

MANITOBA) **Order No. 101/07**
)
THE PUBLIC UTILITIES BOARD ACT) **August 1, 2007**

BEFORE: Graham Lane, C.A., Chairman
Len Evans, LL.D., Member
Eric Jorgensen, Member

**REVISED CENTRA GAS MANITOBA INC. RATES
EFFECTIVE AUGUST 1, 2007
(ARISING FROM BOARD ORDER 99/07)**

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves revised rates for Centra Gas Manitoba Inc. (Centra), effective August 1, 2007.

Projected annual bills for most of Centra's system gas customers, that is those receiving primary gas from Centra rather than brokers, will decrease between 1.18% and 3.59%. Low-volume customers using natural gas from Centra mainly for barbeques, fireplaces, and swimming pools should expect an annualized bill increase of 1.12%.

The overall volumetrically-billed rate will decline from \$0.4274 to \$ 0.4096/m³ (cubic meter), while, for customers in the Small General Service (SGS) class, which includes residential customers, the Basic Monthly Charge (BMC) will increase from \$10 per month to \$12 per month. Even though the BMC will increase, there will be a modest annualized bill decrease for most SGS customers receiving primary gas from Centra, as shown in the following table:

Customer Class	Projected Annualized Bill Reduction (Increase) (Consumption dependent))
SGS Residential	(1.12)% to 3.59%
LGS	4.71% to 5.61%
High Volume Firm	2.49% to 4.71%
Mainline	1.74% to 3.72%
Interruptible	1.61% to 3.51%

For residential customers purchasing primary gas from brokers, billed rates with respect to Centra's distribution rates will increase, offset by a reduction in transportation rates, resulting in a change in volumetric rates, including rate riders, from approximately \$0.1140/m³ to approximately \$0.1205/m³. For such customers, consuming on average 2,590 m³ annually, the combined impact of the changes and rate riders will result in an annualized bill increase of approximately \$40.

Customers purchasing primary gas from brokers incur primary gas costs determined by individual contracts. Contracted rates from brokers combine with Centra's charges for non-commodity costs, including the BMC, and volumes consumed to determine overall bills for these customers.

This Order implements the Board's rate directions for August 1, 2007, as set out in Order 99/07 released July 27, 2007. For a comprehensive understanding of the Board's directions, which include provisions for the establishment of a Furnace Replacement Program for households of low-income and qualifying seniors on fixed incomes, readers are encouraged to review Order 99/07, which is posted on the Board's web site, www.pub.gov.mb.ca.

2.0 Introduction

Centra, which is a subsidiary of Manitoba Hydro, is Manitoba's largest natural gas distributor, and its rates and charges are subject to the approval of the Board pursuant to provisions of *The Public Utilities Board Act*.

This Order combines the effects of a regularly scheduled quarterly interim primary gas rate change with those arising from the public hearing of a General Rate Application, the latter with respect to non-primary gas rate changes (Supplemental Gas supply, Transportation, Distribution

rates and BMC). Non-primary gas rates affect all customers while primary gas rates affect only system gas users, not those purchasing primary gas from brokers.

By Order 99/07, the Board provided directions to Centra pertaining both to primary gas and non-primary gas rates and costs, and this Order reflects those directions in both rates and annualized bill impacts. The Board notes that the decline in primary gas rates and annualized bill impacts to arise for system gas customers from this Order would have been greater if not for costs incurred and projected related to Centra's ongoing hedging program, in place to restrain rate volatility.

In Manitoba's climate conditions, well-insulated properties with high efficiency furnaces, combined with careful heat management, represent the most effective hedge against what may be higher space heating costs in the future.

Understanding Centra rates -

The five components of Centra's natural gas billings to customers are:

- Primary Gas Rates (either system gas from Centra or purchased gas from brokers);
- Supplemental Gas Rates (applying to all Centra's customers, whether provided primary gas by Centra or through brokers);
- Transportation (to Centra) Rates (not applicable to Transportation Service customers);
- Distribution (to Customer) Rates (applicable to all customers); and
- Basic Monthly Charge (BMC) (applicable to all customers).

Each of the Primary Gas, Supplemental Gas, Transportation and Distribution rates have both base rate and rate rider components. Base rates reflect estimates of future gas commodity and related non-commodity costs; rate riders adjust for differences that have arisen between cost estimates employed in setting rates and actual costs. Primary gas rates apply to all customers

receiving “system gas”. Customers contracting for primary gas from gas brokers are not affected by the quarterly system gas rate amendments that occur on February 1, May 1, August 1, and November 1 of each year.

