

MANITOBA

Order No. 161/03

THE PUBLIC UTILITIES BOARD ACT

October 30, 2003

Before: G. D. Forrest, Chairman
M. Girouard, Member
Mario J. Santos, Member
L. Evans, Member

**AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN INTERIM EX
PARTE ORDER APPROVING PRIMARY GAS SALES RATES TO BE
EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER NOVEMBER 1, 2003**

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1.0 Background

A natural gas customer's bills are divided into five components: Primary Gas Rates, Supplemental Gas Rates, Transportation to Centra Rates, Distribution to Customer Rates, and Basic Monthly Charges. The Board approved Rate Setting Methodology ("RSM") used to determine only the Primary Gas rates as follows:

1. Primary Gas Base Rates are adjusted quarterly on February 1, May 1, August 1 and November 1 to reflect the updated 12-month forward price for natural gas (weighted for the cost of gas in storage).
2. In addition to the Primary Gas Base Rate, a Primary Gas Rate Rider to be effective on the date of the Primary Gas Rate change, is to dispose of the estimated Primary Gas Purchase Gas Variance Account ("PGVA") balance at the end of the quarter over the next 12 months normalized volumes.

The Board in Order 143/03, dated October 3, 2003 set out the quarterly RSM process and related minimum filing requirements. This process requires Centra to base its applications for Primary Gas Rate changes on a 12-month forward price strip performed during the first week of the month preceding the commencement of the next gas quarter. Centra is to provide copies of the application to Intervenors who have requested copies of the quarterly gas rates application within two days of filing with the Board. Further, Centra is to ensure timely filing of applications and publishing of public notices so as to provide consumers and other stakeholders one week to provide comments to the Board prior to its deliberations on the respective applications.

The previous requirement that Centra provide an updated forward price calculation ten days prior to the commencement of the gas quarter was discontinued, as is the minimum filing requirement for Centra to provide alternate rate adjustment scenarios of 25%, 50% and 75% of the difference between existing rates and forward prices. For rates effective August 1, 2003, the approved Primary Gas base rate was \$0.2268 per cubic metre, based on the July 16, 2003 forward price strip. The approved Primary Gas billed rate which included a Primary Gas PGVA rate rider of (\$0.0055) per cubic metre was \$0.2213 per cubic metre.

2.0 The Application

On October 8, 2003, Centra applied to the Board for approval of interim Primary Gas sales rates and a rate rider to dispose of the estimated October 31, 2003 Primary Gas PGVA to be effective November 1, 2003, in accordance with the approved revised RSM process. These rates are to remain in effect until a further Order of the Board. The requested rates were determined using the October 1, 2003 forward price strip.

A public notice outlining this application, published in various newspapers commencing on October 18, 2003, invited interested parties to make comments respecting this application to the Board by October 29, 2003. The Board did not receive any comments regarding this application.

3.0 Primary Gas Base Rates and Billed Rates

The following table summarizes the various cost components used by Centra to determine Primary Gas Base Rates and Billed Rates and compares the forecast to the costs used to determine the August 1, 2003 Rates.

Component	Existing Rates August 1, 2003	Requested Rates November 1, 2003
Date of Forward Price Strip	July 16, 2003	October 1, 2003
12 Month Forward Price	\$ 6.0920/GJ	\$ 5.5540/GJ
Estimated Price Management Impact (\$/GJ)	\$ 0.1430/GJ	\$ 0.4140/GJ
Western Supply Price	\$ 6.2350/GJ	\$ 5.9680/GJ
Storage Gas Price	\$ 4.1270/GJ	\$ 6.1620/GJ
Weighed Gas Cost	\$ 5.8570/GJ	\$ 6.0030/GJ
Rates per cubic metre	\$ 0.2214/m ³	\$ 0.2269/m ³
Base Primary Rate	\$ 0.2268/m³	\$ 0.2320/m³
PGVA Rider (\$/m ³)	\$ (0.0055/m ³)	\$ 0.0012/m ³
Total Billed Rate	\$ 0.2213/m³	\$ 0.2332/m³

A number of factors impact Primary Gas Rates. The western supply price of \$5.9680/GJ reflects the current gas supply contract with Nexen Marketing, including the elimination of the 0.5% term factor effective November 1, 2003 that was applied during the previous year. Estimated negative mark-to-market price

management results of \$0.4140/GJ or \$16.7 million have been included in the Primary Gas Rates. These estimated costs result from the placement of cashless collars on volumes of approximately 24.75 million GJ. The cost of gas in storage, projected to be \$6.125/GJ, has significantly increased from the previous quarter cost of \$4.1270/GJ due to the total depletion of primary gas in storage as of March 31, 2003.

