transportation Service (“WTS”). Similar to the Buy/Sell program, WTS is a program for the direct purchase of Primary Gas in a competitive marketplace. However, instead of Aggregators, Brokers and Marketers (“ABM”) selling their gas to Centra, they sell their gas directly to the customer. Where the customer currently pays Centra’s price and receives a rebate cheque from the ABM, under WTS, the customer will pay the price they have agreed to with the ABM. This price, along with the ABM’s name, will be included directly on the bill Centra will send to the customer.

The new Agency Billing and Collection (“ABC”) Service that will accompany WTS will allow Centra to include the ABM price for Primary Gas on Centra’s customer bill, along with Centra’s charges for other services. Centra will continue to be responsible for collecting that revenue from customers, and will now pay the ABM for the amount of Primary Gas billed.

In June 1999 Centra filed an application with the Board for approval of the WTS’ rates and Terms and Conditions of Service and the ABC service amongst other things. A public hearing was held in October 1999 following the issuance of the Stakeholder Report outlining the areas of agreement reached by Centra, consumers’ groups and ABMs. The introduction of WTS and ABC are to enhance competition largely through changes in pricing methods.

Issues

In addition to general discussions regarding the future direction of the natural gas market and the implementation of WTS and ABC service, the Board heard comments relating to the following specific issues:

- The use of a gas loan mechanism;
- The process to enroll ABMs in the WTS system;
- The process to enroll customers in WTS;
- The dissolution of the current Western Buy/Sell Service, including Summer Interruptible Buy/Sell options;
- The use of a rebate cheque as a valid form of agency agreement, whereby the customer would sign the cheque to enter into a WTS agreement with an ABM;
- The provision of a 10-day period from the date of signing in which the customer would be able to cancel any WTS agreement;
- The use of a notification letter that would be sent by Centra once an agreement between an ABM and a customer has been signed;
- A minimum volume requirement for each ABM;
- The creation of an ABM Code of Conduct including a dispute resolution mechanism, a customer Bill of Rights and a generic customer information package;
- The use of a balloting process;
- The provision of bridging service;
- The provision of backstopping service;
- The unbundling of the purchase gas variance account (“PGVA”);

- The rate charged to Firm and to Interruptible customers relating to Supplemental Gas; and
- The provision of Short-Term Interruptible Service.

These issues and the respective intervenor positions are discussed further in the body of this Order.

Board Findings

The Board acknowledges the positions of CAC/MSOS and CENGAS that further unbundling may be warranted. However, the current Buy/Sell mechanism sends out false price signals. The Board considers the implementation of WTS and ABC service to be in the public interest and an appropriate step in the evolution of an effective and workable competitive environment. Therefore, the Board has approved the implementation of WTS and ABC service with an implementation date of May 1, 2000, subject to certain conditions.

ABC service will be mandatory for Small General Class and Large General Class customers until May 1, 2001, after which time Centra will offer this service on an optional basis. ABC service will be optional for High Volume Firm Class, Mainline Class and Interruptible class customers effective May 1, 2000.

Effective May 1, 2000, Customer's natural gas bills will be unbundled to show, in addition to the monthly fee, charges relating to Primary Gas, Supplemental Gas, Transportation to Centra, Distribution to the Customer, and, for Interruptible customers, an Alternate Gas Service.

ABMs that wish to provide gas service must meet, as part of the licencing process, the conditions laid out in this order, such as minimum credit requirements and warranty provisions underpinning supply quantities and delivery capacities. Centra will offer backstopping service to ABMs when their supply volumes fall short of their sales

volumes, as a last resort, at a fee of two times the incremental costs. Centra may waive the fee at its discretion, but must report the reasons for doing so to the Board.

The Board wishes to monitor the evolution of the market closely and has directed Centra to provide a number of reports on both the implementation of WTS and ABC service as well as the discontinuation of Buy/Sell Service.

The Board has directed Centra to file a revised tariff of WTS and ABC service Rates along with revised Terms and Conditions of Service and other information for Board approval, all of which reflect the discussions of the Board.

The Board supports an environment that fosters competition, but requires ABMs to conduct their business in accordance with a Code of Conduct. The Board has endeavoured to ensure that customers have access to information required to make an informed decision regarding the source of their gas supply. However, ultimately, customers must bear the consequences of that decision.

1.0 Appearances

R. Peters	Counsel for the Public Utilities Board ("the Board")
J. Foran, Q. C. P. Ramage M. Murphy	Counsel for Centra Gas Manitoba Inc. ("Centra")
B. Meronek, Q.C.	Counsel for Consumers Association of Canada (Manitoba) and the Manitoba Society of Seniors Inc. ("CAC/MSOS")
D. Brown	Counsel for the Coalition of Eastern Natural Gas Aggregators and Sellers ("CENGAS")

2.0 Witnesses for Centra Gas Manitoba Inc.

G. Barnlund	Manager of Industrial Large Commercial Markets
J. Little	Navigant Consulting Incorporated
G. Rose	Vice-President Customer Service & Marketing, Manitoba Hydro Electric Board ("Hydro")
H. Stephens	Senior Manager Gas Supply, Storage and Transportation

3.0 Witness for CAC/MSOS

J. Todd	President, Econalysis Consulting Services Inc.
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4.0 Witnesses for CENGAS

N. Silvestri	Direct Energy Marketing Limited
B. Nicolson	Apollo Gas Inc.
K. Melnychuk	Municipal Gas, a division of Direct Energy Marketing Limited

5.0 Intervenors

A. E. Sharp Limited

Coalition of Eastern Natural Gas Aggregators and Sellers (“CENGAS”)

Communication, Energy & Paperworkers’ Union, Local 681 (“CEPU”)

Consumers’ Association of Canada (Manitoba)/Manitoba Society of Seniors Inc. (“CAC/MSOS”)

Dynergy Canada Core Limited

Energy Advantage Inc.

Manitoba Government Services

Renaissance Energy

TransCanada Gas Services

6.0 Presenters

Gateway Industries

Griffin Canada Inc.

7.0 Background

In a continuing review of deregulation of the natural gas market in Manitoba, the Board held a hearing in 1996 to review what, if any, changes should be made to the supply, procurement, transportation, and storage of natural gas by Centra. Order 15/98 set out the views of the Board and others on a wide range of topics including some of the following thoughts:

- Price transparency is required for a fully competitive market to develop.
- Educating customers about the competitive aspects of the natural gas industry will be important and can only be achieved through greater price transparency.
- As customers receive more and better quality information on price, supply terms and options, they may make better choices as to the supplier of their gas commodity needs.
- Better and more informed customer choice would enhance the development of a more competitive market which should result in increased supply, decreased prices, and improved products, thereby benefiting customers.
- Customers should have the mobility to select various supply options in order to make decisions, depending on various contractual arrangements available in the market.
- The pricing mechanism within the existing Buy/Sell mechanism is flawed.

- False price signals are being sent to the consumer because the reference price is based on the Local Distribution Company (“LDC’s”) Weighted Average Cost of Gas (“WACOG”) and emphasizes savings as a discount off this WACOG.
- Centra should develop a Western Bundled T-Service (“WTS”) tariff and Terms and Conditions of Service for implementation no later than November 1, 1998.
- The current Buy/Sell arrangement should be replaced by the Western Bundled T-Service offering as the current Buy/Sell arrangements expire, but no later than October 31, 2000.
- Centra should develop an appropriate tariff for an optional billing and collection component related to the offering of a Western Bundled T-Service (“WTS”) and apply to the Board for approval.
- The customer information process respecting WTS/Agency Billing and Collection (“ABC”) Service is the responsibility of all market participants, but Centra should assist in the customer information process in a cost-effective way.
- The maximum benefit will accrue to customers when more services are unbundled and each of these services is separately priced and billed.
- By segregating cost components to the greatest extent practical, the customers will be made aware of the various cost components of gas service which they are receiving.

- Gas bills should, at a minimum, be segregated into distinct components that define and indicate each of the commodity, transportation, storage and distribution cost components.
- Centra should determine and define the type and nature of costs which comprise each of the four cost components to be shown on the natural gas bills and submit recommendations to the Board for review by no later than August 1, 1998.
- Aggregators, Brokers and Marketers (“ABM”) should require residential and other small general service customers to enter into contracts only where the term of the contract is the same as the term over which the ABM is prepared to offer a fixed price.
- For existing contract arrangements, which exceed the term over which the ABM has a fixed gas purchase, ABMs should either shorten the term of the contract with the customer or extend the term of a fixed price gas supply.
- Current variable price supply contracts have resulted in the creation of the purchase gas variance account (“PGVA”) which requires periodic balancing and further complicates the determination of the real commodity cost of gas.
- Centra should consider options to eliminate the inaccurate price signals caused by the purchase gas variance PGVA, such as more frequent disposition of the PGVA, and present such options to the Board for possible inclusion in January 1, 1999 rates.

- Proposed changes should maintain a balance between price transparency and rate stability.
- Should Centra or other industry participants consider that storage and load balancing could operate more effectively in the future in a competitive marketplace, application for changes in these services could be brought to the Board for consideration. Until then, Centra should continue to be responsible for storage, related transportation and load balancing.
- The responsibility for all daily gas nominations should continue to be performed by Centra.
- Centra should continue to provide backstopping.

Centra was unable to develop the WTS/ABC service for implementation by November 1, 1998 as required by Order 15/98.

8.0 The Application

8.1 Introduction

On June 4, 1999 Centra applied to the Board for approval to implement its proposed WTS/ABC service for November 1, 1999, and a public hearing was scheduled to commence on August 24, 1999. Subsequently, on August 20, 1999 Centra informed the Board that it would be unable to implement WTS/ABC service on November 1, 1999 and requested that the application be amended to reflect a February 1, 2000 implementation date. The Board immediately informed Centra that the hearing scheduled to commence on August 24, 1999 would be postponed. The Board encouraged Centra and other stakeholders to meet in the interim to attempt to narrow the outstanding issues that existed between the parties. The Board further requested Centra to provide a report to the Board prior to the commencement of the rescheduled hearing that would detail the results of the stakeholder meetings, as well as any necessary amendments to the original application. Centra filed a Stakeholder Report with the Board on September 30, 1999.

In the original application, Centra requested the Board:

- (a) To authorize the provision of WTS with respect to the sale of natural gas and an ABC service associated with the WTS by authorizing and approving the Terms and Conditions of Service for the provision of those services;
- (b) To approve rates to be charged for WTS;
- (c) To approve a change in the method of the disposition of the PGVA; and

- (d) To remove Section II (GG) and III (J) related to Short-Term Interruptible Transportation Service (“STITS”) from the current Terms and Conditions of Service.