The regularly scheduled quarterly primary gas rate amendments occur in accordance with a Board-established Rate Setting Methodology (RSM). The RSM is formula-driven, relying on established accounting and rate setting conventions applied to actual results and projections based on outstanding situations.

Non-primary gas components of Centra’s rates are periodically reviewed and approved by the Board through an annual Cost of Gas hearing or in the context of a General Rate Application, which was the case this year. Centra sought general rate changes to provide for changes in its operating, administrative, and financial costs, as well as to provide for Net Income to develop its retained earnings.

As natural gas commodity prices have increased over the years, the share that natural gas commodity costs represent of Centra’s total overall customer rates for primary gas customers has grown as well, and now represents over 60% of the bill. Over the last eight years, the average household receiving primary gas from Centra has experienced an approximate doubling of annual natural gas space heating costs. While the direction of natural gas bills has been rising over the past eight years, prices and rates have been quite volatile, with the highest market price roughly four times the lowest during the period.

3.0 Board Findings

Approval of Applications

The Board will approve Centra's filing of interim primary and non-primary natural gas rates effective August 1, 2007, as attached. Appendix "A" to this Order is an integral component of this Order.

Centra's proposed rate changes properly reflect:

- a) interim primary gas rates: current market and projected future commodity prices, known results, and hedged positions, with proposed rates calculated consistent with the Board-approved Rate Setting Methodology (RSM), which applies to quarterly primary gas rate amendments; and
- b) non-primary gas rates: Board directives from Board Order 99/07.

Outlook for Customer Rates

With respect to the immediate term outlook for primary gas costs and rates, the Board notes Centra's unrealized hedging positions and current prices for future commodity deliveries. With recent natural gas commodity prices now below the floor prices of Centra's hedges, additional primary gas costs can be expected to be incurred arising out of the hedges, and, if actualized, will place pressure on primary gas rates for the next, November 1, 2007, primary gas rate setting.

That said, as the future level of natural gas prices cannot be known, the Board is not in a position to say with certainty whether the hedges placed by Centra out into 2008 will reduce or increase overall gas costs once the positions are realized.

Accordingly, the Board prefers to alert consumers to the risk that primary gas rates that are now falling, modestly as compared to market prices, may increase in the future.

Undertaking Energy Efficiency Measures-

Overall natural gas bills represent a combination of the BMC, rates, and consumption, with consumption being the factor subject to customer-control. To achieve lower bills, consumers should remain focused on energy efficiency measures and take advantage of Centra's efficiency incentives.

Centra's programs, operated with MH's Power Smart programming, are to be enhanced in the future by new programs, to be funded in part by a provision from the Affordable Energy Fund, general rate-based funding, and the leveraging of federal funding.

With Order 99/07's directive to Centra to develop and implement a Furnace Replacement Program for low-income and qualifying seniors on fixed incomes, being assisted by new funding provisions and to-be-developed amendments to the Power Smart loan program, all of Centra's customers, not just those with average to above median economic means, can look forward to the opportunity to reduce natural gas consumption through high-efficiency furnaces and proper home weatherization.

High efficiency furnaces, proper weatherization and good thermostat management will not only have a positive impact on annual heating bills but will also reduce the consumption of a non-renewable resource and greenhouse gases emissions (GHG).

Notification

Centra is to advise its customers of rate changes arising out of this Order through its newsletter, *Energy Matters*, by media release, and through its website, each of which to provide a reference

to the Board’s website, Order 99/07 and this Order. Centra customers are also referred to MH’s website, press release and *Energy Matters* for further rate information and, as well, information on Power Smart energy efficiency programs.

4.0 It Is Therefore Ordered That:

1. The Schedules of Rates concerning Primary Gas Rates, attached to this Order as Appendix “A”, effective for all gas consumed on and after August 1, 2007, BE AND ARE HEREBY APPROVED on an interim basis; and shall be in effect until confirmed or otherwise dealt with, by a further Order of the Board; and
2. The Schedules of Rates concerning Non-Primary Gas Rates, attached to this Order as Appendix “A”, effective for all gas consumed on and after August 1, 2007, BE AND ARE HEREBY APPROVED on a final basis.

