

**The  
Public  
Utilities  
Board**

2nd Floor  
280 Smith Street  
Winnipeg, Manitoba  
R3C 1K2

**MANITOBA**

**Order No. 90/99**

**THE PUBLIC UTILITIES BOARD ACT**

**May 28, 1999**

Before: G. D. Forrest, Chairman  
D. L. Barrett-Hrominchuk, Member  
T. MacDonald, Member  
E. Edmondson, Member  
M. Rodrigue, Member

**FILING REQUIREMENTS AND ISSUES TO BE EXAMINED  
IN RESPECT OF AN APPLICATION BY WESTCOAST  
ENERGY INC., REGARDING THE PROPOSED  
ACQUISITION OF ALL OF THE ISSUED AND  
OUTSTANDING SHARES OF CENTRA GAS MANITOBA  
INC. BY MANITOBA HYDRO**

## **1.0 Background:**

The Public Utilities Board ("the Board") has been advised that Westcoast Energy Inc. ("Westcoast") has signed a Letter of Intent with Manitoba Hydro ("Hydro") concerning the possible acquisition by Hydro of all issued and outstanding shares of Centra Gas Manitoba Inc. ("Centra"), an indirect wholly-owned subsidiary of Westcoast.

The Board has been further advised that a Share Purchase Agreement was signed by both parties on May 14, 1999 with the provision that closing is conditional on the approval of the Board.

To assist the Board in establishing the scope of its review of this transaction, the Board, by way of Public Notice dated April 30, 1999, requested comments from all interested parties, including individuals, organizations and businesses, in the following areas:

- (i) What issues should be included in the Board's review of the transaction?
- (ii) What filing requirements should be included with the request for approval of the transaction?

Written submissions were received from the following interested parties:

- Canadian Federation of Independent Business
- Canadian Taxpayers Federation
- Communications, Energy and Paperworkers Union of Canada
- Consumer Association of Canada (Manitoba) Ltd./Manitoba Society of Seniors
- Heartland Gas Initiative
- Liberal Party in Manitoba
- Manitoba Hydro
- Manitoba Industrial Power Users Group
- Municipal Gas
- Provincial Council of Women in Manitoba Inc.
- The City of Winnipeg
- The HVAC Coalition of Manitoba
- Westcoast Energy Inc.
- A.W. Wiebe

The written submissions of each of the interested parties are attached as Appendix II to this Order.

## 2.0 Board Findings:

The Board thanks all interested parties for their submissions on this significant matter. The various submissions have assisted the Board in establishing the scope of its review of the transaction. The Board further notes that there are other issues related to the proposed transaction that do not fall within the scope of this hearing, but will be more appropriately dealt with at future General Rate Application Hearings.

The Board has reviewed all submissions and has determined that four broad issues should be addressed in consideration of the Public Interest with respect to Hydro's proposed acquisition from Westcoast of all issued and outstanding shares of Centra. The following issues will address the relevant matters, including those raised in responses received from interested parties, and will be considered at an upcoming Public Hearing:

The impact of the proposed transaction -

- On the provision of safe and reliable utility services.
- On rates charged to rate payers of both utilities.
- On competition in both the electric and natural gas industry in Manitoba.
- On future regulation of each of the utilities.

The Board has set out, as Appendix I to this Order, Filing Requirements. The Public Utilities Board Act provides that Westcoast must file an application with the Board seeking approval of the proposed transaction. However, much of the information included in the Filing Requirements must come from Hydro. The Board recognizes that compliance with the Filing Requirements will necessitate co-operation and co-ordination between the vendor and the purchaser. The Board has been advised by Hydro that they will fully co-operate in this process.

To the extent that the documents listed in the Filing Requirements are in the power, possession or control of the vendor or the purchaser, they are to be included in the Application filed with the Board seeking approval of the proposed transaction. To the extent that any documents included in the Filing Requirements are not available to be included in the application, the information may be sought by Interested Parties through written information requests in accordance with the timetable established by the Board, and through cross examination at the Public Hearing.

**3.0 It is Therefore Ordered That:**

1. The issues to be reviewed at an upcoming Public Hearing to consider the matter of the proposed acquisition of all of the issued and outstanding shares of Centra Gas Manitoba Inc. by Manitoba Hydro are the following:

The impact of the proposed transaction:

- On the provision of safe and reliable utility services.
  - On rates charged to rate payers of both utilities.
  - On competition in both the electric and natural gas industry in Manitoba.
  - On future regulation of each of the utilities.
2. The Filing Requirements shall include the information set out in Appendix I attached to this Order.

THE PUBLIC UTILITIES BOARD  
"G. D. Forrest"  
Chairman

"Hollis Singh"  
Acting Secretary

Certified a true copy of  
Order No 90/99 issued by  
The Public Utilities Board

  
Acting Secretary

**FILING REQUIREMENTS IN RESPECT OF AN APPLICATION BY  
WESTCOAST ENERGY INC. REGARDING THE PROPOSED ACQUISITION OF  
ALL OF THE ISSUED AND OUTSTANDING SHARES OF CENTRA GAS  
MANITOBA INC., BY MANITOBA HYDRO**

To the extent that the documents listed in the Filing Requirements are in the power, possession or control of the vendor or the purchaser, they are to be included in the Application filed with the Board seeking approval of the proposed transaction. To the extent that any documents included in the Filing Requirements are not available to be included in the Application, the information may be sought by Interested Parties through written information requests in accordance with the timetable established by the Board, and through cross examination at the Public Hearing.

**Impact of the proposed transaction on the provision of safe and reliable utility services**

1. Prefiled evidence of witnesses as appropriate.
2. A summary of the transition plan for the integration (financial and operational) of the gas utility by Hydro including but not limited to:
  - the corporate organizational structure depicting the purchaser's current and proposed corporate structures including any pending but not implemented changes.
  - A detailed description of how operations and finances of the gas and electric utilities will be managed and reported post transaction.
3. Identification of all service quality safeguards that are included in the proposed transaction.
4. A detailed description of any impacts of the proposed transaction on existing or proposed contracts for both utilities.
5. A complete list of any environmental or related issues that are identified and will be assumed by the Purchaser.
6. A summary of the consumer information processes that will be implemented to make customers of both utilities aware of the important issues related to this transaction.

