

M A N I T O B A

Order No. 69/04

THE PUBLIC UTILITIES BOARD ACT

April 30, 2004

Before: Graham F. J. Lane, B.A.,C.A., Chairman
 M. Girouard, C.G.A., Member
 Mario J. Santos, B.A., LL.B, Member

**AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR
AN INTERIM ORDER APPROVING PRIMARY GAS SALES
RATES EFFECTIVE FOR ALL GAS CONSUMED ON AND
AFTER MAY 1, 2004**

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1.0 Background

The Natural gas bill for a customer of Centra Gas Manitoba is divided into five components:

Primary Gas Rates (the subject of this Order);
Supplemental Gas Rates;
Transportation to Centra Rates,
Distribution to Customer Rates; and
Basic Monthly Charges.

This Board Order concerns Primary Gas Rates. The Board's approved Rate Setting Methodology ("RSM") provides for Primary Gas Base Rates to be set quarterly, on February 1, May 1, August 1 and November 1 of each year. Adjustments are made to reflect the updated 12-month forward market price for natural gas; the forward price being weighted to account for gas in storage. In addition to the Primary Gas Base Rate, a Primary Gas Rate Rider is set, effective concurrent with the Primary Gas Rate change. The Rider distributes the projected Primary Gas Purchase Gas Variance Account balance ("PGVA") as at the end of each quarter over customer bills for the next twelve months of normalized gas usage volumes.

Previous to this Order, In Order 143/03 of October 2003 the Board last amended the RSM process and related minimum filing requirements.

The current process requires Centra to:

- a) base applications for Primary Gas Rate changes on a twelve--month forward price strip exercised during the first week of the month preceding the commencement of the following gas quarter;
- b) file its Applications on a timely basis;
- c) within two days of filing, provide copies to Intervenors; and
- d) publish public notices to provide a minimum one week opportunity for consumers and/or other interested parties to provide comments to the Board prior to its deliberations and resultant Order.

Additional information supporting Centra's Application includes:

- a) for rates effective February 1, 2004, the approved Primary Gas base rate was \$0.2378 per cubic metre (based on the January 2, 2004 forward price strip);
- b) the approved Primary Gas billed rate for the quarter ending April 30, 2004 included a rate rider reducing the rate by \$0.0003 per cubic metre, to account for the PGVA; and
- c) the billed Primary Gas rate for the last quarter was \$0.2375 per cubic metre.

2.0 The Application

On April 7, 2004, Centra applied for approval of interim Primary Gas Rates and a Rate Rider to be effective as of May 1, 2004. The Rate Rider would distribute the estimated balance in the PGVA as of April 30, 2004, in accordance with the approved RSM process.

The requested rates were determined using the April 1, 2004 forward price strip, and, with the Board's approval, would remain in effect until the next quarter rate setting.

A public notice outlining Centra's Application was published in a number of Manitoba newspapers, and invited interested parties to address comments to the Board by April 27, 2004.

3.0 Primary Gas Base and Billed Rates

Centra's proposed total billed rate from May 1, 2004 is \$0.2493/m³ (previous quarter, \$0.2375/m³).

The following table summarizes the cost components utilized to determine Centra's proposed Rates for the quarter commencing May 1, 2004, as compared to the last quarter.

Component	Existing Rates February 1, 2004	Requested Rates May 1, 2004
Date of Forward Price Strip	January 2, 2004	April 1, 2004
12 Month Forward Price	\$ 6.1090/GJ	\$ 6.7160/GJ
Estimated Impact of Price management	\$ 0.0340/GJ	\$ (0.2510/GJ)
Western Supply Price	\$ 6.1430/GJ	\$ 6.4650/GJ
Storage Gas Price	\$ 6.1730/GJ	\$ 6.1730/GJ
Weighed Gas Cost	\$ 6.1480/GJ	\$ 6.4130/GJ
Rate per cubic metre	\$ 0.2324/m ³	\$ 0.2424/m ³
Base Primary Rate with fuel, O/H	\$ 0.2378/m ³	\$ 0.2482/m ³
PGVA Rider (\$/m ³)	\$ (0.0003/m ³)	\$ 0.0011/m ³
Total Billed Rate	\$ 0.2375/m³	\$ 0.2493/m³

Factors impacting Primary Gas Rates include:

- a) the western supply price (\$6.7160/GJ), which reflects Centra's gas supply contract with Nexen Marketing;
- b) the estimated negative mark-to-market price management results of \$0.2510/GJ (\$10.1 million), this the result of Centra's placement of cashless collars with \$0.50 out of the money upper strike prices on volumes of approximately 24.8 million GJ;
- c) the cost of gas in storage, projected at \$6.173/GJ, which reflects the actual final cost for the 2003/04 withdrawal from storage. The withdrawal commenced on November 1, 2003, and the cost was the same as that utilized for the current, February 1, 2004, rates; and
- d) The PGVA Rate Rider ((0.0011/m³) reflects a PGVA balance owing to Centra of \$1,361,296, the result of differences between actual primary gas costs experienced by Centra and pass-through billings to customers.