THE PUBLIC UTILITIES BOARD

“GRAHAM F. J. LANE, CA”

Chairman

“H. M. SINGH”

Acting Secretary

Certified a true copy of Order No.
101/07 issued by The Public Utilities
Board

Acting Secretary

Amended as indicated in letter to
PUB dated August 27, 2007

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES
RATES 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 m ³
6	HVF:	For gas delivered through one meter at annual volumes greater than 680,000 m ³
7	CO-OP:	For gas delivered to natural gas distribution cooperatives
8	MLC:	For gas delivered through one meter to customers 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:	

	<u>Distribution to Customers</u>				
	<u>Transportation to</u>			<u>Primary Gas Supply</u>	<u>Supplemental Gas Supply¹</u>
	<u>Centra</u>	<u>Sales Service</u>	<u>T-Service</u>		
13					
14	Basic Monthly Charge: (\$/month)				
15	Small General Class (SGC)	N/A	\$12.00	N/A	N/A
16	Large General Class (LGC)	N/A	\$70.00	\$70.00	N/A
17	High Volume Firm (HVF)	N/A	\$1,021.50	\$1,021.50	N/A
18	Cooperative (CO-OP)	N/A	\$300.14	\$300.14	N/A
19	Main Line Class (MLC)	N/A	\$1,466.48	\$1,466.48	N/A
20	Special Contract	N/A	N/A	\$121,552.63	N/A
21	Power Station	N/A	N/A	\$12,851.84	N/A
22					
23	Monthly Demand Charge (\$/m³/month)				
24	High Volume Firm Class (HVF)	\$0.1924	\$0.1477	\$0.1477	N/A
25	Cooperative (CO-OP)	\$0.3065	\$0.1268	\$0.1268	N/A
26	Main Line Class (MLC)	\$0.3698	\$0.1679	\$0.1679	N/A
27	Special Contract	N/A	N/A	N/A	N/A
28	Power Station	N/A	N/A	\$0.0135	N/A
29					
30	Commodity Volumetric Charge: (\$/m³)				
31	Small General Class (SGC)	\$0.0378	\$0.0869	N/A	\$0.2873
32	Large General Class (LGC)	\$0.0372	\$0.0363	\$0.0363	\$0.2873
33	High Volume Firm (HVF)	\$0.0167	\$0.0092	\$0.0092	\$0.2873
34	Cooperative (CO-OP)	\$0.0079	\$0.0001	\$0.0001	\$0.2873
35	Main Line Class (MLC)	\$0.0081	\$0.0030	\$0.0030	\$0.2873
36	Special Contract	N/A	N/A	\$0.0004	N/A
37	Power Station	N/A	N/A	\$0.0527	N/A
38					

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

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

Effective: Rates to be charged for all billings based on gas consumed on and after August 1, 2007.

Approved by Board Order:
Effective from: May 1, 2007
Date Implemented: August 1, 2007

Supersedes Board Order: 60/07
Supersedes: May 1, 2007 Rates

Amended as indicated in letter to
PUB dated August 27, 2007

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATES 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 680,000 m ³ and who contracts for such service for a minimum of one year, or				
4		who received Interruptible Service continuously since December 31, 1996. Service				
5		under this rate shall be limited to the extent that the Company considers it has available				
6		natural gas supplies and/or capacity to provide delivery service.				
7						
8						
9	Rates:	<u>Distribution to Customers</u>				
		<u>Transportation</u>			<u>Primary</u>	<u>Supplemental</u>
		<u>to</u>			<u>Gas</u>	<u>Gas</u>
		<u>Centra</u>	<u>Sales Service</u>	<u>T-Service</u>	<u>Supply</u>	<u>Supply¹</u>
10						
11	Basic Monthly Charge: (\$/month)					
12	Interruptible Service	N/A	\$1,009.22	\$1,009.22	N/A	N/A
13	Mainline Interruptible (with firm delivery)	N/A	\$1,466.48	\$1,466.48	N/A	N/A
14						
15	Monthly Demand Charge (\$/m³/month)					
16	Interruptible Service	\$0.0986	\$0.0834	\$0.0834	N/A	N/A
17	Mainline Interruptible (with firm delivery)	\$0.1517	\$0.1679	\$0.1679	N/A	N/A
18						
19	Commodity Volumetric Charge: (\$/m³)					
20	Interruptible Service	\$0.0123	\$0.0071	\$0.0071	\$0.2873	\$0.2686
21	Mainline Interruptible (with firm delivery)	\$0.0086	\$0.0030	\$0.0030	\$0.2873	\$0.2686
22						
23	Alternate Supply Service:			Negotiated		
24	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
25	Delivery - Interruptible Class			\$0.0098		
26	Delivery - Mainline Interruptible Class			\$0.0085		
27						
28	¹ Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					
29						
30	Minimum Monthly Bill:	Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.				
31						
32	Effective:	Rates to be charged for all billings based on gas consumed on and after August 1, 2007.				
33						