**Impact of the proposed transaction on Competition in both the electric and natural gas industry in Manitoba**

7. Prefiled evidence of witnesses as appropriate.
8. A summary of the effect of the proposed transaction on competition in Manitoba including a discussion of future gas expansion plans and gas versus electricity competitive issues.
9. A listing of all joint ventures, strategic alliances, or other business arrangements to which the Purchaser is a party as a result of this proposed transaction.
10. A summary of what safeguards will be implemented to ensure there is no cross-subsidization between the two utilities, and how common costs will be shared between the two utilities.

**Impact of the proposed transaction on rates charged to ratepayers of both utilities**

11. Prefiled evidence of witnesses as appropriate.
12. A copy of the signed Letter of Intent between the vendor and purchaser related to the acquisition.
13. A copy of all agreements, main and collateral, that pertain to the proposed transaction together with copies of all written instruments entered into or proposed to be entered into by the parties to the transaction.
14. A detailed description of all the due diligence procedures conducted by the purchaser prior to completing the transaction, including any due diligence reports prepared by external consultants.
15. A copy of any valuation or other reports prepared by or for the vendor and/or the purchaser that deal with valuation and pricing analyses related to the proposed transaction.
16. A copy of all reports and business cases prepared, by or for the vendor and/or the purchaser that deal with the benefits and costs including any discussion of the synergies, economies of scale and, strategic advantages.

17. A quantification and description as to how utility customers of both entities will receive fair value of any benefits from the proposed transaction, and protection from financial risk.
18. A copy of all offers to purchase Centra Gas made by any parties within the last two years.
19. A summary of all approvals that must be obtained in connection with the proposed transaction and the status of these approvals.
20. A description of the accounting treatment of the proposed transaction.
21. A summary of all issues related to the financing of the proposed transaction including the impact on Centra or Hydro's debt servicing requirements, consumer rates and credit rating.
22. A summary of the income tax consequences of the proposed transaction.

**Impact of the proposed transaction on future regulation of each of the utilities**

23. Prefiled evidence of witnesses as appropriate.
24. A discussion of Hydro's position related to the continued regulation of both utilities post transaction.

**APPENDIX II**



320 Portage Avenue  
 Suite 507  
 Winnipeg, Manitoba R3C 0Z2  
 Telephone: (204) 952-0817  
 Fax: (204) 957-5176

May 13, 1999

Mr. H. M. Singh  
 Acting Secretary  
 The Public Utilities Board  
 2<sup>nd</sup> Floor, 280 Smith Street  
 Winnipeg, Manitoba R3C 1K2

BY FAX: 204-945-2643

***Re: Scoping of Issues, Minimum Filing Requirements and Procedures for a Public Hearing in Respect of Manitoba Hydro's Possible Acquisition of All Issues and Outstanding Shares of Centra Gas Manitoba Inc.***

Dear Mr. Singh:

On behalf of the Canadian Federation of Independent Business (CFIB), I am writing to provide input into the upcoming public hearings with respect to the proposed purchase of Centra Gas by Manitoba Hydro. To begin, I wish to offer our thanks and support to the Board for responding to our earlier request for public hearings into this proposed sale.

In response to your recent public notice regarding the hearings, CFIB offers the following advice.

***Issues to be included in the Board's review***

1. **Competition** - Would the proposed amalgamation significantly reduce consumer choice between energy forms? Would service or billing be presented in such a manner to allow customers full information into their choices or costs of service? How much of Centra's business is presently in competitive marketplaces, and will this be affected by the sale to Hydro?
2. **Subsidization** - Would customers of electricity be in any way subsidizing customers of natural gas, or vice-versa? Would the amalgamation allow greater expansion of coverage of natural gas, and at whose expense?
3. **Debt** - What effect would the assumption of the outstanding \$245 million in debt and the related tax liability have on Manitoba Hydro and its rate structure?
4. **Potential Savings** - As Hydro and Centra have already set up a common company to share services, do any additional efficiency savings really exist? Will the transfer from private to public ownership cause greater efficiency or inefficiency?
5. **Business Risks** - As the PUB rightly forced Centra shareholders to assume a large portion of recent business losses, who would pick up these costs should a similar loss occur?
6. **Capital Costs** - Should Hydro ratepayers be expected to help finance any

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capital improvements/expansions for natural gas service?

7. External Competition - Would a new larger company be permitted to compete in unregulated marketplaces (eg. sales of gas/electrical appliances)? What relationship would the new firm have with any remaining Westcoast Energy companies in Manitoba? How would any unnecessary assets be disposed of? How would the sale affect Centra's inspection mandate for HVAC appliances?

*Filing requirements*

While not benefiting from any list or details on what documents may be available, CFIB urges the PUB to require the release of the following information:

1. The detailed offer to purchase Centra Gas Manitoba Inc. by Manitoba Hydro.
2. Any other offers to purchase Centra Gas Manitoba Inc. by other firms within the last two years.
3. Any/all consultant reports that have analyzed the benefits or costs of such a move (it is our understanding that reports have been completed by KPMG and Nesbitt Burns).
4. Any internal analysis by Manitoba Hydro, the Crown Corporations Council, or the Department of Energy and Mines regarding the proposed Centra purchase.

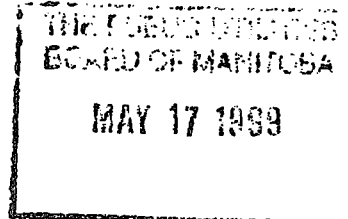
Thank you for the opportunity to outline our suggestions on this important process. CFIB would also like to register to make an oral presentation on this matter once the public hearing process is announced.

