

**The
Public
Utilities
Board**

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Winnipeg, Manitoba
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MANITOBA

THE PUBLIC UTILITIES BOARD ACT

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Order No. 126/99

July 12, 1999

BEFORE: G. D. Forrest, Chairman
D. L. Barrett-Hrominchuk, Member
J. A. MacDonald, Member

**AN ORDER PURSUANT TO BOARD ORDER 118/99,
APPROVING SALES RATES TO BE CHARGED BY CENTRA GAS MANITOBA INC.
FOR ALL NATURAL GAS CONSUMED ON AND AFTER JULY 1, 1999**

Executive Summary

Background

Centra Gas Manitoba Inc. ("Centra") has applied to the Public Utilities Board ("the Board") for new sales rates to be effective July 1, 1999. The Board held a public hearing to consider Centra's Application and has issued Order 118/99 dated June 29 1999, which contains the Board's decisions and directives relating to Centra's Application. On July 6 and 7 1999, Centra filed with the Board the requested revised schedules, rates and rate impacts.

In this Order, the Board approves the new rates to be effective in Centra's billings for all gas consumed on and after July 1, 1999 and until December 31, 1999.

Rate Impacts – July 1, 1999

Existing sales rates charged to gas consumers include \$2.20/Gj as the unit cost of Western Canadian supplied gas. Market conditions now indicate the 1999 average unit cost of Western Canadian supplied gas will be \$2.74/Gj, which is the estimated cost of gas approved by the Board to be included in new sales rates.

As explained in Order 118/99, Centra's May 14, 1999 Revised Application would result in significant rate increases to customers in the High Volume Firm, Mainline and Interruptible classes if the total 1999 cost of gas was recovered from all customer classes by the end of 1999. To moderate the rate impact to these high volume users, Centra proposed a six month deferral of the rate rider portion of the billed rates. In Order 118/99 the Board ordered the rate rider portion of the billed rates to high volume customers be deferred and implemented from April 1, 2000 to December 31, 2001. This deferral and 21 month recovery period further moderated the rate impact to customers in the High Volume Firm, Mainline and Interruptible classes.

Customers in the Small General Services class (which includes residential customers) and the Large General Service class will experience rate decreases effective July 1, 1999.

The following table compares the rate impacts of Centra's May 14, 1999 Revised Application (assuming Centra's 1999 gas costs would be recovered from all customer classes by the end of 1999) with the rate impacts as approved by this Order.

Customer Class	July 1, 1999 Rate Impacts of Centra's May 14, 1999 Revised Application with Recovery of 1999 Gas Costs by December 31, 1999	July 1, 1999 Rate Impacts Approved by the Board in this Order
Small General Service	-5.9% to -6.6%	-6.3% to -7.1%
Large General Service	-7.2% to -10.0%	-7.5% to -10.4%
High Volume Firm	16.8% to 21.4%	1.3% to 1.7%
Mainline	15.0% to 18.4%	2.6% to 3.2%
Interruptible	34.5% to 38.8%	11.6% to 13.0%

Rate Impacts – January 1, 2000

As noted in Order 118/99, the average unit cost of Western Canadian supplied gas has risen from \$2.20 in August, 1998 to \$2.74 in July, 1999. If the unit cost of gas remains at \$2.74, and all other costs remain constant, consumers in the SGS class would experience a further rate reduction of approximately 1.5%, and customers in the LGS class would experience a further reduction of 0.5%, both effective January 1, 2000.

Rate Impacts – April 1, 2000

To moderate the rate impacts to the High Volume Firm, Mainline and Interruptible classes, the rate rider portion of their billed rates will be deferred and implemented April 1, 2000, and continue until December 31, 2001. Assuming the unit cost of gas remains at \$2.74/Gj, these customer classes can expect rate increases on April 1, 2000 ranging from 4% to 7%.

Consumers are further reminded that gas sales rates for the year 2000 are unknown at this time. Should the current forecast of the 2000 average unit cost of \$3.04/Gj remain unchanged, the January 1, 2000 and April 1, 2000 rates discussed above will be effected. The

rates approved in this Order are to remain in effect until December 31, 1999. Centra will be required to make a further application to the Board for rates to be effective January 1, 2000.