The following table projects the increase to the annual average natural gas bill associated with the proposed new rates.

PROJECTED ANNUALIZED INCREASE BY CUSTOMER CLASS

Customer Class	Increase
SGS	2.8% to 3.1%
LGS	3.0% to 3.6%
HVF	3.4% to 3.8%
Co-op	3.7% to 3.8%
Mainline	3.7% to 4.1%
Interruptible	3.7% to 3.9%

The average residential consumer would realize an increase in annualized heating bills of approximately \$36, with the approval of this Application.

The projections are based on the August 1, 2003 rates for Supplemental Gas, Transportation and Distribution. The projections with respect to HVF Class (high volume customer class) customers utilized recently approved March 1, 2004 demand rates in the calculation of February 1, 2004 and May 1, 2004 annual bill costs. The projected HVF impact considers only the change in Primary Gas costs, consistent with the projections for the other customer classes.

4.0 Presenters' Positions

Comments were not received from intervenors or others in response to the public notices and other circulation of Centra's Application.

5.0 Board Comments and Findings

The Board finds Centra's proposal properly reflects the current commodity market price and circumstances, the RSM, and the Board's related approved process.

Accordingly, the Board will approve Centra's May 1, 2004 Schedule of Rates, Appendix "A" to this Order.

The cost of storage gas, impacts of price management transactions, and the disposition of deferral account balances will be reviewed by the Board at a hearing expected to occur later this year.

The following table illustrates the volatility of natural gas prices over the past five years from the perspective of Centra's customers. Because the RSM considers factors other than commodity prices, including the cost of gas in storage and price-hedging impacts, the volatility in rates has been mitigated to some extent.

Date	Commodity Cost	Average Annual Bill	% change in Cost	% Change 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%
February 1, 2004	\$ 6.148/Gj	\$ 1,263	2.4%	1.0%
May 1, 2004	\$ 6.413/Gj	\$ 1,299	4.3%	2.9%

Rate Setting Methodology and Process

The Rate Setting Methodology used in this process was established in Order 55/00, as subsequently amended by Orders 115/00, 15/01, 99/01 and 143/03.

The RSM is a mathematical exercise with the sole purpose of passing through market price changes in the price for primary natural gas. At some considerable expense, proposed quarterly rate adjustments are published in newspapers throughout Manitoba, and served on known interested parties. Of late, there has been no public response to such rate changes. This suggests to the Board that the process of reflecting market price changes for primary gas is understood by ratepayers.

Given this, the Board notes an opportunity to further refine the RSM, recognizing the realities of the purpose and circumstances surrounding the RSM. Accordingly, the

Board intends to make the following amendments to the process for the next quarterly adjustment:

1. All future quarterly rate Applications will continue to be dealt with on an interim basis;
2. Prior notice by way of newspaper will be discontinued. However, Centra will be required to prepare a press release and bill stuffer communicating to all its customers the reason for price changes approved by the Board. Centra will file a copy of proposed press releases and bill stuffers with the Board prior to the release, to ensure that the information provided contains sufficient information for ratepayers;
3. All such applications and any interim Orders issued by the Board will be the subject of review and/or confirmation at the next Annual Cost of Gas proceeding, for which there will be full public Notice and opportunity for participation;
4. All applications filed by Centra for quarterly rate increases will be consistent with the current practice; and
5. The RSM may be further changed or altered as deemed necessary by the Board.

The Board will continue to verify Centra's calculations and support for quarterly rate changes, and the information on which the changes are approved will be considered within the annual Cost of Gas public hearing proceeding.

6.0 IT IS THEREFORE ORDERED THAT:

1. The Schedule of Rates attached as Appendix "A" be effective for all gas consumed on and after May 1, 2004;
2. The Rate Setting Methodology process BE AND IS HEREBY VARIED as set out above; and
3. This Interim Order shall be in effect until confirmed or otherwise dealt with by a future Order of the Board.