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Effective from: May 1, 2007
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CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES PLUS 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 m ³
6	HVF:	For gas delivered to natural gas distribution cooperatives
7	CO-OP:	For gas delivered through one meter at annual volumes greater than 680,000 m ³
8	MLC:	For gas delivered through one meter to customers 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:	

	<u>Distribution to Customers</u>					
	<u>Transportation to</u>				<u>Primary Gas Supply</u>	<u>Supplemental Gas Supply¹</u>
	<u>Centra</u>	<u>Sales Service</u>	<u>T-Service</u>			
13						
14	Basic Monthly Charge: (\$/month)					
15	Small General Class (SGC)	N/A	\$12.00	N/A	N/A	N/A
16	Large General Class (LGC)	N/A	\$70.00	\$70.00	N/A	N/A
17	High Volume Firm (HVF)	N/A	\$1,021.50	\$1,021.50	N/A	N/A
18	Cooperative (CO-OP)	N/A	\$300.14	\$300.14	N/A	N/A
19	Main Line Class (MLC)	N/A	\$1,466.48	\$1,466.48	N/A	N/A
20	Special Contract	N/A	N/A	\$121,552.63	N/A	N/A
21	Power Station	N/A	N/A	\$12,851.84	N/A	N/A
22						
23	Monthly Demand Charge (\$/m³/month)					
24	High Volume Firm Class (HVF)	\$0.2659	\$0.1480	\$0.1480	N/A	N/A
25	Cooperative (CO-OP)	\$0.3065	\$0.1268	\$0.1268	N/A	N/A
26	Main Line Class (MLC)	\$0.3695	\$0.1682	\$0.1682	N/A	N/A
27	Special Contract	N/A	N/A	N/A	N/A	N/A
28	Power Station	N/A	N/A	\$0.0155	N/A	N/A
29						
30	Commodity Volumetric Charge: (\$/m³)					
31	Small General Class (SGC)	\$0.0332	\$0.0873	N/A	\$0.2891	\$0.2686
32	Large General Class (LGC)	\$0.0330	\$0.0343	\$0.0345	\$0.2891	\$0.2686
33	High Volume Firm (HVF)	\$0.0118	\$0.0076	\$0.0078	\$0.2891	\$0.2686
34	Cooperative (CO-OP)	\$0.0079	\$0.0001	\$0.0002	\$0.2891	\$0.2686
35	Main Line Class (MLC)	\$0.0081	\$0.0022	\$0.0024	\$0.2891	\$0.2686
36	Special Contract	N/A	N/A	\$0.0004	N/A	N/A
37	Power Station	N/A	N/A	\$0.0525	N/A	N/A
38						

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

39		
40		
41	Minimum Monthly Bill:	Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.
42		
43	Effective:	Rates to be charged for all billings based on gas consumed on and after August 1, 2007.
44		

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INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES PLUS RIDERS)

1	Territory:	Entire natural gas service area of Company, including all zones				
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3	Availability:	For any consumer at one location whose annual natural gas requirements equal or exceed 680,000 m ³ 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						
6						
7						
8						
9	Rates:	<u>Distribution to Customers</u>				
		<u>Transportation to</u>			<u>Primary Gas Supply</u>	<u>Supplemental Gas Supply¹</u>
		<u>Centra</u>	<u>Sales Service</u>	<u>T-Service</u>		
10						
11	Basic Monthly Charge: (\$/month)					
12	Interruptible Service	N/A	\$1,009.22	\$1,009.22	N/A	N/A
13	Mainline Interruptible (with firm delivery)	N/A	\$1,466.48	\$1,466.48	N/A	N/A
14						
15	Monthly Demand Charge (\$/m³/month)					
16	Interruptible Service	\$0.1429	\$0.0836	\$0.0836	N/A	N/A
17	Mainline Interruptible (with firm delivery)	\$0.2198	\$0.1682	\$0.1682	N/A	N/A
18						
19	Commodity Volumetric Charge: (\$/m³)					
20	Interruptible Service	\$0.0104	\$0.0049	\$0.0051	\$0.2891	\$0.2686
21	Mainline Interruptible (with firm delivery)	\$0.0057	\$0.0022	\$0.0024	\$0.2891	\$0.2686
22						
23	Alternate Supply Service:			Negotiated		
24	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
25	Delivery - Interruptible Class			\$0.0077		
26	Delivery - Mainline Interruptible Class			\$0.0085		
27						
28	¹ Supplemental Gas	is mandatory for all Sales and Western T-Service Customers.				
29						
30						
31	Minimum Monthly Bill:	Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.				
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33	Effective:	Rates to be charged for all billings based on gas consumed on and after August 1, 2007.				
34						

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