1.0 Background

In Order 118/99, dated June 29, 1999, the Board instructed Centra to revise and refile various schedules and rates to reflect all Board decisions and directives contained in that Order. Centra filed the requested information with the Board on July 6, 1999 and now seeks Board approval of new sales rate schedules to be applied to billings of natural gas consumed on and after July 1, 1999.

2.0 Requirements of Order 118/99

Order 118/99 directed Centra to recalculate the rates, to be effective July 1, 1999, to reflect:

- estimated 1999 cost of gas of \$220,296,128, based a forecast unit cost for Western Canadian supply of \$2.74/Gj;
- estimated 1999 capacity management revenues of \$1,000,000;
- incremental 1998 price management losses of \$4,101,420, exclusive of carrying costs;
- 1997 and prior years Deferral Account residual balances, exclusive of carrying costs;
- the December 31, 1998 balances of the 1998 Purchase Gas Variance Account ("PGVA"), the 1998 Rate Change Deferral Account, and the 1998 Heat Value Deferral Account, exclusive of carrying costs;
- the previously allowed December 31, 1998 balance of the 1998 price management losses, exclusive of carrying costs;
- the calculation of carrying costs related to the previously allowed 1997 and 1998 price management deferral accounts at a rate of 8.893% for 1997 and 1998, with the previously allowed 1998 price management results also attracting carrying costs in 1999 at a rate of 8.893%;
- the calculation of all other deferral accounts at Centra's short term borrowing rate for 1999;

- o the inclusion of a portion of the 1998 and 1999 estimated balances, with carrying costs at Centra's short term borrowing rate, related to the Small General Service ("SGS") rural expansion Deferral Account;
- o the balance of the 1998 SGS rural expansion Deferral Account balances be accounted for by an acceleration of the amortization of customer contributions in aid of construction,
- o the use of Class WACOG for purposes of recovering deferral account balances from customer classes;
- o the inclusion of all necessary rate riders in the July 1, 1999 billed rates for the SGS and Large General Service ("LGS") customer classes;
- o the implementation of base sales rates for the High Volume HVF("HVF"), Mainline and Interruptible customer classes on July 1, 1999;
- o the deferral of all necessary rate riders for the HVF, Mainline, and Interruptible customer classes to April 1, 2000 and the recovery of those balances from April 1, 2000 to December 31, 2001.

3.0 Centra's Filing

On July 6 and 7, 1999 Centra filed the revised material as directed by the Board in Order 118/99. The following table summarizes the deferral account balances flowing from the revised material. The amounts shown in this table include 1998 and 1999 carrying costs.

COMPONENT	REVISED
1997 and Prior Years Deferral Account Residual Balances	\$ 2,201,953
1998 PGVA Balance, including Price Management Losses	\$ 18,523,837
1998 Heat Value Deferral Account	(\$ 70,205)
1998 Rate Delay Deferral Account	\$ 380,884
1999 Capacity Management Revenues	(\$ 1,000,000)
1998 & 1999 SGS Deferral Account	\$ 751,692
Total Deferral Accounts	\$20,788,161

4.0 Rate Impacts

4.1 Base Rates

Centra used 1998 Approved test year data to allocate the 1999 revenue requirements to its various customer classes using the Board approved cost allocation methodology. The cost allocation process identifies the total revenue each customer class must provide in order for Centra to achieve its overall required revenue. Base rates are designed to recover the annual revenue requirement over a 12 month period.

4.2 Rate Riders and Billed Rates

The 1999 rates will be effective for all gas consumed on and after July 1, 1999. Therefore, the approved and un-recovered balance of the 1999 revenue requirement must be recovered in the remaining six months of 1999. This is accomplished by using a rate rider, which is calculated using the normalized volume for each customer class for the balance of the year. In addition to the rate delay impacts, the billed rates also include other rate riders to recover or refund the deferral account balances shown in Section 3 of this Order. These balances are to be recovered by way of a rate rider commencing July 1, 1999. Assuming normal weather will occur

for the rest of 1999, the amount owing to Centra by the SGS and LGS classes will be zero at December 31, 1999. As directed in Order 118/99, the various deferral account balances for the HVF, Mainline and Interruptible customer Classes will not be implemented until April 1, 2000, and will be in effect for a period of 21 months.