Sincerely,

  
for Dan Kelly  
Vice-President, Prairie Region

May 14, 1999

Mr. H. M. Singh  
Acting Secretary  
The Public Utilities Board  
2<sup>nd</sup> Floor, 280 Smith Street  
Winnipeg, Manitoba, R3C 1K2



**RE: Scoping of Issues, Minimum Filing Requirements and Procedures for a Public Hearing in Respect of Manitoba Hydro's Possible Acquisition of All Issued and Outstanding Shares of Centra Gas Manitoba Inc.**

Dear Mr. Singh,

The Canadian Taxpayers Federation (CTF) is pleased with the decision of the Public Utilities Board (PUB) to accept our request for a full public review and public hearings of the proposed sale of Centra Gas to Manitoba Hydro.

In response to the public notice by the Public Utilities Board, the CTF herein submits the requested terms of reference and minimum filing requirements for the purpose of the public hearings.

**Issues:**

Please include the following issues in the PUB's review of the transaction:

1. **Debt impact** - How will the transaction affect Manitoba Hydro's debt burden? What are the exact borrowing requirements for the transaction and other debt and tax liabilities incurred? What is the plan for debt amortization?
2. **Rate impact** - How will the accumulation of debt from the transaction impact rate structures?
3. **Taxes** - How will the Province recover the revenue forfeited from corporate income taxes previously paid by Centra Gas? What taxes will the new corporation pay and be exempt from paying?
4. **Cost Savings** - What are the specific plans to streamline the \$12 million in administrative savings between the two utilities?
5. **Competition** - In the absence of competition between a two power utilities - Manitoba Hydro and a Centra Gas, how will the new power utility maintain efficiencies? Describe the relationship between Manitoba Hydro and other gas retailers in Manitoba?
6. **Conflict of Interest** - Given that the PUB and Manitoba Hydro are government created bodies, can the PUB protect its impartiality and neutrality when balancing the interests of ratepayers and Manitoba Hydro for fair gas rates?

7. Risk - In the event of a business loss, will cost recovery be passed along to the ratepayer exclusively?
8. Gasification - What are the long-term gasification plans for the province? Will the buyout affect the development rate of gasification?
9. Cross- subsidization - Will cross-subsidization between the electric utility and the gas utility be permitted? How would cross-subsidization impact rates?
10. Will the formation of the new utility impact the existing sales relationship with Winnipeg Hydro?

**Filing Requirements:**

The filing requirements that should be reviewed are as follows:

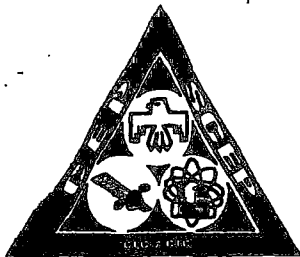
1. All Manitoba Hydro documents concerning gasification proposals for the Province.
2. All Manitoba Hydro's in-house reports on the buyout of Centra Gas.
3. All outside consultant reports commissioned by the Provincial Government, Crown Corporations Council, Manitoba Hydro and Centra Gas concerning the transaction.
4. The offer to purchase Centra Gas by Manitoba Hydro.

Thank you for the opportunity to present the issues and filing requirements proposed by the CTF.

Sincerely,



**Victor Vranik  
Provincial Director  
Canadian Taxpayers Federation - Manitoba**

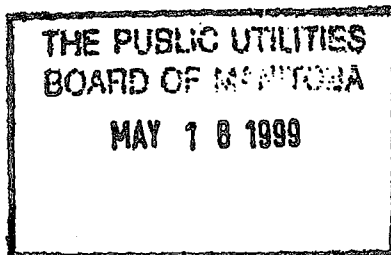


**Communications, Energy and Paperworkers Union of Canada**

306 - 275 Broadway, Winnipeg, MB R3C 4M6 Tel: (204) 944-0463

**Local 681**

H. M. Singh  
Acting Secretary  
The Public Utilities Board  
2<sup>nd</sup> Floor, 280 Smith Street  
Winnipeg, Manitoba  
R3C 1K2



May 18, 1999

Dear Mr. Singh;

The Communications, Energy and Paperworkers Union Local 681 which represents the unionized workers at Centra Gas Manitoba Inc. and the unionized workers at Centra Hydro Energy Services believe our issues should be included in the Board's review of the transaction.

1. That the level of service provided by our members to the customers of the Gas Utility will not be reduced.
2. Maintain or improve plant integrity.
3. That the utility continue to provide Manitobans with SAFE and RELIABLE natural gas service.

CEPU Local 681 will be registering as intervenors when the hearing dates are set.  
I can be reached at 925-0918.

On Behalf of the Membership at CEPU Local 681,

Sandy Boyd  
President of Local 681





**D'ARCY & DEACON**  
BARRISTERS AND SOLICITORS

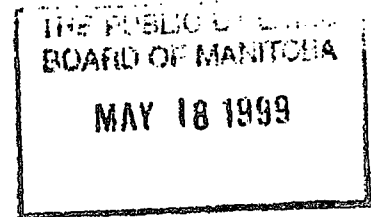
12TH FLR. ROYAL TRUST CENTRE  
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CANADA  
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TELEPHONE (204) 542-3271  
FACSIMILE (204) 543-4243

DIRECT LINE: 925-5395  
REFERENCE: 3991 0047  
Email: darcy@alco.net

May 18, 1999

VIA FAX: 945-2643



The Acting Secretary  
The Public Utilities Board  
2<sup>nd</sup> Floor, 280 Smith Street  
WINNIPEG MB R3C 1K2

Dear Sir:

RE: Consumers Association of Canada (Manitoba) Ltd./  
Manitoba Society of Seniors CAC/MSOS  
Manitoba Hydro Acquisition of Centra Gas Manitoba Inc.

On behalf of CAC/MSOS, I am writing in response to the Board's letter dated April 30, 1999, requesting assistance in establishing the scope of the hearing, particularizing the issues and minimum filing requirements concerning the request for approval by Manitoba Hydro ("Hydro") for the acquisition of all issued and outstanding shares of Centra Gas Manitoba Inc. ("Centra").