THE PUBLIC UTILITIES BOARD

"GRAHAM F. J. LANE, B.A., C.A."
Chairman

"G. O. BARRON"
Secretary

Certified a true copy of Order No. 69/04
issued by The Public Utilities Board

Secretary

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES
RATE SCHEDULES (BASE RATES ONLY - NO RIDERS)

- 1 **Territory:** Entire natural gas service area of Company, including all zones.
 2
 3 **Availability:**
 4 SGC: For gas supplied through one domestic-sized meter.
 5 LGC: For gas delivered through one meter at annual volumes less than 680,000 m³.
 6 HVF: For gas delivered through one meter at annual volumes greater than 680,000 m³.
 7 Co-op: For gas delivered to natural gas distribution cooperatives.
 8 MLC: For gas delivered through one meter to consumers served from the Transmission system.
 9 Special Contract: For gas delivered under the terms of a Special Contract with the Company.
 10 Power Station: For gas delivered under the terms of a Special Contract with the Company.
 11

12 **Rates:**

	Transportation to Centra	Distribution to Customers	Primary Gas Supply	Supplemental Gas Supply ¹
13				
14				
15 Basic Monthly Charge: (\$/month)				
16 Small General Class (SGC)	N/A	\$10.00	N/A	N/A
17 Large General Class (LGC)	N/A	\$70.00	N/A	N/A
18 High Volume Firm Class (HVF)	N/A	\$681.00	N/A	N/A
19 Cooperative (Co-op)	N/A	\$254.01	N/A	N/A
20 Main Line Class (MLC) (Firm and Interruptible Supply)	N/A	\$1,360.87	N/A	N/A
21 Special Contract	N/A	\$93,021.63	N/A	N/A
22 Power Station	N/A	\$11,912.92	N/A	N/A
23				
24 Monthly Demand Charge (\$/m³/month)				
25 High Volume Firm Class (HVF)	\$0.3787	\$0.1771	N/A	N/A
26 Cooperative (Co-op)	\$0.4196	\$0.0937	N/A	N/A
27 Main Line Class (MLC)	\$0.4902	\$0.1166	N/A	N/A
28 Special Contract	N/A	N/A	N/A	N/A
29 Power Stations	N/A	\$0.0344	N/A	N/A
30				
31 Volumetric Charge: (\$/m³)				
32 Small General Class (SGC)	\$0.0482	\$0.0712	\$0.2482	\$0.2471
33 Large General Class (LGC)	\$0.0450	\$0.0269	\$0.2482	\$0.2471
34 High Volume Firm Class (HVF)	\$0.0208	\$0.0071	\$0.2482	\$0.2471
35 Cooperative (Co-op)	\$0.0069	\$0.0015	\$0.2482	\$0.2471
36 Main Line Class (MLC)	\$0.0074	\$0.0015	\$0.2482	\$0.2471
37 Special Contract	N/A	\$0.0015	N/A	N/A
38 Power Station	N/A	\$0.0015	N/A	N/A
39				

40 ¹Supplemental Gas is mandatory for all Customers except T-Service.

42 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

44 **Effective:** Rates to be charged for all billings based on gas consumed on and after May 1, 2004.

46 **Approved by Board Order:**

47 **Effective From: May 1, 2004**

48 **Date Implemented: May 1, 2004**

Supersedes Board Order:45/04
Supersedes: March 1, 2004 Base Rates

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATE SCHEDULES (BASE RATES ONLY - NO RIDERS)

1 **Territory:** Entire natural gas service area of Company, including all zones.

2

3 **Availability:** For any Consumer at one location whose annual natural gas requirements equal or exceed 680,000m³ and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.

4

5 **Rates:**

6

	Transportation to Centra	Distribution to Customer	Primary Gas Supply	Supplemental Gas Supply ¹
7				
8 Basic Monthly Charge: (\$/month)				
9 Interruptible Service	N/A	\$861.06	N/A	N/A
10 Mainline Interruptible (with firm delivery)	N/A	\$1,360.87	N/A	N/A
11				
12 Monthly Demand Charge (\$/m³/month)				
13 Interruptible Service	\$0.1256	\$0.0644	N/A	N/A
14 Mainline Interruptible (with firm delivery)	\$0.1933	\$0.1166	N/A	N/A
15				
16 Commodity Volumetric Charge: (\$/m³)				
17 Interruptible Service	\$0.0132	\$0.0038	\$0.2482	\$0.2639
18 Mainline Interruptible (with firm delivery)	\$0.0081	\$0.0015	\$0.2482	\$0.2639
19				
20 Alternate Supply Service:		Negotiated		
21 Gas Supply (Interruptible Sales and Mainline Interruptible)		Cost of Gas		
22 Delivery Service - Interruptible Class		\$0.0059		
23 Delivery Service - Mainline Interruptible Class		\$0.0053		
24				

25 ¹Supplemental Gas is mandatory for all Customers except T-Service.