A public hearing was held in Winnipeg, Manitoba from October 6 to October 8, 1999. The Board heard final submissions from interested parties on October 14, 1999.

During the public hearing, Centra withdrew its request in this application to change the method of the disposition of the PGVA, and indicated that this matter would be addressed in a subsequent application.

In correspondence dated December 23, 1999, Centra informed the Board that the proposed implementation date of February 1, 2000 was unattainable, and suggested that the implementation date be delayed until the start of the next gas year quarter on May 1, 2000. Centra indicated that while it was continuing to develop the necessary systems, processes and contracts to meet the original in-service date, Centra required an Order of the Board to finalize all details of the new service offerings, including Terms and Conditions of Service, various contracts and agreements, ABM and Customer enrollment processes, WTS/ABC Fees, and Customer Education Plans. The matter was reaffirmed in a letter to the Board dated February 3, 2000.

8.2 Stakeholder Report

The Board commends Centra for their efforts in providing leadership to the stakeholder consultation process which helped to expedite the public hearing process. In addition, the Board acknowledges the time and effort put forth by all of the parties who took part in the stakeholder process.

The Stakeholder Report, in addition to describing the processes followed, summarized those areas where the parties were able to reach agreement and detailed the stakeholder positions on those issues where consensus could not be achieved. The Stakeholder Report addressed the following seven main issues discussed in various sections of this Order:

- Future direction with respect to further unbundling of Centra's services and the scope of the current application.
- Service definition and gas supply management, defining the components of the unbundling proposed, and the gas loan mechanism proposed.
- Customer enrollment and billing, including procedures for ABM enrollment.
- Proposed rates and fees for WTS and ABC service, alternate delivery service, treatment of the PGVA balances and Terms and Conditions of Service.
- Implementation overview detailing a proposed customer education plan.
- Western Buy/Sell Service changes proposed to facilitate WTS.
- Consumer protection, including the development of an ABM Code of Conduct and dispute resolution mechanism.

9.0 Future Direction

9.1 Centra Position

Hydro, as Centra's new owner, adopted the position that further unbundling should only be addressed after the integration of Hydro and Centra had been completed. Hydro's priority is to complete the integration process in order to realize potential cost savings. Once the integration process is completed, a review would be conducted to determine what, if any, additional benefits might accrue to Manitoba consumers if further unbundling were to occur. Centra, in cross examination at the hearing, indicated that it would commence the study in January 2000.

9.2 CAC/MSOS Position

CAC/MSOS submitted that Centra's application, if approved, would not enhance competition for residential customers. Consumer benefits of any consequence will only result if there is further unbundling of Centra's services. CAC/MSOS considered that consumers might be better off without WTS until further unbundling of services occurred. The prospect of having a customer choose between a dominant non-regulated monopoly and the regulated monopoly was not attractive to CAC/MSOS. Mr. Todd's evidence on behalf of CAC/MSOS noted that WTS and ABC service likely would not significantly change the competitive options available to consumers. Mr. Todd indicated that customers would only be able to achieve marginal benefits if ABMs could acquire gas at a lower cost than Centra and the market was truly competitive. By restricting WTS only to Primary Gas, there would be limited opportunity for ABMs to acquire gas to meet their commitments at a price less than Centra's, since ABMs would be forced to replicate Centra's supply portfolio and gas purchasing

activities. With the limitations and inflexibility of WTS as proposed by Centra, Mr. Todd warned there is a danger that few ABMs would be interested in offering the service. Mr. Todd favoured permitting ABMs to enhance their gas supply services by managing their own load balancing, and storage and peaking gas services.

9.3 CENGAS Position

CENGAS stated that Centra's proposal for WTS/ABC service is a further step in the evolution of a competitive natural gas market, but additional unbundling of services in the future is required. CENGAS agreed with CAC/MSOS that the implementation of WTS/ABC service should not be viewed as the end-state of the competitive gas market in Manitoba. However, CENGAS supported the application for approval of WTS as a positive step toward further unbundling. CENGAS also suggested that Centra should be required to submit a report by August 1, 2000 dealing with further unbundling.

9.4 Board Findings

The Board considers this application by Centra to be responsive to Order 15/98. The Board considers the implementation of the WTS and ABC service to be an appropriate step in the evolution of an effective and workable competitive environment. It is not in the public interest to delay the implementation of WTS and ABC service until further unbundling of services occurs.

The Board acknowledges the positions of CAC/MSOS and CENGAS that further unbundling may be warranted. The Board also appreciates the concerns expressed by Mr. Todd on behalf of CAC/MSOS that there may be limited financial and other benefits to the consumer, and the ABM community may be reluctant to enter the Manitoba

market. In Order 15/98, the Board agreed with the evidence of Dr. Hall who stated that the objective of promoting structural or regulatory change in natural gas markets should be to advance the interest of natural gas consumers. Dr. Hall further suggested that the overall public interest and the interests of the end user were paramount rather than the individual economic interests of specific market participants.

As stated in Order 15/98, the existing Buy/Sell mechanism is flawed because it sends out false price signals and has little price transparency. This coupled with the competitive communities reluctance to continue the Buy/Sell arrangements because of the concerns related to retroactive price adjustments makes it imperative to proceed with WTS. After weighing the alternatives, the Board believes that moving forward with the WTS/ABC service at this time is in the public interest, and will further enhance competition. The Board will order that WTS and ABC service be implemented on May 1, 2000 as requested by Centra. The Board will also require Centra to file a report with the Board by no later than August 1, 2001 which evaluates the results of WTS and ABC service during the first year.

The Board has previously instructed Centra to investigate and report on the issue of outsourcing the management of its gas supply assets by August 31, 1999. Centra has requested an extension of the time to submit this report because of the acquisition of Centra by Hydro. The Board will expect that report to be filed by no later than June 30, 2000 and will contain recommendations on the merits of unbundling Centra's storage and transportation activities at some future time.

10.0 Service Definitions and WTS Rates

In developing the WTS/ABC service offering, Centra adopted the principle that, as a regulated provider of Primary Gas, it would not actively compete with the ABMs for the provision of Primary Gas. Centra also submitted that it is necessary to maintain the cash flow patterns from existing approved services and rates, such that Centra would be financially indifferent to allowing ABMs to supply Primary Gas directly to customers. To accommodate WTS, services were unbundled into the discrete components of Primary Gas, Storage and Peaking Gas, and Transportation and Delivery Service. Centra also proposed to offer an Alternate Gas Service for the Interruptible customer class, on an as-available basis, as an option to curtailing supply.

10.1 Primary Gas

Primary Gas consists of all Western Canadian volumes, including fuel gas for transportation to Manitoba, supplied either by Centra or an ABM. Centra would provide fuel gas to transport the gas from Manitoba to storage facilities in Michigan. Eligible Primary Gas volumes are identical to eligible existing Buy/Sell volumes. Volumes of Primary Gas currently represent 94% of normalized annual volumes for Firm customers and 86% of normalized annual volumes for Interruptible customers. Nominations would be performed by Centra on behalf of the ABM. Thus, Centra would manage the percentage of Primary Gas by adjusting the percentage factor on a monthly basis throughout the gas year, so that annual consumption is as close as possible to volumes nominated.

The Maximum Daily Quantity (“MDQ”) for each ABM’s supply contract would be set at 125% of the computed average daily consumption, excluding fuel requirements, to recognize Centra’s current 80% purchase load factor.

10.2 Storage and Peaking Gas

Storage and peaking gas consists of gas obtained by Centra from U.S. sources and Delivered Services purchased by Centra and received at Centra’s City Gate including U.S. sourced peaking gas to meet short-term high demand periods.

At times, Centra injects U. S. supplies into storage and storage gas is back-hauled to Manitoba. Centra contends that in order for ABMs to provide storage and peaking gas, and to ensure the appropriate ratio of U.S. to Primary Gas is maintained, all ABMs would have to obtain such supply in U.S. production areas and transport that supply to Centra’s storage area in Michigan. Centra purchases Storage and Peaking Gas through a competitive bidding process. Currently, Centra’s Transportation Service customers have the option of providing their own peaking and storage gas which is distributed by Centra.

10.3 Transportation and Delivery Service

Centra applied to continue providing storage and pipeline transportation, transmission and distribution services, and all other utility services and proposed to recover the costs of providing these services through the Transportation and Delivery Service charge.

10.4 Alternate Gas Service

Alternate Gas Service (“AGS”) is available to Interruptible customers in lieu of curtailment, and is arranged whenever overall demand exceeds Centra’s ability to provide and deliver supply under its contractual arrangements. Centra will be the sole provider of AGS to Interruptible customers. However, ABMs will be able to provide Centra with alternate gas supply if the ABM supply represents the best available market price. Centra will not stream ABM supplies to specific customers, and in circumstances where the cost of AGS is less than or equal to the Interruptible Sales Rate, would provide this service at Board approved rates. Where the cost of AGS is greater than the sales rate, Centra will offer AGS at the option of the Interruptible customer. Those customers who do not choose AGS will be curtailed. Customers who choose AGS will be supplied with system gas at the approved rate until it is no longer available. Then they will be supplied with the AGS at the market rates.

10.5 WTS Rates

In unbundling the sales rates into three components for billing purposes, Centra used the existing cost of service study with slight adjustments to the existing allocations. A proof of revenue was submitted to demonstrate that the proposed WTS rate is revenue neutral by customer class. Downstream costs of transmission, distribution, and on-site costs were not altered. Upstream costs of production, transportation, and storage were altered by adding the three new commodity categories of Primary Gas, Firm Storage and Peaking Gas, and Interruptible Storage and Peaking Gas, and by removing all commodity costs from the Transportation and Delivery Service for each customer class. Another change was the allocation of all commodity costs and those Gas Supply Department costs attributable to gas procurement between Western Commodity and

Storage and Peaking Commodity. Centra included a proposed unbundled rate schedule which would have to be implemented to generate the necessary revenues.

10.6 WTS Incremental Costs

Centra proposed that no separate fees shall be charged to ABMs or ABM customers for WTS, even though ABMs are currently charged a monthly Buy/Sell administrative fee per customer. Notwithstanding the incremental costs of providing WTS, Centra submitted that these are the costs of providing choice to all customers and therefore all customers should pay these costs.