I. ISSUES

CAC/MSOS believe that the following issues must be addressed:

- (a) All pertinent aspects of the purchase/sale share agreement(s) entered into or intended to be entered into by the parties, including price and how the purchase/sale agreement(s) will impact upon the ratepayers in Manitoba of both utilities;
- (b) How the Centra is to be regulated by the Public Utilities Board from a legislative and practical perspective;
- (c) Expected benefits of the purchase by Hydro, including synergies, economies of scale and other strategic benefits which may influence future rates charged by both utilities;

MARGLED K. IRVING, B.C.  
 KENNETH A. FLITNER, B.C.  
 JOHN E. DEACON, B.C.  
 JAMES G. HARLEY  
 BRIAN J. MERRICK, B.C.  
 G. PATRICK METCALFE  
 \*PAUL G. SARANTOJK  
 RICHARD M. RICE  
 MICHAEL G. WERTER  
 RUSSELL G. WICKLEY  
 D. MICHAEL WILCOCK  
 OWEN B. MATCH  
 MICHAEL G. FURLAYSON  
 MICHAEL D. RICHARDS  
 RUS WILBERSON  
 JAMES W. PRAGER  
 WALTER THRESDON  
 ROBERT J. GRAHAM  
 ROGER B. GRUPP  
 JORDAN LEVINE  
 DONALD I. CAMPBELL  
 GRANT A. STEFANSON  
 JOHN C. STEWART  
 MARY M. MCQUINNAL  
 GARCIE C. ROBERTS  
 BERTYK W. EDWARD  
 JONATHAN L. GOLDBERG  
 ERIN L. KEBBIAN  
 \*Also of the Advice Corp

IAN J.R. DEACON, B.C. (1930-1974)  
 NORMAN J. DARCY, B.C. (1916-1988)  
 GRAHAM T. HARG, B.C., C.M., C.D., B.C. (1923-1983)

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- (d) The impact, if any, which the purchase may have on competition for alternative energy sources, including energy infrastructure natural gas expansion in Manitoba; and, the impact, if any, on natural gas energy competition in general;

## 2. MINIMUM FILING REQUIREMENTS

- (a) All agreements, main and collateral, pertaining to the purchase/sale of shares of Centra;
- (b) All valuation and pricing analyses related to the transaction, as prepared by Hydro, Westcoast and/or the advisors of each;
- (c) Any analyses by Hydro of the synergies, economies of scale and/or strategic advantages expected to be realized by Hydro and/or Centra pursuant to the acquisition;
- (d) All market data available to Westcoast, Hydro, Centra and/or any of their advisors pertaining to comparable transactions and stock market data;
- (e) All business cases prepared by Hydro and Westcoast pertaining to the acquisition by Hydro of the shares;
- (f) All material pertaining to the steps and timetable required to achieve financial and operational absorption of the gas utility by Hydro;
- (g) All documentation pertaining to the corporate structure of the gas utility, including reporting requirements;
- (h) All material related to the impact of any existing contracts Centra has with any party;
- (i) Any analyses with respect to possible gas expansion plans, including analyses pertaining to gas versus electricity competitiveness;
- (j) Any evidence expected to be presented by Hydro and/or Westcoast.

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- 3 -

**3. TIMING**

It is the submission of CAC/MSOS that the normal hearing procedural steps be invoked, including the normal run-up periods for a hearing and adequate time be provided to intervenors for the asking of information requests, the providing of responses and the filing of intervenor evidence.

CAC/MSOS would appreciate receipt of copies of all responses of other parties to the Board's letter of April 30, 1999.

Yours truly,

**D'ARCY & DEACON**

Per:

*for L. Lohet, secretary*  
**BRIAN J. MERONEK, Q.C.**  
BJM/1

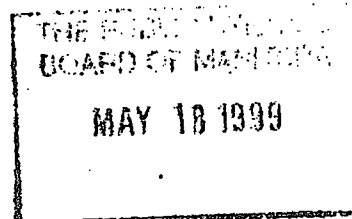
cc: All Interested Parties

\\Fred\lawyers\Meronek, B\0cas.msos\39910047\bd.fr.wpd



May 18, 1999

Mr. G. D. Forrest  
Chairman  
Public Utilities Board  
2<sup>nd</sup> Floor - 280 Smith Street  
Winnipeg, MB  
R3C 1K2



VIA FACSIMILE: 945-2643

Dear Mr. Chairman:

I write to request the opportunity to make a presentation before the Public Utilities Board in relation to the review of the purchase of Centra Gas by Manitoba Hydro.

The proposed purchase of Centra Gas by Manitoba Hydro raised a number of very important public issues. These include, but are not restricted to:

- a) The cost of the purchase and the evaluation done to value the assets of Centra Gas in relation to the purchase price.
- b) The benefits and costs to Manitobans of this purchase, both short term and long term benefits and costs.
- c) The short and long term objectives of Manitoba Hydro in purchasing Centra Gas as they relate to the future of Manitoba and the future prospects of Manitoba citizens.

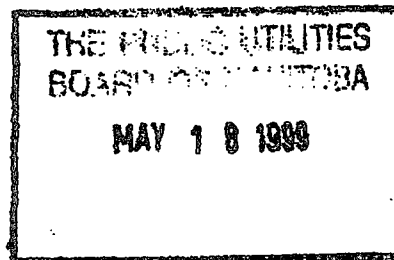
Given that Manitoba Hydro is a Crown Corporation and therefore its assets belong to all citizens of Manitoba, it is in my view, vital that the Public Utilities Board hold hearings, and it is also vital that these hearings be fully public.

