

M A N I T O B A

Order No. 89/11

THE PUBLIC UTILITIES BOARD ACT

June 29, 2011

Before: Graham Lane, CA, Chairman
Len Evans, LLD., Member
Monica Girouard, CGA, Member

**CENTRA GAS MANITOBA INC.: FRANCHISE APPLICATION
(RURAL MUNICIPALITY OF PORTAGE LA PRAIRIE)**

1.0 Summary

By this Order, the Public Utilities Board (Board) approves on an interim ex parte basis Centra Gas Manitoba Inc.'s (Centra) Application for a new franchise agreement.

The new agreement consolidates and replaces five existing franchise agreements and expands the franchise area to serve an additional commercial customer in the Rural Municipality of Portage la Prairie.

2.0 Application

On June 17, 2011, Centra applied to the Board, requesting:

1. Approval and authorization of a new franchise agreement to consolidate and replace five existing franchise agreements and incorporate a new franchise area required to serve one new commercial customer; and
2. Approval of its financial feasibility test related to the planned expansion of natural gas service to one commercial customer within the proposed expansion area.

Centra currently provides natural gas service to portions of the RM of Portage la Prairie under five separate franchise agreements (entered into in 1958, 1964, 1967, 1991 and 1999). The proposed new agreement would include the area encompassed by the five historical agreements plus add a small expansion to service a single commercial customer that is outside of the current approved franchise areas.

The expansion would encompass the following sections:

Sections 33 - 36, Township 11, Range 8 WPM

Sections 1 – 4, Township 12, Range 8 WPM

The revised franchise agreement covers the sections of land on both sides of the transmission pipeline in the RM of Portage la Prairie.

The franchise extension will involve the construction of approximately 7,565 metres of 114.3 mm polyethylene distribution pressure main from Centra's Gate Station (located in Section 32, Township 11 Range 7 WPM) and follow the TransCanada Highway within existing government road allowances and on private land easements to the commercial customer's location.

The RM of Portage la Prairie gave first reading to By-law No. 3062 on April 12, 2011, authorizing a new franchise agreement between the RM of Portage la Prairie and Centra Gas Manitoba Inc. (and allowing for the proposed extension).

3.0 Board Findings

The Application was filed consistent with the Board's requirements (as established in Board Order 109/94). As well, the feasibility test and resulting required customer contribution are in accordance with Board approved methodology.

Accordingly, the Board will approve the Application.

Board decisions may be appealed either in accordance with the provisions of Section 58 of *The Public Utilities Board Act* or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

4.0 IT IS THEREFORE ORDERED THAT:

1. The new Franchise agreement between Centra Gas Manitoba Inc. and the Rural Municipality of Portage la Prairie, attached hereto as Appendix "A" to this Order, BE AND IS HEREBY APPROVED on an interim ex parte basis;
2. The financial feasibility test for the extension of natural gas service to one commercial customer within the expansion BE AND IS HEREBY APPROVED, on an interim ex parte basis; and
3. This interim Order will remain in full effect until confirmed or otherwise by a subsequent Order of the Board.

The Public Utilities Board

"GRAHAM LANE, CA"
Chairman

"KURT SIMONSEN, P.Eng."
Acting Secretary

Certified a true copy of Order No. 89/11
issued by The Public Utilities Board

Acting Secretary

RURAL MUNICIPALITY OF PORTAGE LA PRAIRIE

BY-LAW NO. 3062

BEING A BY-LAW of the Rural Municipality of Portage la Prairie, in Manitoba, to authorize the granting of a franchise to Centra Gas Manitoba Inc. ("Centra") for supplying and delivering natural gas in the Rural Municipality.