During the hearing Centra updated its estimated additional WTS and ABC service implementation costs to \$1,254,425, consisting of call centre, information system and technology, customer services system, Banner system, marketing/direct purchase, communications, and regulatory costs. Significant increases are expected in the number of customer inquiries and ABM enrollments.

10.7 CAC/MSOS Position

CAC/MSOS generally agreed with Centra on the components of bill unbundling as well as Centra's determination of the MDQ being 125% of the average daily quantity, in recognition of Centra's current load factor.

CAC/MSOS did not comment on the proposed WTS unbundled rate structure, or proposed rates at the hearing.

CAC/MSOS submitted that the ABMs be charged an administrative fee for WTS. ABMs are charged a similar fee for the administration of the Buy/Sell arrangements and CAC/MSOS suggested that there is no logic for changing that policy.

10.8 CENGAS Position

CENGAS generally supported Centra's proposal with respect to Service Definitions and the unbundled customer bill format. CENGAS submitted that WTS/ABC service should be regarded as a replacement for the Buy/Sell arrangements and should be viewed as a flexible transportation and billing service upon which a variety of price offerings could be made.

CENGAS requested that the MDQ for Primary Gas supply be set at 110% to provide an incentive for Centra to achieve greater efficiencies in its gas management operations. CENGAS contended that Centra should be able to improve its load factor, given the significant storage assets in Michigan, and also that Centra had no apparent internal incentives to improve its purchase load factor. An improved load factor would benefit all customers, and CENGAS suggested that the use of performance based regulation at some future point might also serve as an incentive for Centra to realize greater gas operation efficiencies.

CENGAS did not comment on the proposed WTS unbundled rate structure, or proposed rates at the hearing.

CENGAS supported Centra's position that all incremental implementation and annual on-going administration costs should be allocated to all customers.

10.9 Board Findings

10.9.1 Service Definitions

The stakeholders are generally in agreement that customer bills should be unbundled into three main components, being Primary Gas, Storage and Peaking Gas, and Transportation and Delivery Charge, as well as Alternate Gas Service for Interruptible customers. The stakeholders are also generally in agreement with the concepts used to define the volumes and Terms and Conditions of Service for the two types of gas supply. The Board, however, is of the view that there should be a further unbundling of the bill. The Board agrees that the components of the bill should clearly define that portion of the commodity gas supply available to consumers in the competitive market. The Board also agrees that Storage and Peaking Gas should be shown separately. However, the Board is of the view and will order that this cost component should be referred to as "Supplemental Gas", as suggested by Centra.

It is important that consumers be aware of that portion of the proposed Transportation and Delivery Charge that represents costs over which Centra has no control. Specifically, the Board will require the bill to be further unbundled to isolate the National Energy Board approved fixed and variable tolls as well as the Federal Energy Regulatory Commission fixed and variable tolls on the ANR Pipeline system and the Great Lakes Gas Transmission system. This third component shall be called "Transportation to Centra". The fourth component of the bill represents all other costs, and shall be called "Distribution to Customer".

10.9.2 Alternate Gas Service

The Board agrees with Centra's proposed Alternate Gas Service for Interruptible customers, and will direct that the price of this service be shown separately on the Interruptible Customer's bill. In addition, the Board will not approve Centra's request to eliminate the Short-Term Interruptible Transportation Service. This service will allow an Interruptible Customer to arrange for their own gas supply during a potential curtailment by Centra and Centra will deliver that supply at an approved delivery charge.

10.9.3 MDQ

The Board agrees with Centra's requested method of calculating the MDQ for Primary Gas Supply.

In 1991, the Board reviewed the appropriate balance between contracting for pipeline capacity for direct supply to market and storage services. At that time the Board found that the proposals put forward by Centra were appropriate. The savings attributable to storage services resulting in a purchase load factor of 80% compared to continuing with take or pay pipeline capacity (with a purchase load factor of some 40%) were estimated to be \$18,000,000 per year. The Board acknowledges that circumstances may have changed since that time. The Board will therefore require Centra, in conjunction with the report on outsourcing the management of the gas supply assets due June 30, 2000 to review the most appropriate and economical gas supply portfolio. The Board will expect the report to define a load factor, based on the current Manitoba supply characteristics including weather, customer mix and customer consumption patterns, to provide the best value to Manitoba consumers. The Board expects that the MDQ for

Primary Gas will continue to reflect Centra's load factor, for all Manitoba consumers, as the load factor changes from time to time.

10.9.4 WTS Rates

The Board will require Centra to resubmit its proof of revenue supporting the revenues allocated to each of the four categories, and the unbundled rate schedules to be effective May 1, 2000, for Board approval.

10.9.5 WTS Incremental Costs

The Board considers that the incremental costs for the process leading up to the implementation of the WTS should be assessed to all Manitoba consumers, in the normal course as a cost of service expenditure. In Order 156/91, dated December 31, 1991, the Board stated its view that the costs associated with Buy/Sell arrangements should be borne by those customers causing the costs and benefiting from the lower gas prices, and not by all system customers. However, the Board recognizes that circumstances are now different than they were at that time. The non-gas cost rate was the same for both customer types. Under the proposed WTS, and the unbundled bill format, if some administrative costs are assigned to the ABMs and removed from the cost allocation process, then the distribution unit rate will be lower for the ABM customers than it will be for system customers.

The Board considers that this situation, combined with the need to bill for two separate distribution rates, depending on whether an individual is a system or an ABM customer, is administratively complex and confusing for the consumer. The amount involved is relatively minor, and both types of customers will eventually pay for the administrative

costs. The Board will therefore order the on-going costs, as well as the incremental implementation costs of WTS, be allocated to both ABM and system customers, in the normal course, through the cost of service and cost allocation methodologies.

11.0 Agency Billing and Collection (“ABC”) Service

Through the ABC service, Centra proposed to provide mandatory billing services to all Small General Class (“SGC”) and Large General Class (“LGC”) customers and offer optional billing services to High Volume Firm (“HVF”), Mainline and Interruptible customers, at the ABM’s discretion. According to Centra, mandatory ABC service for SGC and LGC customers maintains existing cash flows, minimizes credit risk, and provides for ease of service implementation. No mechanism currently exists to provide the necessary billing information to ABMs who wish to bill SGC and LGC customers directly, and an optional billing service for SGC and LGC customers would be a duplication of resources.

Under WTS, Centra will continue to bill the SGC or LGC customers according to the existing billing cycle with consumption of Primary Gas pro-rated between Centra supply and the ABM’s supply during the month of conversion. Larger customers will continue to be billed on a monthly basis. Centra indicated WTS would not affect the customer’s participation in the budget-billing plan. ABMs will be able to change their Primary Gas prices for HVF, Mainline, and Interruptible customers on a monthly basis, but only on a quarterly basis to SGC and LGC customers.

Centra advised the Board by letter dated October 28, 1999 that the issue of mandatory or optional ABC service for the SGC and LGC customers should form a part of the study related to future unbundling. As indicated earlier in this Order, that study was to commence in January 2000.

As of July 1999, customers’ bills have been unbundled to separately show Primary Gas, Transportation and Distribution, and Storage and Peaking Gas, in addition to the ABM’s

name and telephone number. With the implementation of WTS, Centra will also include the unit price and the number of units billed to improve price transparency. The customer will be billed for the entire amount of their gas service and Centra will remit the charges for Primary Gas to the ABM. Centra will continue to manage the account collection process following procedures previously established by the Board regarding payment of bills and termination of services.

11.1 Agency Billing and Collection Service Fees

ABMs participating in ABC service will receive weekly statements from Centra indicating revenues billed in the previous week. Monthly revenue statements will be provided on the 15th of the month for payment on the 20th. Centra proposed that no separate fees should be charged to ABMs or customers for ABC service.

11.2 CAC/MSOS Position

CAC/MSOS preferred that the ABC service should be optional for the SGC and LGC customers immediately on implementation of WTS/ABC service, but would accept a mandatory service for the first two-year period of the service.

CAC/MSOS submitted that the ABMs should be charged an administration fee for ABC service. ABMs are charged a similar fee for the administration of the Buy/Sell arrangements and CAC/MSOS suggested that there is no basis for changing that policy.

11.3 CENGAS Position

CENGAS argued for optional ABC service for the SGC and LGC classes. This would send a signal that future unbundling of monopoly services may occur. Currently, some ABMs direct bill some of their Buy/Sell customers. Ultimately, all billing and collection services should become competitive.

CENGAS supported Centra's position that all incremental implementation and annual on-going administration costs should be recovered from all customers.

11.4 Board Findings

11.4.1 Agency Billing and Collection Service

The Board expects that the end state for customer billing will be one where the service provider will be able to invoice the customer directly for that service, and the billing service will be fully competitive. However, the Board notes the technical impediments that will not permit Centra to offer ABC service for the SGC and LGC customers on an optional basis at the initiation on the new services, including data transfer and cyclical billing requirements. The Board will therefore order that ABC service for SGC and LGC customers be mandatory for a one-year period to May 1, 2001, following which the service will be available on an optional basis.

11.4.2 Agency Billing and Collection Service Fees

The Board considers that the incremental costs for the provision of ABC service is one that is made necessary by the ABMs. Centra's system customers will continue to pay

for this service as part of the "Distribution to Customer" charge. The Board will direct Centra to prepare and file a tariff for the provision of this service so that all of the incremental costs and on-going administration costs are recovered from ABMs through the ABC service fee. The Board will also require Centra to inform the Board of how the revenue generated by this service fee will be allocated to customer classes, so that there is no undue cross subsidy of this service by any class, and a single "Distribution to Customer" charge will apply to all customers. The Board will require this information so that the tariff is in place by the May 1, 2000 implementation date for the service.

12.0 Gas Loan Mechanism

Centra proposed a Gas Loan Mechanism to account for the monthly and annual differences between the ABMs' Primary Gas delivered and the Primary Gas consumption that is billed to their customers.

The Primary Gas consumed in the winter months by ABM customers will exceed the quantities delivered by ABMs, and the difference will be provided by Centra by withdrawing gas from storage. The gas loan is the difference between the consumption and the deliveries. In summer months, the delivery of gas by ABMs will exceed the consumption by ABM customers. Centra will manage this difference by injecting the excess into storage, thereby reducing the gas loan. At the end of the gas year a physical imbalance will occur if there is a difference between the volumes delivered and the volumes consumed. However, because Centra nominates all supplies, this imbalance should be small, and will generally consist of imbalances during October, the last month of the gas year.