Yours truly,  
LIBERAL PARTY IN MANITOBA

Jon Gerrard  
Leader



May 18, 1999  
P331.1



Acting Secretary  
The Public Utilities Board  
2nd Floor, 280 Smith Street  
Winnipeg, MB  
R3C 1K2

Dear Sir:

**RE: SCOPING OF ISSUES, MINIMUM FILING REQUIREMENTS AND PROCEDURES  
FOR A PUBLIC HEARING PROCESS IN RESPECT OF MANITOBA HYDRO'S  
POSSIBLE ACQUISITION OF ALL ISSUED AND OUTSTANDING SHARES OF  
CENTRA GAS MANITOBA INC.**

On April 30, 1999 you forwarded a copy of The Public Utilities Board (the "Board") Public Notice which requested comments on the above matter from all interested parties in order to assist the Board in establishing the scope of its review of this transaction. Accordingly, we are responding on behalf of the Manitoba Industrial Power Users Group (MIPUG), an association of large industrial electricity users in Manitoba formed in 1987 to promote issues of common interest to energy intensive industry in Manitoba.

MIPUG has been an intervenor at every major Manitoba Hydro ("Hydro") hearing before the Board since 1987. MIPUG's interests have been directed at matters affecting Hydro's costs and rates as approved by the Board. MIPUG has not participated in any hearings before the Board with respect to Centra Gas Manitoba Inc. ("Centra").

**UNDERSTANDING OF REQUESTED APPROVALS**

The Public Notice states that the Board has been advised of the possible acquisition by Hydro of all issued and outstanding shares of Centra, an indirect, wholly-owned subsidiary of Westcoast Energy Inc. ("Westcoast"). The Board states that it has been further advised that all requisite approvals related to this transaction will be sought as soon as a definitive agreement is executed by the parties.

The news media has reported today that a definitive agreement has been executed by the parties. However, we remain uncertain as to what exactly has been included in this agreement as well as the list of requisite approvals required from the Board related to this transaction.

Based on information provided to the public at this time, we understand as follows:

- (a) Hydro is to purchase all of the shares of Centra for \$245 million and will finance this purchase by adding to its own debt;
- (b) Hydro will pay a further lump sum tax payment, which is estimated to be \$90 million; after that, Centra will no longer have to pay income tax, and an agreement will be reached with the Government of Manitoba in order that once this lump sum payment plus interest has been recovered from Centra ratepayers, the amounts which were previously paid in taxes will be used for the benefit of Manitobans; and
- (c) in order to obtain efficiencies, Hydro will integrate the two companies; however, the costs of providing the electricity and gas services will be segregated and reported separately.

Based on the above, it is apparent that a number of matters will arise out of this transaction that are of material interest to Hydro and Centra ratepayers. However, it remains unclear as to the specific requisite approvals that will be required from the Board at this time versus those that will be required subsequent to the Board's approval of the definitive agreement.

#### **SCOPING OF ISSUES**

Based on the April 12, 1999 letter to the Board from Aikens MacAulay and Thorvaldson, on behalf of Westcoast and Hydro, we understand that the parties to the transaction believe that "...the relevant issue appears to be whether the purchaser is able to provide reliable, safe and efficient service to natural gas consumers". This April 12, 1999 letter noted that the Government of Manitoba will be approving this transaction by Order-in-Council, and suggested that "It may accordingly be concluded that the public interest issues pertaining to this transaction will have already been addressed."

In a normal transaction of the type contemplated by Clause 82(1)(h) of the *Public Utilities Board Act*, ("PUB Act"), involving purchase by a public utility as defined in the PUB Act, it may well be that the relevant issue is whether the purchaser is able to provide reliable, safe and efficient service to natural gas consumers. Furthermore, it would appear that public interest issues relating to the Government of Manitoba's approval of this transaction, as the sole shareholder of Hydro, are not within the scope contemplated for requisite approvals by the Board pursuant to the PUB Act.

However, it would also appear that the present transaction goes beyond the scope of a normal transaction of the type contemplated by the PUB Act. We believe that the Board should therefore consider additional relevant issues that arise out of this specific transaction, including:

- (a) **Board jurisdiction relating to Centra's prices and operations after approval:** As noted in the April 12, 1999 letter referenced above, the PUB Act does not apply to Hydro (Clause 2(5)), subject to Part IV of *The Crown Corporations Public Review and Accountability Act* ("CCPRA Act"). We note that Part IV of the CCPRA Act, which requires Board approval for Hydro rate changes, relates specifically only to prices charged by Hydro with respect to the provision of power as defined in *The Manitoba Hydro Act* (which means electric power howsoever generated). Accordingly, in reviewing the present transaction, the Board should address issues relating to its ability

to continue the regulation of Centra's natural gas prices and operations after the transaction has been approved.

- (b) **Impacts on future Hydro and Centra costs and rates:** Based on current information, Hydro's future costs and rates may be potentially affected by this transaction through increased debt costs as well as other changes related to the proposed integration of Hydro and Centra. The Board should therefore consider the issue as to how and when these future Hydro cost and rate impacts from this transaction will be reviewed by the Board at a public hearing. Similar issues should be addressed with respect to future Centra costs and rates. In order to address these issues, the Board will need information as to Hydro's proposed approach to segregate and report separately on the costs of providing the electricity and gas services.

#### **MINIMUM FILING REQUIREMENTS**

Prior to receipt of the definitive agreement and the list of requisite approvals required from the Board, it is difficult to identify appropriate minimum filing requirements that should be included with the request for approval of this transaction.

Nevertheless, in addition to the above, we would suggest that the minimum filing requirements should include:

- (a) the measures proposed by Hydro to ensure continued regulation by the Board of Centra's rates and operations;
- (b) the measures proposed by Hydro, including undertaking as to the timing and scope for related future filings with the Board, to obtain the approval of the Board regarding future impacts of this transaction on the costs and rates charged separately to ratepayers of Centra and Hydro; and
- (c) any additional information that Hydro can provide at this time to clarify its forecasts as to the future impacts from this transaction with respect to Hydro and Centra costs, financial structures, and rates.

We thank the Board for the opportunity to comment on these matters, and would be happy to provide any further clarification that may be required.

