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MANITOBA

Order No. 87/99

**THE PUBLIC UTILITIES BOARD ACT**

May 14, 1999

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

**AN APPLICATION BY CENTRA GAS MANITOBA INC.  
FOR AN ORDER TO APPROVE THE SALE OF THE WILKES AVENUE  
PROPANE FACILITIES PURSUANT TO SECTION 82(1)(h) OF THE PUBLIC  
UTILITIES BOARD ACT**

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## 1.0 Background

For several years Centra Gas Manitoba Inc. ("Centra") used propane for the purposes of meeting its peak requirements (referred to as "peak shaving") by injecting a propane/air mixture into the system during periods of extremely cold weather when customer requirements exceeded contracted levels of natural gas supply. The storage and related plant facilities that supplied the propane were located at Centra's Wilkes and La Salle sites and were constructed between 1961 and 1974. The Wilkes site included two 5,000,000 gallon storage tanks and propane plant and the La Salle site included a 10,000,000 gallon storage tank. A seven mile propane pipeline connected the operation of the two sites.

The requirement to make significant capital upgrades of the peak sharing facilities and the evolution of the natural gas market, which provided economical peak shaving supplies, caused Centra to consider the use of alternate peaking supplies. This change in peaking supplies resulted in the Wilkes site being decommissioned in 1991 and the La Salle site being taken out of service in 1995 and decommissioned in 1996.

Since the time of the decommissioning, Centra has attempted to find an alternate use or buyer for both of the facilities, and have carried out several assessments in that regard with the assistance of outside parties. Centra estimated that the costs to dismantle the Wilkes site would be approximately \$400,000 net of salvage.

The undepreciated investment in the Wilkes site and the decommissioning costs were amortized into rates over the 5 year period from 1992 to 1996. This was approved by The Public Utilities Board ("the Board") in Order 156/91.

In Order 8/97, the Board approved the amortization of the undepreciated investment in the La Salle facility and decommissioning costs into rates over the remaining original life of the

facility of 12 years (1996 to 2007) with carrying costs on the amortization account at Centra's overall rate of return.

## **2.0 Application**

By letter dated April 16, 1999, Centra advised that they had recently executed an agreement for the sale and removal of the propane storage and peak shaving facilities at its Wilkes Avenue site. The purpose of the letter was to provide the details of the sale to the Board and to request approval of the sale under Section 82(1)(h) of The Public Utilities Board Act.

### **Sale Agreement**

Centra advised that they received an expression of interest in the Wilkes facilities from Energy Corp. who was interested in dismantling the facilities and re-erecting them in the Dominican Republic. After the exchange of information and site visits, negotiations for the sale continued through late 1998 with a final agreement being reached on April 5, 1999. The highlights of the sale agreement are:

1. Centra has received sales proceeds of \$75,000 U.S. from Energy Corp. equates to approximately \$113,000 Cdn.
2. Centra will pay commission costs of \$25,000 Cdn. for brokerage fees related to the sale.
3. Energy Corp. will dismantle and remove the facilities at their cost by no later than December 31, 1999, subject to unavoidable delays (as defined in the agreement) or delays occasioned by Centra.
4. Centra will be responsible for the removal of the concrete foundations of the storage tanks, if it determines that it is necessary to remove them.
5. Energy Corp. will obtain and maintain appropriate insurance and performance bonds as defined in the agreement, before and during the course of the work.

### **Regulatory Treatment**

Centra intends to apply the net proceeds from the sale of the Wilkes facility to reduce the balance of the deferral account that was established for the La Salle facilities pursuant to Order 8/97. Centra also intends to charge any further dismantling or restoration costs to this deferral account if and when they are incurred. Centra believes that this treatment is consistent with Order 8/97.

The matter of any review or approval of the treatment of the salvage and dismantling costs will be considered at a later date in the context of a general rate application.

### **3.0 Board Finding**

The commercial opportunities to sell these types of facilities are limited, and in the absence of a sale, Centra would be faced with dismantling costs in excess of \$400,000. The Board will approve the sale pursuant to Section 82(1)(h) of The Public Utilities Board Act. The matter of review and approval of the net sales proceeds and any salvage and dismantling costs that may be incurred by Centra as well as the proposed regulatory treatment will be considered by the Board in the context of a future General Rate Application.

**4.0 IT IS THEREFORE ORDERED THAT:**

1. The application by Centra Gas Manitoba Inc. for approval of the sale of the Wilkes Avenue Propane facilities pursuant to Section 82(1)(h) of The Public Utilities Board Act **BE AND IS HEREBY APPROVED.**
2. The matter of review and approval of the net proceeds of the sale, and any salvage and dismantling costs that may be incurred by Centra, as well as the proposed regulatory treatment, will be considered by the Board in the context of a future General Rate Application.

**THE PUBLIC UTILITIES BOARD**

**"G. D. FORREST"**

**Chairman**

**"G. O. BARRON"**

**Secretary**

**Certified a true copy of Order No. 87/99 issued  
by The Public Utilities Board**

**Secretary**