WHEREAS the Rural Municipality of Portage la Prairie (the "Municipality") has entered into various franchise agreements with with Inter City Gas Limited, Plains Western Gas (Manitoba) Ltd., Inter-City Utilities Ltd, and Centra Gas Manitoba Inc. whereby the Municipality granted these companies franchises to supply and deliver natural gas to the Municipality and its inhabitants within the areas set forth in the various franchises agreements;

AND WHEREAS Centra Gas Manitoba Inc. (a wholly owned subsidiary of Manitoba Hydro) is the corporate successor to Inter City Gas Limited, Plains Western Gas (Manitoba) Ltd, Inter-City Utilities Ltd., and Centra Gas Manitoba Inc.;

AND WHEREAS Centra and the Municipality wish to extend the franchise area provided for in the franchise agreements to include Sections 33 - 36, Township 11, Range 8W, and Sections 1 - 4, Township 12, Range 8W;

AND WHEREAS Section 232(1)(1) of The Municipal Act provides that a Council may pass by-laws for municipal purposes respecting public utilities;

AND WHEREAS Section 250(2)(d) and 253 (1) of The Municipal Act provides that a municipality may for municipal purposes;

- (c) acquire, establish, maintain and operate services, facilities and utilities; and
- (d) enter into agreements with another party to do on behalf of the municipality anything the municipality has the power to do within the municipality.

AND WHEREAS the Municipality has agreed that it is in its interest to grant Centra a franchise to supply and deliver natural gas to the Municipality;

AND WHEREAS it is deemed expedient and in the public interest that the Municipality enter into a franchise agreement ("Franchise Agreement") with Centra to supply and deliver natural gas to the Municipality pursuant to said Section 250(2) and replace all existing franchise agreements;

NOW THEREFORE the Council of the Municipality in regular session assembled enacts as follows:

1. That the Municipality enter into a new Franchise Agreement, in the form attached hereto as Schedule "A" to this By-Law, with Centra for the purpose of granting a franchise to supply and deliver natural gas to the Municipality.
2. That the Reeve and Chief Administrative Officer of the Municipality shall be authorized to execute said Franchise Agreement with Centra, in the form attached hereto as Schedule "A" to this By-Law, on behalf of the Municipality.
3. That this By-Law shall, after being read a first time by the Council be submitted to or receive the authorization or approval of The Public Utilities Board of Manitoba.
4. That Centra be authorized to represent the Municipality in applying to The Public Utilities Board of Manitoba for approval of the Franchise Agreement.
5. That this By-Law shall supercede all previous By-Laws granting natural gas Franchises in the Municipality.

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6. That this By-Law shall not take effect until it has received approval of The Public Utilities Board of Manitoba and third reading.

DONE AND PASSED by the Council of THE RURAL MUNICIPALITY OF PORTAGE LA PRAIRIE, duly assembled at Portage la Prairie, in the Province of Manitoba this _____ day of _____, A.D. 2011.

Kameron Blight
Reeve

Daryl Hrehirchuk, CMMA
Chief Administrative Officer

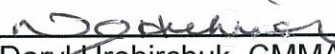
Given First Reading the 12th day of April, A.D. 2011.

Given Second Reading the _____ day of _____, A.D. 2011.

Given Third Reading the _____ day of _____, A.D. 2011.

I, Daryl Hrehirchuk being Chief Administrative Officer for the Rural Municipality of Portage la Prairie do hereby certify that By-Law 3062 was given first reading on the 12th day of April, 2011 and By-Law 3062 is a true and correct copy of the original.

Dated at the City of Portage la Prairie this 13th day of April, 2011.



Daryl Hrehirchuk, CMMA

MEMORANDUM OF AGREEMENT made this ____ day of _____, 2011.

BETWEEN:

THE RURAL MUNICIPALITY OF PORTAGE LA PRAIRIE,
(hereinafter called the "Municipality"),

- and -

CENTRA GAS MANITOBA INC.,
(hereinafter called the "Company").

WHEREAS the Municipality is desirous of obtaining a supply of natural gas for the Municipality and the inhabitants thereof not currently receiving natural gas;

AND WHEREAS it is agreed between the Municipality and the Company that the Company supply and deliver natural gas to the Municipality and its inhabitants in the Rural Municipality of Portage la Prairie, in Manitoba and as set out in the map attached as Appendix 1 hereto (the "Territory"), upon the terms and conditions set out herein;

AND WHEREAS by by-law duly passed by the Council of the Municipality (the "By-law"), the Reeve and the Chief Administrative Officer have been authorized and directed to execute this Agreement on behalf of the Municipality;

NOW THEREFORE pursuant to the premises and in consideration of the sum of TEN DOLLARS (\$10.00) now paid by the Company to the Municipality (the receipt of which is hereby acknowledged), and in further consideration of the mutual covenants hereinafter set forth it is mutually covenanted and agreed by the parties as follows:

