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M A N I T O B A) Order No. 125/96
THE PUBLIC UTILITIES BOARD ACT)
December 20, 1996

Before: G. D. Forrest, Chairman
D. L. Barrett-Hrominchuk, Member
W. E. Chiswell, Member
J. Hillard, Member

CENTRA GAS MANITOBA INC. - APPROVAL OF
INTERIM RATES TO BE CHARGED FOR THE SALE OF
NATURAL GAS AND THE PROVISION OF
TRANSPORTATION SERVICES IN ALL FRANCHISE
AREAS FOR ALL BILLINGS BASED ON GAS CONSUMED
ON AND AFTER JANUARY 1, 1997.

BACKGROUND

The Board last approved rates flowing from Centra's 1995 test year GRA, effective February 1, 1996 on an interim basis. On May 31, 1996, Centra applied to the Manitoba Public Utilities Board ("the Board") to approve a change in the weighted average cost of gas ("WACOG") and base rates to be effective from July 1, 1996 to December 31, 1996. Centra also included a request to approve an additional rate rider to reflect interim disposition of the 1996 purchased gas variance account ("PGVA") to be effective from July 1, 1996 to December 31, 1997. This application was a result of a dramatic increase in the cost of the of gas supplied from Western Canada and the resulting impact on the PGVA. In Order 79/96, dated July 5, 1996, the Board approved rate schedules to be effective on an interim basis for all billings based on gas consumed from July 1, 1996 to December 31, 1996. These rates also included rate riders related to deferral accounts for 1995 gas costs. These interim rates included a rate rider for the 1996 PGVA for the balance of 1996, but the amount to be collected from consumers was calculated assuming an 18 month collection period ending December 31, 1997.

On May 31, 1996, Centra filed its report which requested Board approval for a new proposed cost of service methodology and rate design. In Order 107/96, dated October 17, 1996 the Board approved the cost of service methodology. The Board also approved in principle, the proposed customer classes. The Board further stated that the proposed three part rate structure, consisting of fixed, demand and commodity charges, was sound in theory and appeared meritorious. However, the Board did not approve this aspect in view of the potential adverse rate impacts on customers within the classes effected by this rate structure. The Board instructed Centra to inform all the affected customers of the specific impact of this change and that the Board would further review the matter at a public hearing related to Centra's General Rate Application ("GRA") for the 1997 test year.

By letter dated August 16, 1996, Centra applied to the Board requesting approval of a 1997 Test Year revenue requirement, rate base and resulting 1997 base rates, and disposition of the various gas cost related and other 1995 and 1996 deferral accounts. Subsequently, cost allocation and rate information was filed with the Board, all in support of Centra's request for new rates to be effective on January 1, 1997. A public hearing in conjunction with this GRA commenced in Winnipeg on November 12, 1996 and final argument was heard on December 10, 1996.

Centra made numerous revisions to its original GRA Filing during the hearing. The most recent revisions indicated that Centra's 1997 revenue surplus would be approximately \$1,700,000, due primarily to the forecasted 1997 gas costs. Additionally, the revisions estimated that the 1995 deferral accounts residual balances, the 1996 PGVA balance, the 1996 non-traditional revenues and the 1997 GRA estimated revenue excess would total some \$6,318,000. The 1996 PGVA Rate rider approved in Order 79/96, if left intact for the balance of 1997 would generate approximately \$7,043,000. Therefore the necessary rate riders to recover all revenue requirements and deferral account balances would be decreased from that currently in place. Additionally, the rate rider related to the refund of the 1995 deferral accounts would cease as of December 31, 1996, as would have occurred in the normal course. Because this rate

rider represented an amount owing to the customers, the effect of its removal is to increase the rates.

Because of the complexities of the GRA, the Board was concerned that a decision on the GRA might not be issued in time for new rates to be implemented on January 1, 1997 and, as previously mentioned, currently approved rates will expire on December 31, 1996. As a consequence, the Board asked each of the participants to address this issue in their final argument to the GRA, and in particular to provide recommendations as to what the new interim rates should be, effective January 1, 1997.

CENTRA'S POSITION

In final argument, Centra submitted preferred interim rate schedules for January 1, 1997 rates. These schedules reflected the results of the cost allocation methodology and customer classes approved by the Board in Order 107/96. The schedules reflected the three part rate structure for the High Volume Firm, Mainline Firm, Mainline Interruptible and Interruptible customer classes. Centra submitted that the proposal to charge only 50% of the demand costs to the High Volume Firm and Interruptible customer classes would mitigate the impact which the imposition of demand charges might have on some customers within those classes. Centra further submitted that the proposed rate schedules most closely match the expectation of the approximately 164 customers in the classes affected by the three part rate, would most easily facilitate any Board ordered adjustments to Centra's GRA and would capture the winter peak demands, expected in January, which would be an element of rate design.

Centra also submitted alternative rates schedules which reflected 1996 interim base rates with the inclusion of current estimates of balances in all the various deferral accounts. These rate schedules only included the previous customer classes and previous methodologies. Rates could not be developed for existing classes as the new methodology inherently assumes revised customer classes, and new functionalization, classification and allocation techniques and factors.

Centra urged the Board to accept Centra's preferred alternative for January 1, 1997 rates.

INTERVENER'S POSITIONS

CAC/MSOS was the only Intervener to comment on the matter of January 1, 1997 interim rates. Counsel for CAC/MSOS did not have any firm recommendation in this regard, but suggested that simplicity was desirable and that the 1996 interim rates should stay in place with a rate rider to capture the January balance, assuming a February 1, 1997 effective date for approved rates resulting from the 1997 GRA. Ultimately the consumer would be required to pay the necessary rates and preference would be to dispose of the various rate riders and deferral accounts as expeditiously as possible.