A financial imbalance occurs if the amount paid by Centra for loaned gas is different from the amount paid to Centra for returned gas. The Gas Loan Mechanism is applied monthly and seeks to balance that difference. Centra will calculate the difference between the Primary Gas billed and delivered. The value of the loaned gas or return of loaned gas will be the volumetric difference priced at the ABMs' retail price of Primary Gas to its customers for that month under that contract, provided that the ABM is under ABC service and the ABM warrants that its purchase of Primary Gas is the only financial arrangement between that ABM and the customer. Where the ABM does not use the ABC service, Centra proposes to price the gas at Centra's base rate for Primary Gas. Centra would invoice the ABMs on the 15th of each month indicating the balance in the

gas loan account and would pay or collect the amount for that account on the 20th of the month using electronic funds transfer. Any physical imbalances at year end are to be cashed out at Centra's October base price for Primary Gas, at the option of the ABM.

12.1 CAC/MSOS Position

CAC/MSOS requested the Board to require the use of Centra's base rate for Primary Gas to quantify gas loan payments in order to ensure that the system customers are not exposed to the risk of loaned gas being priced at less than Centra's price for system gas. The risk is present if an ABM were to default when Centra has loaned gas and that volume had not yet been repaid. CAC/MSOS asked that year-end physical imbalances flowing from the Gas Loan Mechanism be priced at Centra's average annual price for gas, and not its October price of gas, but agreed that the issue was not very significant.

12.2 CENGAS Position

CENGAS considers the Gas Loan Mechanism proposed by Centra to be too complex, but supported Centra's proposal, subject to certain conditions being met. Under Centra's revised proposal, Centra would use the ABM price, rather than Centra's base rate for Primary Gas, where the ABM who uses the ABC service warrants that to be the only financial tool for collecting monies from customers. In all other cases Centra would use the base rate for Primary Gas. CENGAS stipulated that the Terms and Conditions of Service must assure appropriate cash flows, and must contain language to the effect that Centra will use its best efforts to nominate ABM supplies in such a way that physical imbalances at the end of the gas year are as small as possible. Additionally, the Terms and Conditions of Service should provide for these two options. CENGAS

would still prefer that Centra charge for loaned gas at the ABM price as this should eliminate all financial imbalances.

12.3 Board Findings

The Board considers Centra's proposed methodology for the Gas Loan Mechanism to be appropriate at this time. Change may be considered after some experience is gained. The Board notes that the parties did not object to the operational aspects of the mechanism. Objections were aimed at the pricing proposals only.

The Board agrees that the ABM price should be used for loaned gas if the ABM is using Centra's ABC service and provides the necessary representations and warranties that ensure that the set price is that charged to the customer. Where the ABM does not use the ABC service, the price should be Centra's base price for Primary Gas.

The Board considers the October price to be more appropriate than the average annual base price for Primary Gas for this purpose. Therefore, the Board agrees that the physical imbalances shall be priced at Centra's average October base price for Primary Gas.

The Board is satisfied that Centra will continue to balance nominations with supply to the best of its ability. It is in Centra's interest to do so to assure minimum load balancing fees. The Board expects that any imbalance will be small and will largely be related to the volume variations of the last month of the gas year.

The Board will also accept that physical and financial imbalances can be carried over to the next gas year, and will be settled within two months, or cashed out at Centra's October base price for Primary Gas, at the option of the ABM.

The Board will require Centra to file a report by August 1, 2001 that outlines any issues encountered in the operation of the Gas Loan Mechanism during the first year of WTS.

13.0 ABM Enrollment

It is Centra's position that ABMs enrolling in WTS must satisfy five pre-conditions:

1. Be licenced and registered to do business in the Province of Manitoba.
2. Be licenced as an ABM with the Board.
3. Satisfy a credit check by Centra.
4. Provide arrangements to use electronic funds transfer for all transactions between the ABM and Centra.
5. Sign service agreements with Centra for WTS and ABC.

Centra is not seeking Board approval of the WTS and ABC agreements that it will execute with the ABMs.

An ABM using Centra's ABC service presents minimal risk to Centra and its customers because the revenue stream from customers is generally adequate to offset the financial exposure as proposed in the Gas Loan Mechanism. During the winter months the revenue collection for gas consumed should be greater than the cost of the gas purchased and delivered from Western Canada. The additional volumes required are supplied from U.S. Storage. During the summer months the process is reversed and payments to ABMs under the loan mechanism are effectively secured by the injection of ABM provided gas into storage. Therefore, for ABMs participating in the ABC service, no financial security is expected to be required in most circumstances.

Centra's main financial exposure comes from the gas loaned to ABMs in the winter months, where the ABM does not participate in the ABC service. Therefore, the standard of credit that Centra would require is a BBB bond rating or better, from a recognized rating agency, provided the ABM has the adequate capacity to meet its financial commitments.

For ABMs falling short of Centra's credit worthiness standard, audited financial statements or other requested information will be required so Centra can perform an independent evaluation. The level of financial security required, in situations where the ABM is not considered credit worthy, is valued at the estimated volume of loaned gas for the months of January and February, priced at Centra's base rate for Primary Gas. The form of financial security can be either cash or a letter of credit from a recognized financial institution.

Also on the issue of financial security, Centra and its customers are to be protected from any consequences of ABMs that do not pay their suppliers for gas. Hence, Centra will not accept responsibility for non-payment to suppliers of Primary Gas to ABMs and customers.

13.1 CAC/MSOS Positions

CAC/MSOS did not object to the proposal by Centra for ABM enrollment.

13.2 CENGAS Position

CENGAS did not object to the proposal by Centra for ABM enrollment.

13.3 Board Findings

The Board finds Centra's ABM enrollment criteria to be reasonable and will require Centra to ensure that all ABMs seeking to provide WTS:

- Be licenced and registered to conduct business within the Province of Manitoba;
- Be licenced as an ABM with the Board;
- Satisfy reasonable credit worthiness requirements proposed by Centra;
- Provide an arrangement with Centra for electronic funds transfer; and
- Execute appropriate service agreements with Centra for WTS and ABC service.

14.0 Customer Enrollment and Conversion

14.1 Enrollment of New WTS Customers

Centra proposed that all ABMs sign a new agency agreement with the customer regardless of whether that customer currently is a Western Buy/Sell customer or a system customer. The new agency agreement must make express reference to WTS. Following the signing of the new agency agreement, the ABM would submit the customer name to Centra for enrollment.

Enrollment of existing direct purchase customers into the WTS program would be permitted monthly for the first year with the exception of the months of September and October. During these months Centra expects to find itself short staffed and involved in balancing transactions and unable to administratively process the customer enrollment requests. After the first year, enrollment of existing system supply customers into the WTS program will take place quarterly (i.e., November 1, February 1, May 1, and August 1) due to the fact that Centra is permitted to change its contract volumes with TransCanada only at those times. Centra must be notified by the ABM one month in advance of the enrollment so that Centra can comply with its requirement of one month notification to reduce contract volumes with TransCanada. Centra is of the view that allowing existing system supply customers to be enrolled on other dates would adversely impact Centra's cost of Primary Gas to its system customers.

There would be no impact on Centra's system gas cost for conversions from existing Buy/Sell customers to WTS. During the conversion process, ABMs would be required to meet the ongoing WTS consumption requirements as well as being required to satisfy previous Buy/Sell imbalance requirements.

14.1.1 CAC/MSOS Position

CAC/MSOS supported Centra's proposal for customer enrollment. CAC/MSOS agreed with the requirement of a new agency agreement prior to any customer being enrolled in WTS.

14.1.2 CENGAS Position

CENGAS agrees with the quarterly customer enrollment method that Centra proposes for existing system supply customers that are switching to WTS. CENGAS also supports the proposal that requires existing direct purchase customers or system supply customers to sign a new agency agreement that expressly references WTS.

As for the conversion of existing Buy/Sell Direct Purchase Customers, CENGAS only sees Centra's proposal as an "alternative second-best proposal". CENGAS advocates extending the monthly conversion option for a full two years to facilitate the migration of customers from Buy/Sell arrangements to WTS.

As a first and preferred option for enrollment of existing Buy/Sell customers in WTS, CENGAS proposed that the Board approve an option under which ABMs would convert all existing Buy/Sell customers to the ABC billing platform effective February 1, 2000. Under the CENGAS proposal, ABMs would have the option of phasing out current Buy/Sell arrangements between the ABM and Centra and replacing the arrangement with a WTS agreement between the ABM and Centra. Such a change would protect the ABMs from retroactive price adjustments and would also enable customers to remain on the Buy/Sell rebate program but use the ABC billing platform. At year end, the Buy/Sell Customer would receive a rebate calculated in accordance with the ABM/customer

existing Buy/Sell arrangement. CENGAS urged the Board to accept this proposal for the conversion of or enrollment of existing Buy/Sell customers because:

- The Buy/Sell arrangements between the ABM and Centra would be phased out as envisioned by the Board in Order 15/98;
- It is consistent with the language contained in most CENGAS customer agreements;
- It adheres to the pricing terms contained in the agreements between the ABM and its customer;
- It avoids ABM and customer exposure to retroactive price changes;
- It will run simultaneously with WTS and coincide with the consumer education program; and
- It presents minimal risk to Centra.

The five key points of the CENGAS proposed option are:

1. Upon the commencement of WTS or on a subsequent request, an ABM would have the option of moving all existing Buy/Sell customers to a WTS/ABC agreement with Centra. The Buy/Sell Agreement as between Centra and the ABM for those customers would change. No retroactive price adjustments are envisioned in this new ABM/Centra agreement. The pricing agreement between the ABM and its Buy/Sell customers would not change.
2. Upon commencement of WTS or on subsequent request, existing Buy/Sell customers would be billed using the ABC platform at the price reflected in the agreement with the customer.

3. The price to be used to bill these Buy/Sell customers for their Primary Gas is to be Centra's most recent Board approved sales rate. The use of the current Board approved sales rate will preserve that aspect of the current commercial relationship between the ABM and the customer.
4. Current Buy/Sell customers would be offered two choices by ABMs:
 - (i) Customers would be offered the choice to convert to a fixed price program under WTS which would require a positive election and execution of a new agency agreement in order to convert to WTS, or
 - (ii) Customers would have the option to remain on the rebate program that they are currently on.
5. If the current Buy/Sell customer elects to remain on the rebate program, this customer would be billed at the stipulated price using the ABC platform and, at the end of the year (or as agreed between the customer and the ABM) the ABM would calculate the rebate due to the customer under the customer's existing Buy/Sell Pricing Arrangement and pay that amount to the customer.