1. Subject to compliance with the provisions of The Municipal Act (Manitoba), The Public Utilities Board Act (Manitoba) and The Gas Pipe Line Act (Manitoba), the Municipality hereby grants to the Company, its successors and assigns, subject to the terms, conditions and provisions herein contained, the sole and exclusive franchise to supply and deliver natural gas to the Territory and its inhabitants in the Territory, for a term of thirty (30) years from the date hereof. Provided always however, the Company agrees that with respect to all those portions of the Territory which the Company does not supply and deliver natural gas to, in the event the Municipality, acting reasonably, requests the Company to supply and deliver natural gas upon the same terms and conditions as provided in this Agreement, and the Company refuses to do so, the Company shall relinquish that portion of the Territory from the franchise hereinbefore granted. The Municipality further grants to the Company the full power, right, licence and liberty to enter upon property of the Municipality and to lay down, take up, relay, connect, disconnect, repair, remove, maintain, replace and operate a gas distribution system and any and all necessary or convenient mains, pipes, services, and all other equipment and appliances as the Company may deem desirable for the supply transmission and distribution of gas (collectively the "Gas Distribution System") in, upon, over, across, under and along the public highways, streets, roads, bridges, walkways, sidewalks, road allowances, squares,

lanes, alleys, ditches and other public places (collectively the "Highways") within the boundaries of the Municipality as the same may from time to time exist, as may be necessary or convenient for the purpose of transporting and supplying natural gas to the consumers thereof. The Company is hereby authorized for the purposes aforesaid to enter upon any or all of the said Highways and to break the surface and make the necessary excavations therein and, without limiting the generality of all of the foregoing, to do all things reasonably necessary or convenient for the supplying of natural gas and for laying down, taking up, relaying, connecting, disconnecting, repairing, removing, maintaining, replacing and operating the Gas Distribution System.

2. (a) Subject to the provisions hereof, the Company agrees that during the term of this Agreement, it will install and maintain an adequate natural gas distribution system within the Territory and will provide such quantities of natural gas as will meet the requirements of the inhabitants, businesses and industries located in the Territory;

(b) The Company shall not be bound to construct or extend its mains or provide natural gas or gas service if the Company is, for any reason, unable to obtain delivery of natural gas at or near the limits of the Territory, or an adequate supply thereof to warrant the construction or extension of its mains for the provision of natural gas, or, in connection with extension of its mains, if such extension is not reasonable and would not furnish sufficient business to justify the construction and maintenance thereof; any such extension, including contributions toward the cost of

construction which may be required from inhabitants, businesses and industries located in the Territory, shall be in accordance with policies approved from time to time by the Public Utilities Board of Manitoba ("the Board");

(c) In the event the amount of natural gas supplied to the Company at or near the limits of the Territory is insufficient to meet the requirements of connected consumers, the Company shall have the right to prescribe reasonable rules and regulations for allocating the available supply of natural gas to domestic, commercial and industrial consumers in that order of priority. The allocation of natural gas shall also be subject to the provisions of The Gas Allocation Act and Regulations thereto;

(d) In the event that either of the conditions referred to in subsections (b) and (c) occur or are likely to occur, the Company will advise the Municipality thereof as soon as the conditions become apparent to the Company.

3. The Company agrees:

(a) in the execution of the rights and powers granted hereby and in the performance of the work in connection therewith, it shall do as little damage as possible and shall keep passage of the Highways as far as may be practicable free and uninterrupted;

- (b) it shall not interfere with, disturb or damage any existing pipes or lines of other utilities, unless the express consent of such other utilities is first had and received;
- (c) it shall, within a reasonable time after any construction work, restore the Highways to a state of repair as nearly as possible equal to their former state to the satisfaction of the Municipality acting reasonably, where such restoration is required by reason of the Company having installed or constructed the Gas Distribution System or part thereof;
- (d) in the execution of the rights and powers granted hereby it shall construct, locate and operate its Gas Distribution System in such manner as will not endanger the public health or safety.