The existing billed rates include 1998 non-gas cost of service items, a cost of gas which assumes a Western Canadian price of \$2.20/Gj, and various 1997 Deferral Account balances. The new rates to be effective July 1, 1999 include the same 1998 non-gas cost of service items, a cost of gas assuming a Western Canadian price of \$2.74/Gj, the rate delay rate rider, and a rate rider related to the deferral account balances shown in Section 3 of this Order. Pursuant to Order 118/99, Centra has used the Class WACOG in determining the appropriate deferral account balances to be recovered from each customer class.

4.3 Rate Impacts

Centra has calculated the range of impacts on the annual energy bills of its various customer classes on a billed to billed basis. In the table below, the July 1, 1999 impact compares the difference in 1999 annual energy bills between the January 1, 1999 rates being in effect for six months and the new rates in effect for the rest of the year, with the annual energy bills had the January 1, 1999 rate been in effect for 12 months. The January 1, 2000 and April 1, 2000 impacts compare the annual energy bills resulting from the January 1, 2000 rate being in effect for 12 months to the annual energy bills resulting from the July 1, 1999 rates. The January 1, 2000 and April 1, 2000 impacts assume a continuation of the Western Canadian price of \$2.74/Gj for all of 2000.

Rate Impacts

Customer Class	July 1, 1999 impact @ \$2.74/Gj	January 1, 2000 impact @ \$2.74/Gj	April 1, 2000 impact @ \$2.74/Gj
SGS (includes residential)	-6.3% to -7.1%	-1.4% to -1.6%	0%
LGS	-7.5% to -10.4%	-0.5% to -0.7%	0%
HVF	1.3% to 1.7%	0%	4.7% to 6.0%
Mainline	2.6% to 3.2%	0%	3.9% to 4.7%
Interruptible	11.6% to 13.0%	0%	6.5% to 7.2%

5.0 Board Findings

The Board approved the use of the estimated 1999 cost of gas \$220,296,128 in Order 118/99. Manitoba consumers are reminded that the current market view is that natural gas, now being traded on the open market, will continue to increase in price in the near future. The May 1999 forecast was that the average price for Western Canadian gas for the year 2000 will be in excess of \$3.00/Gj, compared to the \$2.74/Gj included in rates. The Board notes that Centra's current annual revenue requirement is approximately \$334,000,000 (\$113,700,000 is the non-gas cost component). A Western Canadian cost of gas unit price increase of \$0.25/Gj would result in an annual gas cost increase in excess of \$12,500,000. While this would be a 5.7% increase in gas costs, it would represent an overall cost increase of some 3.3% for the average residential annual heating bill, assuming other distribution costs remain at current levels. The Board also notes that the last general rate application was based on 1998 test year data, and should a further application be filed, it is possible that other costs may also increase.

The Board has reviewed Centra's refiled material, and is satisfied that all deferral account balances have been recalculated in accordance with Board directives contained in Order 118/99. The Board is also satisfied that the allocation of 1999 gas costs and recovery of deferral account balances by customer class is in accordance with Order 118/99. The Board will therefore approve the schedule of unbundled rates attached to this Order, as Schedule "A", on an interim basis. These billed rates are to be in effect until December 31, 1999. The Board will expect Centra to file an application for the year 2000 rates in a timely fashion, so as to allow the Board adequate opportunity to review, revise as necessary, and approve the implementation of rates on January 1, 2000, without the necessity for rate delay riders.

6.0 IT IS THEREFORE ORDERED THAT:

3. The Schedule of Rates attached as Schedule "A" to this Order, to be effective for all billings based on meter readings for gas consumed on and after July 1, 1999 and until December 31, 1999 BE AND IS HEREBY APPROVED on an interim basis.
4. Centra Gas Manitoba Inc. file an Application, in a timely fashion, for rates to be effective on January 1, 2000.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"

Chairman

"H. M. SINGH"

Acting Secretary

Certified a true copy of
Order No. 126/99 issued by
The Public Utilities Board


Acting Secretary

SCHEDULE "A"

X. RATE SCHEDULES

**CENTRA GAS MANITOBA INC.
Firm Sales and Delivery Services*
1998 Test Year Annualized Rate Schedule**

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

AVAILABILITY:

SGC: For gas supplied through one domestic-sized meter.