Centra's objections to the CENGAS proposal for the conversion or enrollment of existing Buy/Sell customers to the ABC billing platform are twofold. First, Centra is uncertain as to whether ABMs would be using a rate approved by the Board as the price on the ABC platform or whether ABMs would be asking Centra to charge any price the ABM dictates, even if it had not been approved by the Board. In answer to Centra's first concern, CENGAS indicates it is prepared to charge Centra's current sales rates provided there is no prospect of retroactive adjustments attaching to that customer.

Centra's second concern with the CENGAS proposal is that there is a financial risk to Centra and its existing customers should an ABM default in its payment obligations. CENGAS' response to Centra's second concern is to make it a condition of any ABM using the CENGAS option that the ABM agree to indemnify Centra for any risk that it might incur as a result of converting the rebate customer to the ABC billing platform. Additionally, and depending on the ABM's credit worthiness, the ABM may be required to post appropriate security for up to two months of the billing cycle.

14.1.3 Board Findings

The Board finds it imperative that new agency agreements be executed between customers and their ABM before that customer can be enrolled in the WTS program. The new agency agreement will be required whether the customer is already a direct purchase customer or whether the customer is an existing system supply customer. Customers need to be made aware of the details of the WTS program and the inherent risks being assumed by authorizing their agent to utilize WTS to supply Primary Gas.

Enrollment of existing system supply customers is to be facilitated on the quarterly anniversary of the gas year (i.e., November 1, February 1, May 1 or August 1) provided the ABM gives Centra one month advance notice of the enrollments to enable Centra to comply with the one month notice requirement to TransCanada to change contracted volumes. This is similar to the de-contracting requirement that was utilized for customers leaving system supply to partake in other direct purchase programs.

CENGAS' proposal to convert existing Buy/Sell customers to the ABC billing platform is predicated on there being no retroactive price adjustment to such customers. The Board is not convinced that all adjustments to Centra's approved rates should be borne

solely by system supplied customers. The existing PGVA tracks the daily differences between the actual commodity cost and the commodity cost embedded in sales rates. To permit Buy/Sell customers, who may have contributed to the balance in the PGVA, to be exempt from having to pay any such balance is unduly prejudicial to system supply customers who would be left to pay the entire balance. Therefore, the Board will not accept CENGAS' option to convert Buy/Sell customers to the ABC billing platform such that they are exempt from retroactive adjustments. The conversion of existing buy/sell customers to WTS and ABC service shall be in accordance with the process recommended by Centra.

14.2 Western Buy/Sell

As customers migrate to the WTS from Western Buy/Sell, and as existing Western Buy/Sell contracts come up for renewal, Centra proposed to re-evaluate the performance and viability of the Western Buy/Sell Service and may make an application to the Board regarding that program in the future. In the meantime, Centra would renew any expiring Western Buy/Sell contracts for annual periods only.

14.2.1 CAC/MSOS Position

CAC/MSOS submitted that no Buy/Sell arrangements should be permitted subsequent to the issuance of this Order and that existing Buy/Sell arrangements should be allowed to expire when the ABM customer contract expires.

14.2.2 CENGAS Position

CENGAS has proposed a conversion option which would end the Buy/Sell on February 1, 2000 and has expressed objections to renewing Buy/Sell agreements for annual periods only.

14.2.3 Board Findings

The Board is of the view that the Buy/Sell arrangements should be phased out by November 1, 2001, as these arrangements are an impediment to price transparency. Should any parties require an extension to that date they should make the appropriate application to the Board.

14.3 Cheque Endorsement

Centra stated that cheque endorsement can provide an acceptable form of a new agency agreement provided appropriate wording appears on the back of the cheque and provided also the payments covered by the cheque must not include any money that is already or otherwise would be owed to the customer.

14.3.1 CAC/MSOS Position

CAC/MSOS supported the use of cheque endorsement as a means of customer enrollment, provided the wording on the cheque is clear.

CAC/MSOS acknowledged that cheque endorsement is used in other jurisdictions and in other industries. Because it is a legitimate marketing technique, CAC/MSOS believes the focus should be on trying to make sure there is no confusion over the purpose of the cheque and the nature of the contract the customer is entering by endorsing the

cheque. CAC/MSOS supports a brief statement on the back of the cheque indicating that by endorsing the cheque the customer is signing up for a direct purchase of natural gas program at a fixed price, for a specified time period, subject to the more detailed Terms and Conditions of Service on an attached full sized document.

14.3.2 CENGAS Position

CENGAS suggested the type of language that could be used on the back of cheques. Should the Board be more inclined to the approach suggested by CAC/MSOS, with brief information on the cheque but detailed accompanying information, CENGAS would comply.

14.3.3 Board Findings

The Board is of the view that the use of cheque endorsements is not an appropriate method of creating a contract between the customers and the ABM. There is a risk that customers will not fully understand the ramifications of the transaction. Therefore, the Board will require that each customer converting to WTS must sign a formal agreement separate from any rebate cheque being endorsed.

14.4 Cooling-Off Period

Upon enrollment in WTS, the customer would stay enrolled with an ABM until the ABM or an adjudicator notifies Centra that the enrollment should be terminated. The customer will be able to cancel the enrollment by invoking a ten-day cooling-off period. Any dispute relating to customer enrollment would be referred by Centra to the ABM involved or to the appropriate personnel within the conflict resolution

process envisioned in the Code of Conduct. No other ABM will be allowed to provide service to that customer while an existing WTS agreement is in effect.

14.4.1 CAC/MSOS Position

CAC/MSOS sought “cooling-off periods” in excess of the statutory requirements and in the event whereby an agency agreement was assigned from one ABM to another.

CAC/MSOS was of the view that customers should not be assigned from one ABM to another without the approval of the customer. CAC/MSOS agreed with Centra’s revised position that a customer be given 30 days notice of assignment in writing and then be given another 30 days to terminate the new arrangement for a contract.

With respect to the matter of a cooling-off period for any contract entered into by a customer, CAC/MSOS considered ten days to be insufficient given the complexities of gas supply and suggested that 30 days after Centra’s notification letter was more appropriate. As an alternative, the adjudicator under the proposed dispute mechanism should be given broad powers to release a customer from a contract if there is a misunderstanding.

14.4.2 CENGAS Position

CENGAS agrees with Centra that a ten-day cooling-off period for all WTS agreements should be required. No further cooling-off period was suggested but CENGAS noted that as a practical matter, there is further protection if the Code of Conduct is breached as the designated person hearing a dispute can order a person stay on system gas and effectively not allow an ABM to enroll that customer.

14.4.3 Board Findings

The *Consumer Protection Act* of Manitoba provides that a buyer may cancel a retail sale or retail hire-purchase to which the Act applies at any time within ten days following the day on which the buyer receives a statement of cancellation rights that conforms with the requirements prescribed by the Minister. Regulation 197/97 is a direct seller's regulation under the *Consumer Protection Act* and contains the specifics of the information that need be included in the written agreement between the ABM and its customer. Included in this information is a statement of cancellation rights as set out in the Regulation and the attached schedule to the Regulation. All ABMs are required to comply with this legislation.

In addition to a ten-day "cooling-off period" to be included in all WTS agreements are to provide customers with a further opportunity to cancel the agency agreement within 30 days of the customer being advised that the agency agreement has been assigned from one ABM to another. There may be valid reasons why customers do not want a particular ABM as their agent and if the agency agreement is assigned to that ABM, the customer should be given the opportunity to cancel the agency agreement. The code of conduct is to reflect these "cooling-off periods".

A further practical protection to natural gas customers is provided in the Code of Conduct. Any customer with a valid complaint about the method in which the ABM operated in signing up that customer can request, or the designated person adjudicating the complaint can direct, that the customer stays on system supplied gas which effectively cancels any attempt the ABM may make to have that customer enrolled in WTS.

14.5 Notification Letter

Centra proposes to mail a notification letter to customers informing them that Centra is acting on the direction of the customer's agent, their type of service is being switched to WTS, and the price for Primary Gas is also being changed to the amount advised by the customer's ABM.

14.5.1 CAC/MSOS Position

CAC/MSOS did not provide a final submission on the use of a notification letter.

14.5.2 CENGAS Position

The Letter of Notification Centra proposes to send customers enrolling in WTS was acceptable to CENGAS, provided the final wording was mutually satisfactory.

14.5.3 Board Findings

The Board will permit Centra to issue the notification letter as an added control mechanism to protect against unauthorized sign-ups or errors. The letter must be mutually satisfactory to Centra and the ABMs. Centra's letter will include the name of the ABM, the date of conversion to WTS and the price agreed to by the ABM. The letter should instruct customers to deal directly with the ABM regarding any questions or concerns they may have.

14.6 Minimum Customer Group Size

For enrollment and contract management purposes, Centra proposed that each ABM organize its customers by supplier for nomination purposes and by price for billing purposes. The minimum group size must have an estimated annual consumption of 310,000 cubic metres under normal weather conditions, and an MDQ of approximately 1,062 cubic metres.

14.6.1 CAC/MSOS Position

CAC/MSOS did not comment on the minimum size requirements.

14.6.2 CENGAS Position

CENGAS did not comment on the minimum size requirements.

14.6.3 Board Findings

The Board accepts that minimum group size should have an estimated annual consumption of 310,000 cubic metres to reflect the minimum TransCanada nomination increment of an MDQ of 1,000 cubic metres. Should TransCanada's requirements change such that a smaller group volume can be accommodated, such information is to be provided to the Board and all parties to this Order to assess whether Centra's requirements should also be changed.

15.0 Consumer Protection

The matter of Consumer Protection was raised during the stakeholder meetings. Centra indicated that there was a need for an ABM Code of Conduct to impose standards under which direct purchases to customers could be offered, and the identification of an adjudicator to oversee the Code of Conduct and the dispute resolution mechanism.

15.1 Customer Education

Centra views its role is to provide sufficient information to customers to enable them to make choices concerning their Primary Gas Supply. Centra will inform customers that:

1. Customers have a choice of supplier of Primary Gas;
2. Centra will continue to provide Storage and Peaking and Transportation and Delivery Services on a non-discriminatory basis for all customers; and
3. Customers who choose to purchase their gas from an ABM will still receive one bill from Centra for all their gas charges.

Centra has developed a customer education campaign segregated by customer class to assist in the transition to WTS. Centra stated that it had already commenced employee education to deal with customer inquiries.