A PGVA balance is created when primary gas costs differ from the revenues provided by customers. The PGVA Rate Rider of \$0.0012/m³ reflects a PGVA balance of \$1,561,738 owing to Centra.

The resulting total billed rate, effective November 1, 2003, is \$0.2332/m³, which compares to the billed rate for the previous quarter of \$0.2213/m³.

The following table illustrates the increases to annual natural gas bills of different customer classes as a result of this application. These impacts are based on the existing August 1, 2003 rates for Primary Gas, Supplemental Gas, Transportation and Distribution.

ANNUALIZED AS BILLED CUSTOMER IMPACTS

Customer Class	Range of Impacts
SGS	3.0% to 3.2%
LGS	3.1% to 3.9%
HVF	3.7% to 4.1%
Co-op	3.9% to 4.0%
Mainline	3.9% to 4.3%
Interruptible	3.9% to 4.2%

The average residential consumer would realize an increase in annual heating bills of approximately \$36.

4.0 Board Findings

The Board is of the view that the request by Centra properly reflects the current commodity market price and circumstances, and the RSM and process previously approved by the Board. The Board will approve Centra's November 1, 2003 Schedule of Rates, attached as Appendix "A" to this Order.

The Board notes that the cost of gas in storage, fully depleted by March 31, 2003, is expected to increase significantly when compared to this cost during the last storage cycle, as the projected costs are based on the forward price strip. The impacts of price management transactions and the disposition of deferral account balances will be reviewed at a future hearing expected to be early next year.

The following table will illustrate the volatility of the market place, and the impact on resulting rates. Because the RSM considers factors other than commodity prices such as the cost of gas in storage and price-hedging impacts, the volatility in rates relative to the market price of gas is somewhat dampened.

Date	Commodity Cost	Average Annual Bill	% change in Commodity Cost	% Change Annual in Bill
December, 1999	\$ 3.003/Gj	\$ 840	Base	Base
August 1, 2000	\$ 5.187/Gj	\$ 975	72.7%	16.1%
November 1, 2000	\$ 5.894/Gj	\$ 1,098	13.6%	12.6 %
February 1, 2001	\$ 9.251/Gj	\$ 1,350	57.0%	23.0%
August 1, 2001	\$ 4.614/Gj	\$ 1,204	(50.1%)	(10.7 %)
November 1, 2001	\$ 4.168/Gj	\$ 1,121	(9.7%)	(6.9 %)
February 1, 2002	\$ 4.028/Gj	\$ 1,099	(3.4%)	(2.0 %)
May 1, 2002	\$ 5.094/Gj	\$ 1,209	26.5%	10.0%
August 1, 2002	\$ 4.759/Gj	\$ 1,120	(6.6%)	(7.4 %)
November 1, 2002	\$ 5.024/Gj	\$ 1,167	5.6%	4.2%
February 1, 2003	\$ 5.860/Gj	\$ 1,273	16.6%	9.1%
May 1, 2003	\$ 5.928/Gj	\$ 1,295	1.2%	1.7%
August 1, 2003	\$ 5.857/Gj	\$ 1,213	(1.2%)	(6.3%)
November 1, 2003	\$ 6.003/Gj	\$ 1,250	2.5%	3.0%

5.0 IT IS THEREFORE ORDERED THAT:

1. The Schedule of Rates attached to this Order as Appendix "A", to be effective for all gas consumed on and after November 1, 2003, based on the October 1, 2003 forward price strip, BE AND IS HEREBY APPROVED on an interim basis.

2. This Interim Order shall be in effect until confirmed or otherwise dealt with by a future Order of the Board.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"
Chairman

"H. M. SINGH"
Acting Secretary

Certified a true copy of Order No.
161/03 issued by The Public Utilities
Board

Acting Secretary