BOARD FINDINGS

In the Board's opinion, there is insufficient time to properly deal with all the issues flowing from the GRA and to approve rates to be effective on January 1, 1997. The timing of future GRA hearings may need to be advanced if rates are to become effective at the commencement of a calendar year.

Because the existing interim rates expire on December 31, 1996, an Order is required to approve rates to become effective January 1, 1997. A number of options are available to the Board, including the continuation of the July 1, 1996 billed rates, the adoption of 1996 interim base rates (excluding all rate riders), the adoption of Centra's proposals to implement the new rates based on revised cost allocations and rate structures, or the implementation of rates based on Centra's alternative reflecting existing customer classes and rate structure.

Centra's request for approval of the three part rate effective January 1, 1997 cannot be accommodated in this interim rate because all of the related GRA issues have not been fully considered at this time. The Board notes that some information related to customer impacts within a class resulting from the new proposed rate structure was filed by Centra as late as December 10, 1996. The Board recognizes the significant impact of the proposed change in rate structure for some of Centra's customers, but feels that it is important for the Board to consider this matter fully in the context of the GRA rate implications for all customer classes. Consequently, the Board will order the continuation of the existing customer class definition and rate structure be reflected in the January 1, 1997 interim rate structure.

The Board is of the opinion that the interim rate effective January 1, 1997 should incorporate only previously approved cost elements and gas cost changes that occurred during 1996. The Board considers that Centra's alternative rate schedules as submitted on December 10, 1996 and attached as Appendix "A" to this order best achieve the Board's desires. The Board recognizes that, while on an annualized basis this decision represents a rate decrease, the inclusion of rate riders necessitated by virtue of gas costs, which are now market responsive, will result in an increase on an actual billed to billed basis. The Board estimates that this increase will be approximately \$2.50 per month for the typical residential consumer's annual heating bill.

IT IS THEREFORE ORDERED THAT:

1. the Schedule of Rates attached as Appendix "A" to this Order, to be charged for all billings based on gas consumed on and after January 1, 1997 BE AND IS HEREBY APPROVED ON AN INTERIM BASIS.
2. this Order shall remain in full force and effect until further dealt with by the Board.

THE PUBLIC UTILITIES BOARD

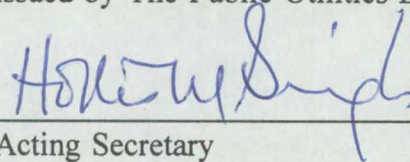
"G. D. FORREST"

Chairman

"H. M. SINGH"

Acting Secretary

Certified a true copy of Order No. 125/96
issued by The Public Utilities Board



Acting Secretary

APPENDIX " A "

December 10, 1996
Page 1 of 2

CENTRA GAS MANITOBA INC.

Firm Sales and T-Service

July 1, 1996 Base Rates with Rider as Calculate in Exhibit Centra 33 (Updated)

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

Availability: SGS - For gas supplied through one domestic sized meter on a firm basis.

LGS & T-Service - For gas delivered through one meter other than domestic sized meters on a firm basis.

Rate: Basic Monthly Charge:

SGS Sales	\$10.00 per Month
LGS and T-Service	50.00 per Month

	SGS	LGS	<u>T-Service</u>
	<u>Sales</u>	<u>Sales</u>	
	(/m ³)	(/m ³)	

Categories:

SGS Sales \$0.1783

LGS Sales and T-Service

Class 4			
- 0 to 680,000 m ³ Annually		\$0.1352	0.0322
Class 3			
- 680,000 to 1,700,000 m ³ Annually		0.1332	0.0302
Class 2			
- 1,700,000 to 3,400,000 m ³ Annually		0.1322	0.0292
Class 1			
- Over 3,400,000 m ³ Annually		0.1317	0.0287

Special Contract Fixed Monthly Charge	47,200.00
Special Contract Commodity Charge	0.0016

Minimum

Monthly Bill: Equal to the Fixed Monthly Charge as described above.

Late Payment

Charge: A late payment charge of 1 1/2% per month shall be charged on the dollar amount owing after each billing due date. The due date will be at least 21 days after the mailing date of the bills.

Effective: Rates to be charged for all billings based on gas consumed on and after January 1, 1997.

CENTRA GAS MANITOBA INC.

Interruptible Sales and Interruptible T-Service
July 1, 1996 Base Rates with Rider as Calculate in Exhibit Centra 33 (Updated)

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

Availability: For any customer at one location whose natural gas requirements equal or exceed annual rate of 340,000 m³ and who contract for such service for a minimum of one year. Sales under this rate shall be limited to the extent that the Company considers it has available natural gas supplies.

Service: Shall be agreed upon by contract between customer and Company recognizing, among other factors, the size and characteristic of customer's requirements, amount of facilities required to be constructed by Company, minimum purchase obligation of customer, priority of delivery service, and term of contract. The contract shall be filed with The Public Utilities Board.

		Sales Rates (/m ³)	T-Service Rate (/m ³)
Rates:	<u>Categories:</u>		
	Class 4		
	- 340,000 to 680,000 m ³ Annually	\$0.1076	\$0.0236
	Class 3		
	- 680,000 to 1,700,000 m ³ Annually	0.1056	0.0216
	Class 2		
	- 1,700,000 to 3,400,000 m ³ Annually	0.1046	0.0208
	Class 1		
	- Over 3,400,000 m ³ Annually	0.1041	0.0201
	Peaking Supply - Actual Cost of Peaking Gas Delivered Plus a Delivery Charge of	0.0206	N/A

Late Payment Charge: A late payment charge of 1 1/2% per month shall be charged on the dollar amount owing after each billing due date. The due date will be at least 21 days after the mailing date of the bills.

Effective: Rates to be charged for all billings based on gas consumed on and after January 1, 1997.