Yours truly,

**INTERGROUP CONSULTANTS LTD.**



C.F. Osler  
President



# MUNICIPAL GAS

a division of Direct Energy Marketing Limited

May 12, 1999

Mr. Hollis M. Singh  
Acting Secretary  
Manitoba Public Utilities Board  
2<sup>nd</sup> Floor  
280 Smith Street  
Winnipeg, Manitoba  
R3C 1K2

THE PUBLIC UTILITIES  
BOARD OF MANITOBA

MAY 13 1999

Dear Mr. Singh:

**Re: Proposed Acquisition by Manitoba Hydro of All Issued  
and Outstanding Shares of Centra Gas Manitoba Inc.**

In response to your Public Notice dated April 30, 1999 in this matter, Municipal Gas, a division of Direct Energy Marketing Limited, would like to provide you with its comments about the scope of the hearing in the areas requested by the Manitoba Public Utilities Board (the "Board").

**I. What issues should be included in the Board's review of the transaction?**

Municipal Gas strongly supports the development of a fully competitive natural gas market. Manitoba Hydro's proposed acquisition of Centra Gas raises questions about the affect of the transaction on a competitive energy market in Manitoba. Accordingly, Municipal Gas thinks that the following issue should be included in the Board's review of the transaction:

- (1) Will Manitoba Hydro's acquisition of Centra Gas enhance or impede the offering of competitive services to Manitoba's natural gas customers including the proposed ABC service currently scheduled for implementation on November 1, 1999?
- (2) What undertakings or assurances should be given by Manitoba Hydro to the Board to ensure that the proposed transaction does not prejudicially affect the ability of Manitoba natural gas consumers to choose the products and services they want from a broad range of competitors?
- (3) Will the acquisition by Manitoba Hydro of the shares of Centra Gas reduce the supervisory jurisdiction of the Board over Centra Gas under the *Public Utilities Board Act*? If it may, what assurances or undertakings should Manitoba Hydro give to the Board to ensure that the Board retains its current level of regulatory jurisdiction over Centra Gas?



# MUNICIPAL GAS

*a division of Direct Energy Marketing Limited*

- 2 -

- ii. **What minimum filing requirements should be included with the request for approval of the transaction?**

Municipal Gas thinks that the following filing requirements should be included:

- (1) The filing by Manitoba Hydro of a copy of the share purchase agreement and any related documents;
- (2) Evidence from the Chief Executive Officers of Manitoba Hydro and Centra Gas addressing each of the issues which the Board decides to include in its review of the transaction.

No doubt there are other issues and minimum filing requirements which might be appropriate for the Board's review of the transaction, but Municipal Gas has confined its comments to issues which it sees affecting the competitive nature of the Manitoba natural gas market.

Yours truly,

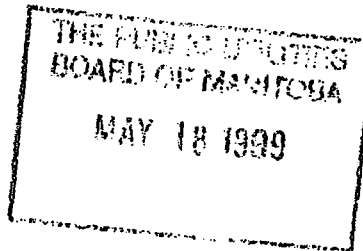
Karen E. Melnychuk  
Manager, Manitoba Division

/cw

**Provincial Council of Women Of Manitoba Inc.**  
**P.O. Box 2085, Winnipeg Manitoba R3C 3R4 Tel/Fax: 992-2751**

May 18, 1999

Acting Secretary,  
Public Utilities Board  
200-280 Smith Street  
Winnipeg MB  
R3C 1K2  
Fax: 945-2643



Dear Sir,

We are pleased that the Public Utilities Board will be holding public hearings into the proposed sale of Centra Gas Manitoba Inc. to Manitoba Hydro (Public Notice, Winnipeg Free Press, May 8, 1999).

The questions raised about the proposed sale in our March 25, 1999 letter to the Public Utilities Board are unanswered. We would like the Board to design the scope and set the criteria for the hearing and the minimum filing requirements so that the public hearing process reveals all answers and necessary clarification of our questions.

The P.U.B. has made and currently applies guidelines, Board Orders, etc. to the operations and rate-setting of Centra Gas. Will the P.U.B. apply the same criteria under Manitoba Hydro ownership?

The P.U.B. currently gives close and comprehensive scrutiny to Centra Gas' operations. What would be the nature, level and scope of P.U.B. scrutiny of natural gas operations under Manitoba Hydro ownership?

We hope that the minimum filing requirements cover:

1. The formal offer to purchase.
2. Details of how the operations and finances (capital and operating costs) of the hydro and gas utilities will be managed and reported.
3. The degree and manner of separation or consolidation of the two operations and their respective finances.
4. Details of the operations and financing (subsidization of capital and operating costs) of Manitoba rural gasification projects to date.

5. Any and all related (government, consultant and industry) studies, analyses and reports on gasification – past, present and future [references for readily available documents are fine].
6. Details of economic evaluations/impact assessments of Manitoba gasification.

Thank you for your assistance,

Yours truly,

*per Donna Blight*

Donna Blight (President)



**THE CITY OF WINNIPEG • VILLE DE WINNIPEG**  
**CORPORATE SERVICES DEPARTMENT • SERVICES GÉNÉRAUX**  
**LEGAL SERVICES • SERVICES JURIDIQUES**

MANDARIN BUILDING  
 THIRD FLOOR  
 185 KING STREET  
 IMMEUBLE MANDARIN  
 TROISIÈME ÉTAGE  
 185, RUE KING  
 WINNIPEG, MB  
 R3B 1J1

May 17, 1999

THE PUBLIC UTILITIES  
 BOARD OF MANITOBA

MAY 18 1999

The Public Utilities Board  
 2nd Floor - 280 Smith Street  
 Winnipeg, Manitoba  
 R3C 1K2

Attention: Mr. H. M. Singh

Dear Sir:

Re: Proposed Acquisition by Manitoba Hydro of All Issued and  
 Outstanding Shares of Centra Gas Manitoba Inc.