4. Prior to the installation of any part of the Gas Distribution System, the Company shall file with the Municipality plans showing the location, depth and size of all mains, pipes or conduits and any other equipment or structures (but not including geodetic information) intended to be installed or constructed and shall comply with all by-laws of the Municipality relating to the construction of such works. The Municipality shall have the right to designate to the Company the location of the Gas Distribution System in the Highways within the Municipality and the Gas Distribution System shall be located in alleys, lanes and boulevards rather than in streets when reasonably practicable and where the cost of so doing will not be unreasonably high; and the Company shall give notice in writing to the

Municipality of its intention to break up any streets or lanes not less than seven (7) days before the beginning of such work except in cases of emergency when immediate notice shall suffice. The Company shall supply complete plans of its Gas Distribution System to the Municipality on as-built basis and will from time to time keep such plans up to date as and when alterations are made.

5. (a) The Company shall protect and indemnify the Municipality against any damages or expenses in connection with the execution of the powers granted hereby and under The Gas Pipe Line Act (Manitoba), and from and against all claims, demands, and actions by third persons in respect of damages sustained by reason of any operations of the Company and in relation to its distribution system.
- (b) The Company shall satisfy the Board that it has in place at all times liability insurance coverage sufficient to satisfy any potential claim, demand or action against the Company or the Municipality for such damages.
6. (a) Before the Municipality makes any repairs of, or alterations to, any of its public services which will involve excavations or which may in any way affect any of the Company's lines plant or equipment, the Municipality shall give notice as set forth in the regulations in effect at that time and made pursuant to The Gas Pipe Line Act (Manitoba).

- (b) Where practicable, the Municipality shall have regard to the reasonable directions of the Company concerning any such repairs and alterations, but, in any event, the Municipality is free of all liability in connection with any damage done by reason of any such repairs or alterations.

- 7.
 - (a) All costs in connection with the removal or relocation of any part of the Gas Distribution System, including the cost of repairs to any Highways, shall be the Company's responsibility except where such removal or relocation is required by the Municipality.

 - (b) Where the Municipality requests the removal or relocation of any part of the Gas Distribution System and, in the opinion of the Company it is practicable and convenient to do so, the Company shall effect such removal or relocation as soon as is reasonably possible after such request is made; provided that all costs in connection with such removal or relocation shall be paid by the Municipality including, without limiting the generality of the foregoing:
 - (i) the cost of repairs to any Highway; and
 - (ii) the net book value plus the cost of replacement, less salvage value, of any part of the removed or relocated Gas Distribution System that is rendered unusable by virtue of such removal or relocation.

8. Natural gas shall be supplied to consumers in the Territory at the rates and on the terms and conditions approved or fixed from time to time by the Board or other regulatory authority having jurisdiction.

9. The Company shall maintain in force during the currency hereof, a policy of insurance provided by an insurance company licensed to do business in the Province of Manitoba, insuring against public liability and property damage in connection with the operations of the Gas Distribution System within the Territory.

10. The Municipality agrees that it will not, for a period of thirty (30) years or longer, if this Agreement is renewed in accordance with the provision of paragraph 11 hereof, grant to any other person, firm or corporation the right to deliver natural gas within the Municipality or to erect or maintain a Gas Distribution System in, upon, over, across, or along its Highways for the purpose of supplying natural gas; provided however that this paragraph shall not prevent the sale or delivery within the Municipality by any other person, firm or corporation of liquefied petroleum gas, propane or other product delivered in tanks or containers and not transmitted by pipeline.

11. (a) It is further agreed that at the expiration of the term hereof and at the expiration of each renewal hereof, the Municipality may, after giving one (1) year's written notice prior to the date of the termination of this Agreement or of any renewal hereof, at its option (to be expressed by by-law of the Municipality), elect to purchase that portion of the Gas Distribution System