Centra provided information on the current status of the Customer Education Plan and Consumer Protection proposals. The Customer Education Plan will consist of four components:

- A generic information package to be handed out by ABMs when marketing door-to-door, and to be handed out by Centra at the request of customers.
- A bill insert, to be developed and mailed by Centra based on the generic information package, with wording to be agreed to by all stakeholders.
- An information package developed by Centra with input by all stakeholders based on the types of questions and concerns raised by customers.
- Additional information to be posted on Centra's website.

The education campaign could start immediately upon issuance of a WTS Order and upon finalizing the wording of the material. The only issue at dispute was what, if any, logo should be used on the information packages.

At the hearing, the Board requested that it be provided with a final draft of the generic information package and a copy of the proposed bill insert, either agreed to by all interested parties, or areas of disagreement were to be identified. In early November of 1999, Centra submitted a bill insert, the generic information package, and a consumer Bill of Rights. Centra indicated that CAC/MSOS and CENGAS had reviewed and agreed to the form of the generic information package.

Centra proposed that the title of "Added Choice Program" be used for the information package noting that "Western Transportation Service and Agency Billing and Collection Service" was too long and did not accurately reflect the nature of the proposed program. Centra indicated that it was taking the necessary steps to ensure that it had a proprietary interest in the name so as to be able to use it without interference from other parties. Centra also noted that CENGAS requested that the risks associated with

system supply be expanded to include mention of the risk of retroactive price adjustments, but contended that the risks currently identified in the documents accurately reflect the current regulatory environment, and no further change was required.

15.2 Code of Conduct and Consumer Bill of Rights

The proposed ABM Code of Conduct encompasses a number of principles including:

- Centra should have no role in policing ABMs, nor be involved in disputes between ABMs and customers.
- If Centra receives a complaint Centra should refer that customer to the ABM involved.
- The Code should govern all ABM direct purchase transactions.
- The Code should form a part of the Board registration requirements for ABMs.
- The Board should have some role in the development and maintenance of the Code and dispute resolution mechanism.

It was proposed that the issue of consumer price risk under WTS/ABC service would be addressed in the generic information package, while unauthorized switching by ABMs and confidentiality of information would be addressed in the Code of Conduct.

As customer confidentiality is already a part of Centra's existing Code of Conduct, it was generally agreed that consumer protection measures could be put in place before the actual implementation of the WTS/ABC service, and should not delay its

implementation. Centra and other stakeholders sought direction from the Board in terms of the Board's involvement with the Code of Conduct and the Board's role in the dispute resolution mechanism.

The dispute resolution method included in the Code of Conduct is to apply to customers with an annual consumption of less than 50,000 cubic metres. The stakeholders were of the view that, although the Board could be informed of a dispute, the larger consumer was more sophisticated and could settle any dispute outside the proposed mechanism without the input of the Board and adjudicator. The proposed mechanism:

- Could be administered by either a panel or member of the Board, Board Staff, or an independent Ombudsperson.
- Would provide for Centra to act on the decision of the administrator, where administratively necessary.
- Would not preclude either party from pursuing any other legal remedies available.

15.3 Bonding

Centra did not state any position with respect to ABM bonding requirements.

15.4 CAC/MSOS Position

CAC/MSOS indicated that there were a few outstanding issues regarding the customer information package and the bill insert. CAC/MSOS asked that the generic customer information package need not display any logo, but that the document itself should prominently display who was involved, and that it was a co-operative stakeholder

process including a consumer advocacy group. CAC/MSOS suggested that a Board logo could result in the Board being faulted if any problems were to arise with the information package. CAC/MSOS agreed that the Customer Bill of Rights should be drafted by interested parties and submitted to the Board prior to being distributed to customers.

Mr. Todd stated that setting a bonding requirement may create a financial impediment to participants coming into the marketplace.

15.5 CENGAS Position

The stakeholder process resulted in the parties preparing a draft Code of Conduct, even though there were outstanding differences between the parties with respect to certain sections. CENGAS indicated the parties welcomed the Board's view and guidance on the Code of Conduct including the dispute resolution process. The parties contend that such a Code of Conduct provides a viable, low cost, expeditious and effective means for consumer complaints about marketing activities by ABMs to be addressed.

CENGAS supported the proposed consumer education plan as outlined in the Stakeholder Report, and asked that the Board direct the parties to continue with the finalization of the customer information material. CENGAS also expressed the view that the customer information package should be neutral and if any logo was to appear it should be that of the Board.

On November 2, 1999 CENGAS informed the Board that it objected to the use of the title "Added Choice Program" suggested by Centra for the generic information package and the bill insert. CENGAS submitted that it had a marketing flavour and that

marketers might promote programs using the “Added Choice” name thereby drawing unfair goodwill benefits from the generic information. CENGAS also expressed concern about Centra’s intention to preserve its right to use the name, suggesting that Centra also should not be able to create goodwill from a name intended to be used generically. CENGAS submitted that the use of “Western Transportation Service and Agency Billing and Collection Service” or the abbreviated “WTS/ABC service” would eliminate their concerns.

CENGAS expressed the view that the generic information should include an indication that there is a risk to the consumer that the price of system gas supply can be subject to retroactive change.

CENGAS suggest the use of bonding credit checks or posting of security could be acceptable methods to protect against ABM non-performance.

15.6 Board Findings

The Board is of the view that consumers should have access to objective, accurate and helpful information that will enable them to evaluate competing supply options on the basis of price, risk and terms of service, and to enter into contracts accordingly. This would include a common unit pricing system used by all market participants. Consumers should have reasonable mobility, and not be unduly restricted from switching energy suppliers. Consumers should be able to have complaints resolved in an efficient and timely manner, and should be protected from unauthorized disclosure to third parties of information provided to marketers. An efficient competitive market should not raise unreasonable barriers to entry or exit, and energy marketers should not be unduly restricted in offering new and innovative products.

As discussed in Order 15/98, the Board is of the view that educating customers and price transparency are required for a fully competitive market to develop. Employee training is integral for consumer education and the Board is pleased that training has already started.

Manitoba consumers should be aware of two recent occurrences where ABMs discontinued Primary Gas supply to residential consumers in Manitoba and in Ontario. The price at which the ABM was able to purchase the gas exceeded the price which the ABM had agreed to supply Primary Gas to their customers. As a result, the ABM discontinued supply, despite being contractually obliged to do so. The “stranded” customers were turned back to the LDC by the ABMs. While these customers continued to receive natural gas at the LDC’s Primary Gas rate, this rate may have been different than that offered by the ABMs. In addition, these consumers were exposed to any incremental cost incurred by the LDC in arranging for the additional requirements of these customers. Customers should be aware that such risks exist, and may be increased under a fixed price contract which has a term of five years, as opposed to a one-year term.

The Board is satisfied that the stakeholder process used to develop the customer generic information package was a beneficial exercise. The Board understands that having the logos of all stakeholders involved might communicate that the generic information process was a collaborative effort. However, there may be logistical issues with this approach. For example, some of the parties involved in the development process do not have logos and the inclusion of all stakeholder names or logos would create additional printing costs. The Board will direct that it is appropriate to include

only the Board Logo on the information document, to support the notion that the information document is a non-partisan document.

The Board is of the view that the title of “Added Choice Program” for the generic information package does not convey the correct message to the consumer. The title should not suggest that competition alternatives in the marketplace are Centra sponsored programs. The Board agrees with the position of CENGAS that the proposed title has a marketing flavour and does not accurately reflect the nature of the proposed program. Therefore, the Board is of the opinion that the title, “A Guide to the Purchase of Natural Gas” would be more appropriate, and would allow both Centra and the ABM’s to develop and utilize their own separate marketing tools to promote their service offering.

The Board will require Centra to file the revised generic information package approved by all stakeholders involved in this process for review. Once the Board is satisfied that the document is clear and complete, then the Board logo may be used and the information can be circulated to consumers.

The generic agency agreements to be used for all customers that will clearly indicate price and duration of the contract on the front page should be filed with the Board for approval.

The Board has considered the issue of security of supply and ABM Bonding to ensure that supply is guaranteed. The evidence at the hearing, as submitted by CAC/MSOS and supported by other parties, is that the physical supply of gas is not currently a problem, nor is expected to be for several years. Rather, the issue at hand is the price

of the supply, and long term five-year ABM/Customer fixed price contracts. If an ABM cannot continue to purchase gas at a price equal to or lower than the agreed to fixed price any time during the five-year term, the concern is that the ABM may breach the contract, and risk the financial consequences.

It has been suggested that a performance bond could be used to provide some protection in such a circumstance. The Board has considered this approach, but is of the view that a bond may be difficult and costly to obtain, especially for the smaller marketers. The Board is of the view that the requirement for a bond would create an unnecessary barrier to entry into the Manitoba market. Therefore, the Board will not impose any bonding requirements for Manitoba ABMs. Any ABM who does not conduct marketing activities in accordance with the Code of Conduct, or fails to meet the Terms and Conditions of Service of a customer contract faces potential expulsion from the Manitoba market, under the Board's ABM registration requirements, as well as customer litigation.

In the past the Board has accepted corporate warranties under the Buy/Sell mechanism that firm supply contracts are tied to firm transportation arrangements on the inter and intra provincial systems and that the ABM has a minimum two-year rolling supply, and has not experienced any significant problems with this approach. As part of the annual licencing process, the Board will continue to require that each ABM provide a warranty that the ABM can meet supply and transportation volumes for the ABMs as required under all ABM customer contracts by way of an affidavit.

A revised Code of Conduct, Customer Bill of Rights and generic information package should be filed with the Board prior to May 1, 2000.

The Board is not opposed to taking the role of adjudicator within the dispute resolution mechanism as contemplated by Centra.

16.0 Balloting

16.1 CAC/MSOS Position

CAC/MSOS asked the Board to either disallow the application until the matter of further unbundling is resolved, or to require the use of a balloting process if WTS and ABC services were to be implemented. CAC/MSOS suggested that balloting would not interfere in the marketplace as ABMs could use any additional marketing tools they wanted. CAC/MSOS was of the view that the balloting system would lower the barriers to entry in a competitive market, would result in more competition and increased customer choice, and would allow for greater price transparency, which would ultimately lead to lower prices for the provision of all energy services.

Mr. Todd, on behalf of CAC/MSOS, proposed an alternative whereby Centra could make the WTS' offerings of ABM's available to customers through a balloting process. The process would require that, prior to each quarter, ABMs would submit price offerings for residential WTS on standard terms and Centra would prepare a ballot setting out the names and price offerings of ABMs instructing customers to choose either one of the ABM offerings or system supply. Personalized ballots would be submitted to all customers with their billing invoices. Customers could return ballots with their payments. The advantage of this system according to Mr. Todd was that it offered price transparency, competition in pricing, low marketing costs and a regulated bid process. Such a balloting process had never been adopted in Canada according to Mr. Todd.