LGC: For gas delivered through one meter at annual volumes less than 680,000 m3.

HVF: For gas delivered through one meter at annual volumes greater than 680,000 m3.

MLC: For gas delivered through one meter to consumers served from the Transmission system.

SPECIAL CONTRACT: For gas delivered under the terms of a Special Contract with the Company.

RATES:

	<u>Transportation and Delivery Charge</u>	<u>Primary Gas Supply</u>	<u>Storage & Peaking Gas Supply¹</u>	<u>T Service Only</u>
<i>Basic Monthly Charge: (\$/month)</i>				
Small General Class (SGC)	\$10.00	N/A	N/A	\$10.00
Large General Class (LGC)	\$70.00	N/A	N/A	\$70.00
High Volume Firm Class (HVF)	\$758.24	N/A	N/A	\$758.24
Main Line Class (MLC)(Firm and Interruptible)	\$1,233.71	N/A	N/A	\$1,233.71
Special Contract	N/A	N/A	N/A	\$89,666.24
<i>Monthly Demand Charge: (\$/m³/mo.)</i>				
High Volume Firm Class (HVF)	\$0.3297	N/A	N/A	\$0.1244
Main Line Class (MLC)(Firm Supply Only)	\$0.5575	N/A	N/A	\$0.0994
Main Line Class (MLC)(Interruptible Supply Only)	\$0.4014	N/A	N/A	\$0.0994
Special Contract	N/A	N/A	N/A	N/A
<i>Commodity Volumetric Charge: (\$/m³)</i>				
Small General Class (SGC)	\$0.1162	\$0.1033	\$0.0877	N/A
Large General Class (LGC)	\$0.0665	\$0.1033	\$0.0877	\$0.0240
High Volume Firm Class (HVF)	\$0.0302	\$0.1033	\$0.0877	\$0.0094
Main Line Class (MLC)(Firm Supply Only)	\$0.0063	\$0.1033	\$0.0877	\$0.0006
Main Line Class (MLC)(Interruptible Supply Only)	\$0.0057	\$0.1033	\$0.0877	\$0.0006
Special Contract	N/A	N/A	N/A	\$0.0006

¹ Storage and Peaking 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 July 1, 1999

* Including Firm Mainline Delivery combined with Interruptible Supply

Approved by Board Order #	Effective from: July 1, 1999	Date Implemented: July 1, 1999
Supersedes Board Order # 165/98		Supersedes: Jan. 1, 1999 Interim Rates

CENTRA GAS MANITOBA INC.
Interruptible Sales and Delivery Services
1998 Test Year Annualized Rate Schedule (Base Rates Plus Riders)

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

AVAILABILITY: For any Consumer at one location whose annual natural gas requirements equal or exceed 680,000 m³ 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.

RATES:

	<u>Transportation and Delivery Charge</u>	<u>Primary Gas Supply</u>	<u>Storage & Peaking Gas Supply¹</u>	<u>T Service Only</u>
<i>Basic Monthly Charge: (\$/month)</i>	\$855.39	N/A	N/A	\$855.39
<i>Demand Charge: (\$/m³/month)</i>	\$0.1721	N/A	N/A	\$0.0708
<i>Volumetric Charge: (\$/m³)</i>	\$0.0166	\$0.1033	\$0.0815	\$0.0051

Alternate Supply Service:

Gas Supply (Interruptible Sales and Mainline Interruptible)

Negotiated
Cost of Gas

Delivery Service - Interruptible Sales

\$0.0074

Delivery Service - Mainline Interruptible Sales

\$0.0039

¹ Storage and Peaking Gas is mandatory for all Customers except T-Service Only.

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 July 1, 1999

Approved by Board Order #	Effective from: July 1, 1999	Date Implemented: July 1, 1999
Supersedes Board Order # 165/98		Supersedes: Jan. 1, 1999 Interim Rates