with respect to its operations within the Municipality that is used exclusively for the distribution of natural gas in the Territory, pursuant to this Agreement, but not any portion of the Gas Distribution System that is used for transmission of natural gas through the Municipality, for such price and on such terms as may be agreed upon between the parties hereto, or failing such agreement then at such price and on such terms including that portion of the Gas Distribution System the Municipality is entitled to purchase as may be fixed and settled by the Board, or if the Board shall refuse to so fix and settle the price then the said price and terms shall be such as may be fixed and determined by arbitration under the provisions of The Arbitration Act (Manitoba) and each of the parties shall appoint an arbitrator and the arbitrators so appointed shall appoint a third arbitrator to act as chairman who shall be versed in this special branch of engineering economics, and in the event the arbitrators appointed by each party are unable to appoint a third arbitrator, the third arbitrator shall be appointed by the Chief Justice of the Court of Queen's Bench of the Province of Manitoba. The decision of the Board or of a majority of the said arbitrators shall be binding upon the parties in arriving at the price. The Board or the said arbitrators shall make allowance for severance of the property and operation from other properties and operations of the Company in Manitoba. In the event of such purchase, the Company and the Municipality will enter into an agreement respecting the use of and payment for such use by the Municipality of Company-owned facilities which are not being purchased hereunder and for the sale of natural

gas to the Municipality for resale by the Municipality to the inhabitants of the Municipality, at such rates as may be agreed upon between the Company and the Municipality and approved by the Board. If the Municipality does not notify the Company in writing of its intention to purchase the property of the Company as aforesaid at least one (1) year before the expiration of this Agreement or any renewal thereof, this Agreement will be deemed to be automatically renewed for an additional term of ten (10) years, and at the end of the said ten (10) year renewal term, the said Agreement will be further automatically extended in absence of notice aforesaid for additional terms of ten (10) years from time to time. Provided further that at the time of any such renewal, changes in the terms of this Agreement may be made at the request of either party with the approval of the other, and in the absence of such approval such changes may be made by reference to, under the authority of, and with the approval of the Board. Notwithstanding anything contained elsewhere in this Agreement, it is understood and agreed that if the Municipality exercises its option to purchase the property of the Company with respect to its distribution operations within the area designated in this Agreement, such exercise shall not affect the right of the Company to continue to operate its transmission facilities in such area for so long as the same may be required by the Company.

- (b) The Company agrees that it shall provide written notice to the Municipality at least two (2) years prior to the expiration of the term hereof and of each

renewal hereof, of the Municipality's election as set forth in paragraph 11(a) hereof.

12. Notwithstanding any other term or condition contained herein, neither party shall be liable to the other for failure to carry out its obligations hereunder when such failure is caused by force majeure as hereinafter defined. The term force majeure means civil disturbances, industrial disturbances (including strikes and lock-outs), interruptions by government or Court orders, present or future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blockades, insurrections, failure or inability to secure materials, permits or labourers by reason of priority regulations or orders of government, land slides, lightning, earth quakes, fires, storm, floods, wash-outs, explosions, breakage or accident to machinery or the Gas Distribution System, temporary or permanent failure of gas supply, an act or omission (including failure to deliver gas) reducing supply of gas to the Company's supplier, or any other causes or circumstances to the extent such cause or circumstances was beyond the control of the party prevented from carrying out its obligations by the act of force majeure.

13. Subject to the provisions of The Public Utilities Board Act (Manitoba), the Company shall not without the consent of the Municipality, such consent not to be unreasonably withheld, assign this Agreement or the rights, franchises, powers and privileges granted hereby or any of them; provided however the Company may assign this Agreement to any corporation with which the Company may then be associated or affiliated, as those terms are used in The Corporations Act (Manitoba) and the Income Tax Act (Canada).

14. This Agreement will be binding upon and enure to the benefit of the parties and their successors and assigns.

15. This Agreement is subject to the approval of the Manitoba Public Utilities Board.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the day and year first above written.

RURAL MUNICIPALITY OF PORTAGE LA PRAIRIE

Per: _____
Reeve

Per: _____
Chief Administrative Officer

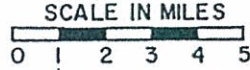
CENTRA GAS MANITOBA INC.