16.2 CENGAS Position

CENGAS noted that Mr. Todd's proposal for a centralized utility operated marketing of competitive gas supply offerings would actually diminish the attractiveness of the WTS to marketers. The balloting approach precluded the ABM from having direct contact with the customer and was an unrealistic approach to marketing. However, CENGAS did not object to the balloting proposal put forward by CAC/MSOS, provided that its use would be at the ABM's option, and would not prohibit other ABM direct marketing techniques.

16.3 Centra's Position

Centra suggested that balloting was a marketing issue. Centra did not believe it should become involved in direct marketing activities for the ABMs. Centra expressed concern that the suggested process would require additional costs in providing the material and in responding to customer enquiries.

16.4 Board Findings

The Board agrees with Centra that the utility should not become involved in marketing of natural gas on behalf of others through the balloting process. Increased customer choice brings with it increased individual responsibility to investigate the available options. Customers must bear the consequences of their choice. The Board considers, however, that the ABM Code of Conduct must be followed by the ABM Community in its marketing efforts. Customer information campaigns and educational packages will also assist the customers in understanding the risks of a choice. The Board encourages the ABMs to explore any effective marketing opportunities without the involvement of

Centra, to increase customer choice and service availability. In the final analyses, it will be the customer who will decide on whether to utilize system gas or use an ABM. Consumers must be responsible for their own choices. The development of a Board website in the future may assist customers in further understanding the choices that are available.

The Board will order that Centra should not be involved in the balloting process, as suggested by the parties to this hearing.

17.0 Bridging Service

17.1 Centra Position

Centra proposed to offer a bridging service for customers who leave an ABM until that customer either signs on with another ABM or returns to system supply. The service would be available to the customer up to the end of the gas year, but the customer could discontinue bridging service at the beginning of any gas quarter. Centra proposed to price bridging service on a monthly basis, at the higher of the incremental cost of gas for the month or Centra's billed rate for Primary Gas. Incremental costs would only be charged when new contractual supply arrangements have to be made by Centra.

17.2 CAC/MSOS Position

CAC/MSOS contended that the charge for bridging service should be priced at the incremental cost of gas unless the returning customers can be served under existing supply arrangements.

17.3 CENGAS Position

CENGAS supported Centra's application related to bridging service.

17.4 Board Findings

The Board accepts Centra's proposal to offer a bridging service for customers. The service affords customers the security of a temporary gas supply until they either select

another ABM or return to system supply. The Board considers that, in the majority of cases, a customer should only need to use the bridging service for the balance of a gas quarter. Centra is able to alter its volume entitlements under the TransCanada contract at the start of every quarter in a gas year, provided capacity is available. Recent events suggest that excess capacity will be available in the future on the TransCanada System.

The Board is of the view that instances where incremental costs will be greater than Centra's average annual costs will be limited. In the normal course, incremental costs would only be incurred for the balance of a gas year quarter, at which time Centra could likely provide the supply by increasing its entitlement with TransCanada. In the unlikely event Centra experiences additional incremental costs, the Board will order these costs be recovered from the ABM's returning customers, and not system customers.

18.0 Backstopping Service

Centra proposed that Backstopping supplied by Centra be treated as an infraction of the Terms and Conditions of Service rather than a tariffed service. Centra proposed that Backstopping charges be set, at Centra's discretion, to a maximum of two times the incremental cost of providing the service. Centra also proposed that continued reliance on Backstopping by an ABM be cause for Centra to terminate its WTS agreement with an ABM.

18.1 CAC/MSOS Position

CAC/MSOS contended that Backstopping should be a failsafe mechanism and not a regular service. ABMs should be able to provide their own Backstopping without relying on Centra, and the Backstopping charge should be set so that Centra's service is not an attractive alternative to the ABMs. CAC/MSOS recommended that Centra be required to file a report with the Board no later than the next GRA which would assess if a charge equal to two times the cost, as currently proposed, is adequate to discourage indiscriminate use of Centra's backstopping service. Additionally, CAC/MSOS submitted that the "penalty" should be automatic and not at the discretion of Centra. CAC/MSOS did not agree that Centra should be allowed to terminate WTS with an ABM for continued reliance on Centra's backstopping service. This could allow an ABM to abrogate a financially unfavourable contract and leave the customer to deal with the adverse consequences.

18.2 CENGAS Position

CENGAS agreed with Centra's position on the issue of backstopping service.

18.3 Board Findings

The Board considers that backstopping services should be provided by Centra only as a last resort. The Board notes that instances in the past decade where backstopping services were provided to ABMs by Centra have been infrequent. The provision of this service should be priced so as to discourage the ABMs from using Centra's backstopping in the normal course.

The Board is of the view that the service should be priced considerably above the incremental costs, and believes that a price of twice the incremental cost will discourage its use, while continuing its availability as a last resort. Therefore, the Board will approve Centra's request that backstopping service be offered by Centra at two times Centra's incremental costs of providing the service. The Board will require Centra to provide periodic reports whenever the backstopping service has been used, outlining the circumstances which necessitated Centra to provide the service, and the reasons, if any, for waiving the charges.

The Board does not agree that Centra should terminate a WTS agreement because of repeated use of Centra's backstopping service by an ABM. The Board is of the view that any actions regarding any ABM matter should be carried out by the Board during its licencing process.

19.0 Purchase Gas Variance Account

Centra requested approval of the following changes to the method of disposing of the Purchased Gas Variance Account balance:

1. To fully unbundle the PGVA rider into three separate accounts that correspond to the newly segregated services.

The Primary Gas PGVA would track cost and volume variances with Centra's Primary Gas, but not that of the ABMs. The Storage and Peaking Gas PGVA would be computed and applied differently for Firm and Interruptible customers as previously discussed in Section 20.

2. To create a transition period to December 31, 2000 during which the PGVA balance at the commencement of WTS Service would be recovered through the Transportation and Delivery Service rates.

Centra noted that unless a transition period is approved with the implementation of WTS, then customers that elect to purchase ABM Primary Gas would avoid any PGVA riders associated with Primary Gas. Such a result would unfairly disadvantage Centra's Primary Gas customers and would provide an unfair advantage to ABMs. The transition period would end December 31, 2000 since Centra anticipates that the initial migration of customers to ABMs for Primary Gas will have occurred by that time.

WTS customers with or without ABC Service will only be subject to Centra's Storage and Peaking, and Transportation and Delivery PGVA riders after the transition period ends.

With respect to the disposition of the PGVA balances Centra stated that it would submit its position regarding the timely disposition of the PGVA accounts in its application regarding Rate Management, currently filed with the Board on December 22, 1999.

19.1 CAC/MSOS Position

CAC/MSOS did not take a position regarding the unbundling of the PGVA..

19.2 CENGAS Position

CENGAS urged the Board to direct Centra to apply for and implement a cost of gas change to reflect the current market and to dispose of all gas related deferral account balances by the end of 1999 as a condition to implementation of WTS. CENGAS also suggested that on a forward-looking basis, Centra should be directed to dispose of deferral account balances on a quarterly basis, at a minimum. More frequent dispositions of PGVA balances would ensure greater price transparency and price accuracy, which are required for the market to operate competitively. CENGAS contended that rates must realistically reflect market price, and price distortions resulting from rates not including PGVA adjustments make fair competition difficult. CENGAS reiterated that it generally supported Centra's proposals, and that the recent volatility of gas prices has exacerbated the flaws of the Buy/Sell mechanism.

19.3 Board Findings

A fundamental rate making principle is that customers' classes bear the costs they are responsible for causing. Therefore, as part of the unbundling process, the Board will

order Centra to establish and maintain separate and distinct PGVA accounts, effective at the commencement of WTS service for each gas component. The establishment of these accounts will allow Centra to track and allocate PGVA balances to the appropriate customers' classes, both during and after the transition period.

The PGVA for Primary Gas and the PGVA for Supplemental Supply will be allocated differently for Firm and Interruptible customers.

The Board agrees with Centra that ABM customers would receive an unfair advantage if the PGVA were to remain part of the Primary Gas component of rates during the transition period. Therefore, the Board will order the PGVA balance at the date of implementation of WTS be recovered through the Distribution Charge. Centra's requested delay in implementation of WTS from February 1, 2000 to May 1, 2000 may affect the transition period used to recover this PGVA balance. Therefore, the transition period will be determined once the expected PGVA balance at the WTS implementation date is more certain.

20.0 Interruptible Services

20.1 Firm and Interruptible Storage and Peaking Gas

Centra proposed that services to Interruptible customers under WTS service would differ from services to other customers in two ways. Centra would offer different rates for Storage and Peaking Gas for Firm as compared to Interruptible customers. The current charge to all customers contains costs associated with Delivered Services to Firm customers, thereby being unfairly applied to Interruptible customers who are paying for gas they are denied from using. Specifically, the cost of Storage and Peaking Gas to Firm customers will include U.S. sources and Delivered Services. The cost will include only the U.S. sources and exclude Delivered Services for Interruptible customers. Second, Centra will lower the threshold price whereby it automatically offers Alternate Service to Interruptible customers. That price will be the incremental cost of providing that Alternate Service.

20.2 Short-Term Interruptible Service

This service offering was introduced in 1997 to permit Interruptible customers to arrange their supply of gas during periods when customers had to otherwise choose between curtailment or Centra provided Alternate Supply. There have been no customers since inception. Centra has applied to remove the Short-Term Interruptible Service from the Terms and Conditions of Service, effective November 1, 1999. Since this option allowed Interruptible customers to substantially alter their load factor, which is contrary to WTS which contemplates an average load factor, Centra applied for the elimination of this option.

20.3 Presenter Position

Griffin Canada Inc., a manufacturer of steel products, advanced its position that the 86% designation of Primary Gas to be supplied by ABMs was insufficient for Interruptible customers. In support of their position, Griffin submitted evidence of their ability to forecast with accuracy their annual consumption by month. Based on its filing, Griffin argued that Interruptible customers were paying the costs of other customers and were exposed to risks other customers did not have to face.

20.4 Board Findings

The Board considers that Centra's proposal to offer different rates for Firm and for Interruptible customers for Storage and Peaking Gas is appropriate. It recognizes and corrects past circumstances. The Board will approve this change as proposed by Centra.