In response to your fax of April 30, 1999, The City of Winnipeg comments as follows:

1. **What issues should be included in the Board's review of the transaction?**

The City believes that the following issues should be included in any review:

(a) Financing

- What is included/excluded from the proposed acquisition?
- Where are the purchase funds being obtained from; which customer class (ie. gas or hydro or some combination) is paying those funds and how does Manitoba Hydro propose to account for those funds?
- What assets, debts and liabilities are being purchased or assumed including any contracts being assumed?

(b) Benefits/Costs

- What are the benefits and costs from the proposed acquisition and how are these going to be allocated as between gas and hydro?
- How will they be kept separate from one another?
- How will the new organization and its accounting division be structured to properly deal with future operations?

FAXTÉLÉC. : (204) 947-8188  
 Mr. D. W. Buhar  
 PEE: 986-3468

Post-it® Fax Note		Date	# of Pages
To: <i>H. M. Singh</i>	7871E		
Co./Dept.		From	<i>Deerburg</i>
Phone #		Co.	
Fax # <i>947-2673</i>		Phone #	
		Fax #	

- (c) What impact will the proposed acquisition have on establishing rates in the future for gas and electricity? How will the challenge of future cross-subsidization of rates be avoided?
- (d) Will the proposed acquisition have any impact on Manitoba Hydro's credit rating?

2. What minimum filing requirements should be included with the request for approval of the transaction?

The City believes that the filing requirements should include the following:

- (a) The Purchase Agreement;
- (b) A description of the assets and liabilities and contracts being acquired or assumed;
- (c) Any environmental concerns;
- (d) The condition of any assets being acquired.

Yours truly,

URSULA B. GOERES  
City Solicitor/Manager of Legal Services  
Per:



D. W. BUHR  
Solicitor

DWB:law

**SENT VIA FACSIMILE**

copies to: Manitoba Hydro  
Fillmore & Riley  
Attention: Mr. R. Peters

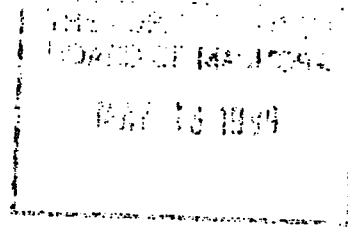


# The HVAC Coalition of Manitoba

46 Brittany Drive, Winnipeg MB R3R 3G9 Phone 896-1181 Fax 831-8374

May 13, 1999

The Acting Secretary  
Public Utilities Board  
2nd Floor, 280 Smith Street  
Winnipeg, Manitoba  
R3C 1K2



By Fax Only

**Re: Manitoba Hydro's Possible Acquisition of All Issued and Outstanding Shares of Centra Gas Manitoba Inc.**

Further to the Public Notice we received from your Office on April 30, 1999, we respectfully submit the following:

- i) The issues we feel should be included in the Board's review of the transaction are:
- Effect of the sale on Centra's mandate to inspect all new and replacement natural gas fired appliance installations
  - Effect of the sale on Centra's service policy regarding emergency calls and Equipment Problem Program calls
  - Disposition of service vehicles and personnel
  - Effect of the sale on affiliations with other Westcoast Energy Inc. companies
  - Effect of the sale on current policies with respect to billing for service and equipment on consumers' monthly gas bills
  - Effect of the sale on rural gasification plans
  - Effect of the sale on Centra's agreement to purchase information technology from Enlogix Inc.
- ii) We feel minimum filing requirements should include:
- Any and all consultants' reports, feasibility studies and internal documents considered by both Manitoba Hydro and Centra Gas Manitoba Inc. prior to the letter of intent
  - Any offers to purchase, letters of intent or verbal or written exchanges regarding the potential sale between Centra Gas Manitoba Inc. and companies or organizations other than Manitoba Hydro
  - Any letters of agreement or other negotiations between Centra and Manitoba Hydro which are not part of the sale documentation
  - Minutes of any meetings regarding the potential sale between Centra and any other parties

We wish to also take this opportunity to inform the Board of our intention to appear as an intervenor at any Public Hearings in respect of this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'David E. Foreman'.

David E. Foreman  
Executive Director

# AIKINS, MACAULAY & THORVALDSON

BARRISTERS AND SOLICITORS

30TH FLOOR  
COMMODITY EXCHANGE TOWER  
360 MAIN STREET  
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CANADA R3C 4G1  
  
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I. TIMOTHY SAMSON, Q.C.  
CHARLES L. CHAPPELL  
JOEL A. WEINSTEIN, Q.C.  
ELEANOR R. DAWSON, Q.C.  
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D. SALIN GUTTORMSSON  
CATHERINE M. TOLTON  
NIGEL J. THOMPSON  
TYLER J. KOCHANSKI  
ROBERT C. LEE  
JEFFREY T. DODGSON  
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JOHN S. LAMONT, Q.C.  
MARTIN H. FREEDMAN, Q.C.  
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COLIN R. MACARTHUR, Q.C.  
DUNCAN D. JESSIMAN, Q.C.  
E. WELLS PEEVER, Q.C.  
KEVIN R. BOLT  
G. TODD CAMPBELL  
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J. DOUGLAS SKOURDSON  
KEITH FERBERS  
MARIANNE RIJVOALEN  
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STEVEN M. LONDON  
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G. BRUCE TAYLOR  
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JENNIFER J. B. BURNELL  
RACHEL E.B. MARGOLIS  
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THOR J. HANSELL  
CARMEL N. PETER  
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MICHELLE R. REDEKOPP  
R. REIS PAGTAKHAN  
GREGORY M. FLEETWOOD  
SONYA C. MCCOSHEN

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ROBERT L. TYLER  
PHILIP T. SAMYH  
DAVID C. FRISON  
DAVID M. WISCHT  
NICOLE M. WATSON  
COLIN FEWARCHUK

COUNSEL: ARTHUR V. MAURO, O.C., Q.C., K.S.G., LL.D., D.COMM.  
SIR JAMES AIKINS, K.B., E.C., LL.D. (1879-1929) JOHN A. MACAULAY, C.C., Q.C., LL.D. (1919-1978)  
G.H. AIKINS, D.S.O., Q.C., LL.D. (1918-1954) HON. G.S. THORVALDSON, Q.C. (1925-1989)