26

27 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

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12 **Rates:**

	Transportation to Centra	Distribution to Customers	Primary Gas Supply	Supplemental Gas Supply¹
13				
14				
15 Basic Monthly Charge: (\$/month)				
16 Small General Class (SGC)	N/A	\$10.00	N/A	N/A
17 Large General Class (LGC)	N/A	\$70.00	N/A	N/A
18 High Volume Firm Class (HVF)	N/A	\$681.00	N/A	N/A
19 Cooperative (Co-op)	N/A	\$209.61	N/A	N/A
20 Main Line Class (MLC)	N/A	\$1,360.87	N/A	N/A
21 Special Contract	N/A	\$93,021.63	N/A	N/A
22 Power Station	N/A	\$2,869.19	N/A	N/A
23				
24 Monthly Demand Charge (\$/m³/month)				
25 High Volume Firm Class (HVF)	\$0.5068	\$0.1774	N/A	N/A
26 Cooperative (Co-op)	\$0.4196	\$0.0937	N/A	N/A
27 Main Line Class (MLC) (Firm)	\$0.4646	\$0.1163	N/A	N/A
28 Special Contract	N/A	N/A	N/A	N/A
29 Power Station	N/A	\$0.0341	N/A	N/A
30				
31 Commodity Volumetric Charge: (\$/m³)				
32 Small General Class (SGC)	\$0.0419	\$0.0716	\$0.2493	\$0.3874
33 Large General Class (LGC)	\$0.0386	\$0.0277	\$0.2493	\$0.3874
34 High Volume Firm Class (HVF)	\$0.0155	\$0.0070	\$0.2493	\$0.3874
35 Cooperative (Co-op)	\$0.0005	\$0.0019	\$0.2493	\$0.3874
36 Main Line Class (MLC) (Firm)	\$0.0081	\$0.0018	\$0.2493	\$0.3874
37 Special Contract	N/A	\$0.0019	N/A	N/A
38 Power Station	N/A	\$0.0013	N/A	N/A
39				

40 ¹Supplemental Gas is mandatory for all Sales and Western T-Service Customers.

41
 42 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.
 43

44 **Effective:** Rates to be charged for all billings based on gas consumed on and after May 1, 2004.
 45

46 **Approved by Board Order:**

47 **Effective From: May 1, 2004**

48 **Date Implemented: May 1, 2004**

Supersedes Board Order:45/04
Supersedes: March 1, 2004 Billed Rates

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4
 5 **Rates:**
 6

	Transportation to Centra	Distribution to Customers	Primary Gas Supply	Supplemental Gas Supply ¹
7				
8 Basic Monthly Charge: (\$/month)				
9 Interruptible Service	N/A	\$861.06	N/A	N/A
10 Mainline Interruptible (with firm delivery)	N/A	\$1,360.87	N/A	N/A
11				
12 Monthly Demand Charge (\$/m³/month)				
13 Interruptible Service	\$0.1647	\$0.0641	N/A	N/A
14 Mainline Interruptible (with firm delivery)	\$0.2534	\$0.1163	N/A	N/A
15				
16 Commodity Volumetric Charge: (\$/m³)				
17 Interruptible Service	\$0.0087	\$0.0032	\$0.2493	\$0.4230
18 Mainline Interruptible (with firm delivery)	\$0.0025	\$0.0018	\$0.2493	\$0.4230

19
 20 **Alternate Supply Service:**
 21 Gas Supply (Interruptible Sales and Mainline Interruptible) Negotiated
 22 Delivery Service - Interruptible Class Cost of Gas
 23 Delivery Service - Mainline Interruptible Class \$0.0053
 24 \$0.0053

25 ¹Supplemental Gas is mandatory for all Customers except T-Service.

26
 27 **Minimum Monthly Bill:** Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

28
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