As discussed in Section 10.9.2, the Board will not approve Centra's request to discontinue the Short-Term Interruptible Service. The Board is of the view that such an option should continue to be available to Interruptible customers. The Board will expect Centra to file an update on the use of this service in the report dealing with the value of Interruptible customers to Centra's system.

21.0 Changes to Western Buy/Sell Service

21.1 Delivery Limits for ABM Gas Supply

Centra proposed to amend the existing Gas Purchase Agreements with ABMs to remove floors and caps from the Buy/Sell delivery limits to be consistent with the proposed WTS' delivery methodology.

21.2 Summer Interruptible Buy/Sell Option

In its June 4, 1999 Application, Centra indicated that effective November 1, 1999 it would eliminate the Summer Interruptible Buy/Sell option currently available to Interruptible customers. This option enabled Interruptible Buy/Sell customers to deliver all of their annual requirements during the summer months of April through October. The Summer Interruptible Buy/Sell option is not available to Firm customers.

Centra acknowledged that this option provided significant benefits to some Interruptible customers. While this proposed change did not result from the introduction of the WTS, it is a change that Centra intended to make, primarily because it permits Interruptible customers, on direct purchase arrangements, to provide their gas at substantially different load profiles than other customers.

Since filing its June 4, 1999 application, Centra has had various stakeholder meetings to discuss issues related to the Application. Centra indicated that it had received feedback and comments from customers and participants such that there was opposition to Centra's proposed elimination of the Summer Interruptible Buy/Sell option.

While Centra still has concerns about customers participating in direct purchase arrangements and delivering their volume at different load factors, Centra was also sensitive to the short-term impact that this change may have on customers currently receiving service under this option.

Centra therefore amended its initial position and is no longer seeking to immediately eliminate this option, but rather is planning on grandfathering existing arrangement for the gas year November 1, 1999 to October 31, 2000. This arrangement would only be available to those customers who are currently participating in the Interruptible Summer delivery option under a Buy/Sell service.

21.3 Presenter Position

At the public hearing, Gateway Industries, an Interruptible customer who had been an Interruptible Buy/Sell customer but was presently on system supply gas, enquired as to the availability of the Summer Interruptible delivery option. The customer objected to Centra's position that it was not available to system supply customers and would only be available to seven existing Interruptible customers who are currently on a Buy/Sell arrangement. The customer requested a decision from the Board that this service offering should be available.

21.4 Board Findings

The Board has, in past, expressly approved the Terms and Conditions of Service under which Centra operates. It therefore follows, that any changes to those Terms and Conditions of Service must also be approved by the Board to ensure they are just, reasonable and are not unjustly discriminatory or preferential. The Board is therefore

concerned with the company's position that it is not requesting Board approval for the proposed changes in the Terms and Conditions of Service which would eliminate or grandfather the Summer Interruptible Buy/Sell option.

The change that Centra intended to make grandfathered the seven existing customers who are on the Summer Interruptible delivery option for Buy/Sell customers. By so doing, Centra intended to withdraw this service from all other Buy/Sell Interruptible customers. The Board finds such a proposal to unjustly discriminate and provide preferential service to certain customers. Therefore, the Board will not at this time approve Centra's request to eliminate or grandfather the Summer Interruptible delivery option.

The Board has previously requested Centra provide a report assessing the value that Interruptible customers provide to Centra's gas supply portfolio and operation of its system. The Board will await receipt of that report before considering whether any further changes should be made in the service offerings to Interruptible customers. Therefore, should an Interruptible customer convert to a direct purchase arrangement and seek access to the Summer Interruptible delivery option, Centra is required to provide that option to that customer.

22.0 Terms and Conditions of Service

In addition to the Board approved rates that Centra charges its customers, Centra also operates under related Terms and Conditions of Service. It is recognized by Centra and other parties the specific Terms and Conditions of Service may impact, directly or indirectly, on rates charged for various services.

Recognizing specific Terms and Conditions of Service apply to WTS and ABC, Centra has filed a draft copy of its complete "Schedule of Sales and Transportation Services and Rates". This document contains, amongst other things, the Special Terms and Conditions of Service for WTS as well as ABC services.

All parties to this proceeding, and all participants in the stakeholder process are aware the Board's order on WTS/ABC will necessitate a review on the draft Terms and Conditions of Service to ensure full compliance with the Order.

22.1 Board Findings

The Board considers the Terms and Conditions of Service are an integral part of the rates that are ultimately approved and charged by Centra to consumers.

The Terms and Conditions of Service of WTS and ABC need to be reviewed by all stakeholders to ensure they accord with this Order. Centra will be charged with overseeing the process of finalization of the Terms and Conditions of Service related to WTS and ABC and thereafter filing them with the Board for approval. Any disagreements not resolved are to be brought to the Board's attention for resolution.

Revised Terms and Conditions of Service for the provision of these services that reflect the decisions in this Order be filed with the Board for approval.

23.0 IT IS THEREFORE ORDERED THAT:

1. The application of Centra Gas Manitoba Inc. seeking authorization for the provision of a WTS with respect to the sale of natural gas and the associated ABC service to be effective May 1, 2000 BE AND IS HEREBY APPROVED, subject to the following:
 - (a) Revised Terms and Conditions of Service for the provision of these services that reflect the decisions in this order be filed with the Board for approval.
 - (b) Revised Rates and Proof of Revenue for the provision of this service to be effective May 1, 2000 be filed with the Board for approval.
 - (c) The generic agency agreement to be used for all customers that will clearly indicate the price and duration of the contract on the front page should be filed with the Board for approval.
 - (d) A revised Code of Conduct, Customer Bill of Rights and generic consumer education/information package, reflecting the decisions in this Order, be filed with the Board for approval.
 - (e) ABC service shall be mandatory for the SGC and the LGC until May 1, 2001, following which the service will be available on an optional basis.
 - (f) ABC service shall be optional for the HVC, Mainline Class and Interruptible Class effective May 1, 2000.
2. (a) Effective May 1, 2000, customer bills for all customers other than the Interruptible class shall be segregated into four components being Primary Gas, Supplemental Gas, Transportation to Centra and Distribution to Customer, in addition to the existing Basic Monthly Charge.

- (b) Effective May 1, 2000, customer bills for the Interruptible Customer Class shall be segregated into five components being: Primary Gas, Supplemental Gas, Transportation to Centra, Distribution to Customer, and Alternate Gas Service (if applicable), in addition to any existing Basic Monthly Charge.
3.
 - (a) All one-time implementation costs and on-going administrative costs related to the provision of WTS shall be allocated to and recovered from all customer classes.
 - (b) Centra Gas Manitoba Inc. shall file a tariff for Board approval for all incremental costs associated with the provision of ABC service to be charged to all ABMs effective May 1, 2000.
4. The application by Centra Gas Manitoba Inc. for approval of a Gas Loan Mechanism as amended at the public hearing with respect to year-end physical imbalances, BE AND IS HEREBY APPROVED.
5. All ABMs seeking to provide WTS shall:
 - Be licenced and registered in good standing to conduct business within the Province of Manitoba;
 - Be licenced as an ABM with the Board;
 - Satisfy reasonable credit worthiness requirements proposed by Centra Gas Manitoba Inc.;
 - Provide an arrangement with Centra Gas Manitoba Inc. of electronic funds transfer; and,

- Execute the appropriate service agreements with Centra Gas Manitoba Inc. for WTS and ABC service.
6. The Conversion of existing Buy/Sell customers to WTS and ABC service shall be in accordance with the process recommended by Centra Gas Manitoba Inc.
 7. Buy/Sell arrangements shall be phased out by November 1, 2001. Any party wishing to extend this date shall notify the Board together with their reasons for the request.
 8. Each customer converting to WTS must sign a formal agreement separate from any rebate cheque being endorsed.
 9. The request by Centra Gas Manitoba Inc. to use customer notification letters to inform them of a change in their service BE AND IS HEREBY APPROVED.
 10. The application by Centra Gas Manitoba Inc. to require the minimum ABM group size to have an estimated annual consumption of 310,000 cubic meters and a MDQ of 1,062 cubic meters BE AND IS HEREBY APPROVED.
 11. Any generic Customer Information literature shall not include any logo other than that of the Board, and the name "Added Choice Program" shall not be used.
 12. Centra Gas Manitoba Inc. shall not be involved in the Balloting Process, as suggested by the parties to this hearing.
 13. The application by Centra Gas Manitoba Inc. to offer a bridging service BE AND IS HEREBY APPROVED, provided that any incremental costs associated

with the offering of this service are borne only by the customers using the service.

14. (a) The application by Centra Gas Manitoba Inc. to provide backstopping service as a last resort, at a charge for the service, at Centra's discretion, equal to two times the cost of providing the service, BE AND IS HEREBY APPROVED.
- (b) The application by Centra Gas Manitoba Inc. to cancel a WTS agreement with an ABM for repeated use of Centra's backstopping service BE AND IS HEREBY DENIED.
15. (a) The application by Centra Gas Manitoba Inc. to establish separate PGVAs consistent with the unbundled gas categories BE AND IS HEREBY APPROVED.
- (b) The PGVA balance at the date of implementation of WTS be recovered through the Delivery Service Rate, with the recovery period for this balance to be determined at a later date.
16. The application by Centra Gas Manitoba Inc. to establish separate rates for Supplemental Supply for the Firm Customer Class and for the Interruptible Customer Class BE AND IS HEREBY APPROVED.
17. The application by Centra Gas Manitoba Inc. to remove the Short-Term Interruptible Transportation Service offering from the Terms and Conditions of Service BE AND IS HEREBY DENIED.
18. Centra's proposal to terminate or grandfather existing Buy/Sell Summer Interruptible delivery option customers BE AND IS HEREBY DENIED.

19. Centra Gas Manitoba Inc. file the following reports with the Board:

- (a) Outsourcing of the management of gas supply assets by June 30, 2000, to include a review of the most appropriate and economical gas supply portfolio, and recommendations on the merits of unbundling Centra's storage and transportation activities at some future time.
- (c) (b) Evaluate the results of the WTS and ABC service, including recommendations about the continued need for the Buy/Sell arrangements, and any difficulties with the operation of the Gas Loan Mechanism, by no later than August 1, 2001.
- (d) (c) Periodic reports detailing the circumstances where an ABM used Centra's backstopping service and the reasons, if any, for waiving the charges.

THE PUBLIC UTILITIES BOARD

Chairman

Acting Secretary

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"

Chairman

"H. M. SINGH"

Acting Secretary

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Acting Secretary