

MANITOBA | **Order No. 28/06**
THE PUBLIC UTILITIES BOARD ACT | **February 24, 2006**

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

**AN APPLICATION FOR INTERIM EX PARTE
APPROVAL OF A NEW FRANCHISE AGREEMENT
BETWEEN CENTRA GAS MANITOBA INC. AND THE
RURAL MUNICIPALITY OF NORTH CYPRESS**

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1.0 INTRODUCTION

On December 18, 2005, Centra Gas Manitoba Inc. (Centra) requested that the Manitoba Public Utilities Board (Board) approve on an interim ex-parte basis a new franchise agreement between Centra and the Rural Municipality of North Cypress (Municipality). The agreement would replace the existing agreement and extend the service area to include Sprucewoods Colony Ltd. (Colony) and three residential customers.

In this Order, the Board approves Centra's application on a conditional interim ex-parte basis, subject to finalization at the next Board public hearing concerning Centra.

2.0 BACKGROUND

The North Cypress Energy Co-op (NCEC) was formed in 1998 to provide natural gas service to certain areas of the Municipality not included in Centra's franchise area. NCEC assisted Brookdale Holding Co. Ltd. (BHCL), the beneficial owner of the Colony, to obtain natural gas for the Colony; ultimately, the Colony was NCEC's only customer.

Three existing Centra customers were served by farm taps off an adjacent transmission line extending north from the Brookdale station to Neepawa. Two of the customers were connected over forty years ago. The third customer was attached in 1998, and required to pay Centra an excess footage charge of \$1800 plus GST. These three Centra customers are outside the existing Centra franchise area; the new franchise agreement will remedy this exception.

By the means of the Gladstone-Austin Natural Gas Co-op (GANG), NCEC provided operating services to BHCL, and arranged for the supply of natural gas to the Colony through Centra. Annual consumption at the Colony approximates 269,000 m³ (9,496 Mcf).

The pipeline infrastructure serving the Colony is owned by BHCL and consists of:

- a) a takeoff from TransCanada Pipeline at Centra's existing Neepawa primary gate station; and
- b) a 4" and 2" polyethylene pipeline extending approximately 4.0 kilometers to the metering and pressure control station at the Colony.

In October 2003, NCEC initiated discussions with Centra, indicating a desire to cease operations and have Centra serve the Colony. In November 2003, NCEC formally proposed that Centra assume NCEC's obligations under its Operating Agreement with BHCL. BHCL was to continue to be responsible for the piping downstream of the meter on the Colony's yard site. Concurrently, Centra was negotiating the purchase of GANG's assets; subsequently, the Board approved Centra's purchase of GANG's assets by Order 20/04, February 6, 2004.

The BHCL-NCEC Operating Agreement was formally dissolved as of the end of February 2004, and Centra and BHCL entered into a Memorandum of Understanding (MOU) whereby Centra would provide maintenance and support services for BHCL's natural gas system. Furthermore, Centra and BHCL agreed to negotiate an agreement for Centra's purchase of BHCL's system.

Centra and BHCL entered into an agreement on December 12, 2005, conditional on Board approval of the associated franchise agreement. Centra purchased BHCL's distribution assets for \$24,000, the price based on the actual cost of material and installation of the pipeline less depreciation. The sum of \$4,000 was paid at closing, with balance due in equal installments of \$4,000 annually over five years conditional upon a minimum annual volume of 7,000 Mcf.

3.0 APPLICATION

Centra filed an Application with the Board on December 16, 2005 requesting the approval of a new franchise agreement between Centra and the Municipality, to:

- a) replace an existing franchise agreement; and
- b) expand the franchise area to include the Colony and three residential customers that were being served by Centra though outside its franchise area. (One customer has been receiving natural gas since 1965, another, the most recent, since 1998.

Centra proposed that the Colony be classified as a Large General Service Customer, and the three existing residential customers be within the Small General Service customer class.

The proposed new franchise area lies west of and along the TransCanada Pipeline transmission line servicing the Town of Neepawa. The proposed franchise agreement includes the following areas:

Section	Township	Range
7-11, 14-23 and 26-35 inclusive	10	14 WPM
2-11, 16-21 and 28-33 inclusive	11	14 WPM
4-9, 16-21 and 28-33 inclusive	12	14 WPM
9-16, 21-28 and 33-36 inclusive	10	15 WPM
1-3, 10-13, 24, 25 and 36 inclusive	11	15 WPM
N ½ of Section 17	12	15 WPM
E ½ of Section 18	12	15 WPM
S ½ of Section 19	12	15 WPM
S ½ of Section 20	12	15 WPM
S ½ and NE ¼ of Section 21	12	15 WPM
W ½ of Section 22	12	15 WPM
W ½ of Section 27	12	15 WPM
E ½ of Section 28	12	15 WPM
E ½ of Section 33	12	15 WPM
W ½ of Section 34	12	15 WPM

Neither NCEC nor the Colony had a franchise agreement with the RM of North Cypress, nor was a crossing agreement in place between Centra and the Municipality with respect to the transmission line extending north to the Town of Neepawa. Centra proposed rectifying these deficiencies through the Board's approval of a franchise agreement covering the affected areas along the transmission line. On May 10, 2005, the Municipality gave first reading to a By-law permitting Centra to obtain the required franchise for the above areas.

Centra will continue to provide natural gas service to the Colony in accordance with the existing Terms and Conditions of Service, and expects its purchase of BHCL's assets to provide benefits to the Colony through improved customer service and continuity of safe and reliable service.

4.0 BOARD FINDINGS

Centra provided the Board, through the Board's Engineering Advisor, Energy Consultants International (ECI), a technical evaluation of the facilities and assets involved. The technical evaluation included ECI's site visit and review of sealed construction drawings, the latter to evaluate below grade facilities. ECI and the Board have been assured that the facilities have been operated and maintained in accordance with all relevant codes and standards, pursuant to maximum operating pressure restrictions.

Centra advises that a number of upgrades to the facilities are required, to be undertaken either immediately or on a scheduled basis, as prudence requires. The Board was further advised that North Cypress has assigned the NCEC maintenance contract to Centra approximately two years prior to Centra's purchase of GANG's assets.

5.0 IT IS THEREFORE ORDERED THAT:

1. The new franchise agreement between Centra and the Rural Municipality of North Cypress, as applied for by Centra BE AND IS HEREBY APPROVED.
2. Centra inform the Board of future investigations, recommended remedial works and actual costs expended in relation to such works.
3. This Order shall be in full force and effect until confirmed or otherwise dealt with by a future Order of the Board.

THE PUBLIC UTILITIES BOARD

Chairman

Secretary