Per: _____
Authorized Signing Officer

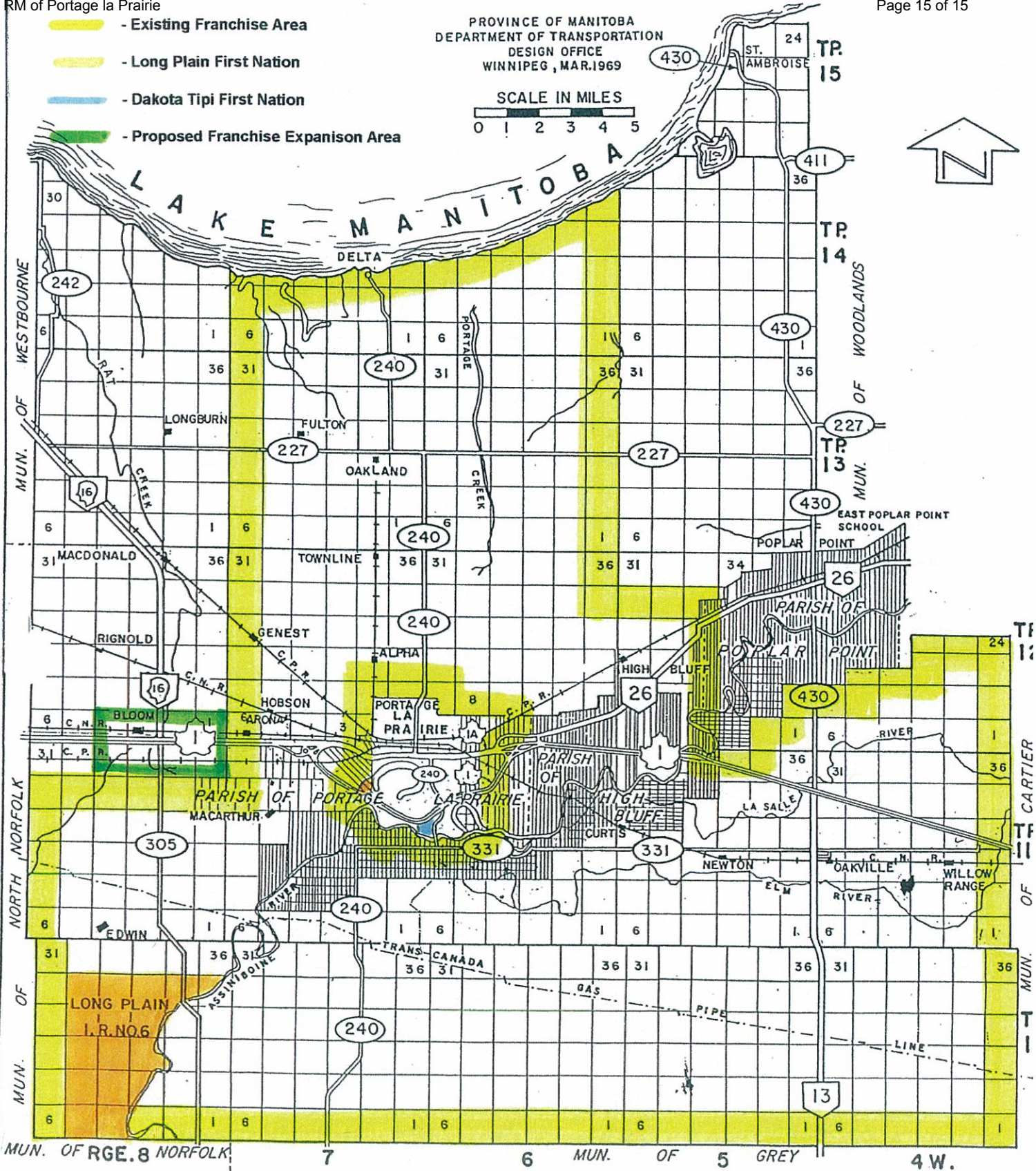
Per: _____
Authorized Signing Officer

R.M. OF PORTAGE LA PRAIRIE

PROVINCE OF MANITOBA
DEPARTMENT OF TRANSPORTATION
DESIGN OFFICE
WINNIPEG, MAR. 1969



- Existing Franchise Area
- Long Plain First Nation
- Dakota Tipi First Nation
- Proposed Franchise Expansion Area



REVISED: - 1986
 SEPT. 1987
 JUNE 1990
 JAN 1992
 JUNE 1994

- TRANS CANADA HIGHWAY
- PROVINCIAL ROADS
- PROVINCIAL TRUNK HIGHWAYS
- RAILWAYS