Please Refer to: James E. Foran

Direct Line: 957-4613

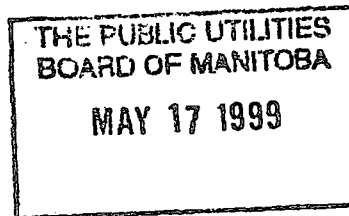
Direct E-Mail: [jef@aikins.com](mailto:jef@aikins.com)

File Number: 990216

May 17, 1999

**BY COURIER**

The Public Utilities Board,  
2nd Floor, 280 Smith Street,  
WINNIPEG, Manitoba.  
R3C 1K2



Attention: Mr. H.M. Singh,  
Acting Secretary

Dear Sirs:

**Re: Scoping of Issues - Minimum Filing Requirements and Procedures  
for a Public Hearing in Respect of Manitoba Hydro's Possible Acquisition  
of All Issued and Outstanding Shares of Centra Gas Manitoba Inc.**

On behalf of Westcoast Energy Inc. and its direct and indirect subsidiaries, we wish to provide our comments with respect to the following matters contained in your Public Notice dated April 30, 1999:

- (i) What issues should be included in the Board's review of the transaction?
- (ii) What minimum filing requirements should be included with the request for approval of the transaction?

Westcoast Energy Inc. briefly addressed the first issue in its letter to the Board dated April 12, 1999. In that correspondence, Westcoast Energy Inc. indicated that the relevant issue appears to be whether the purchaser (Manitoba Hydro) is able to provide reliable, safe and efficient service to natural gas consumers in Manitoba. We continue to be of the view that this is the appropriate scope of any hearing, whether it be an oral public hearing or a written public hearing, which is conducted by the Board with respect to the purchase of the shares of Centra Gas Manitoba Inc. by Manitoba Hydro.

Subsection 74(1) of the *Public Utilities Board Act* deals with the Board's general supervision over utilities. That subsection enables the Board to make such orders as are necessary for the safety or convenience of the public or for the proper carrying out of any contract involving the use of public property or rights. This supports our submission that the scope of the hearing should be limited to whether the purchaser is able to provide reliable, safe and efficient service to natural gas consumers in Manitoba.

By virtue of Order in Council No. 212/1999, the Government of Manitoba has determined that the purchase of the issued and outstanding shares of Centra Gas Manitoba Inc. by Manitoba Hydro pursuant to a Share Purchase Agreement between Manitoba Hydro, Centra Gas Utilities Inc. and Westcoast Energy Inc. is deemed to be for the benefit of the residents of Manitoba. It is accordingly submitted that the Government of Manitoba, in approving the proposed transaction, has deemed it to be in the public interest of Manitoba. This would apply to the public benefits flowing from the acquisition of the shares of Centra Gas Manitoba Inc. by Manitoba Hydro and to the purchase price paid to obtain those shares.

The rates which the purchaser will charge for the distribution and sale of natural gas is properly a matter for a General Rate Application. There will be ample opportunity at that time for full public participation. In our view, it would be premature and inconclusive to endeavour to assess rate issues as part of this hearing process.

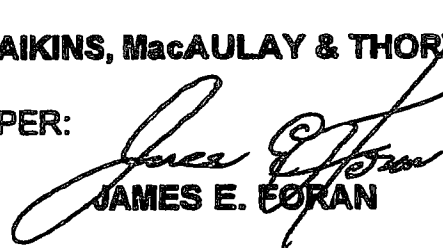
With respect to the minimum filing requirements, Westcoast Energy Inc. is of the view that the Share Purchase Agreement entered into between Westcoast Energy Inc., Centra Gas Utilities Inc. and Manitoba Hydro should be filed with the Board along with the appropriate Orders in Council approving the transaction. As indicated above, this would include Order in Council No. 212/1999 which authorizes Manitoba Hydro to enter into and execute the Share Purchase Agreement and Order in Council No. 213/1999 which authorizes the Minister of Finance or his designate to purchase the shares of Centra Gas Manitoba Inc. on behalf of Manitoba Hydro.

We trust that you will find these comments of assistance.

Yours very truly,

**AIKINS, MacAULAY & THORVALDSON**

PER:



**JAMES E. MORAN**

JEF/glt

c.c. Fillmore & Riley  
Attn: Robert F. Peters





106 - 400 Stephen Street  
Morden, MB. R6M 1W3

May 17, 1999

Mr. H. M. Singh, Acting Secretary  
Manitoba Public Utilities Board  
2<sup>nd</sup> Floor - 260 Smith Street  
Winnipeg, Manitoba  
R3C 1K2

THE PUBLIC UTILITIES  
BOARD OF MANITOBA

MAY 17 1999

By Facsimile:  
(204) 845-2643

Dear Mr. Singh:

Heartland Gas Initiative is a group working together in an effort to obtain natural gas service for the Rural Municipalities of Victoria, South Cypress, South Norfolk, Lome, Thompson, Pembina, Louise, Roblin, and the Villages of Treheme, Glenboro, Notre Dame, Somerset, St. Leon, Manitou, Crystal City and Cartwright. This area with a population of 16,000 is presently not serviced for natural gas.

Heartland Gas Initiative supports the acquisition of Centra Gas Manitoba Inc. by Manitoba Hydro. It is not the intention of HGI to prepare a submission on the scoping issues, minimum filing requirements and procedures for a Public Hearing. However, HGI strongly urges the PUB approval process to be expedited to allow for this transaction. Furthermore, HGI is interested in the view of other parties and would request obtaining this information.

The availability of natural gas provides the opportunity to diversify Rural Manitoba by providing infrastructure that will promote the value added and development opportunities. HGI, will therefore, be putting forward our views on the acquisition of Centra Gas by Manitoba Hydro before the Public Hearing Process.

The goal of Heartland Gas Initiative is to:

"Secure a supply of sustainable energy resource at an affordable cost that will enhance the economic prosperity of Manitoba."

Thank you.

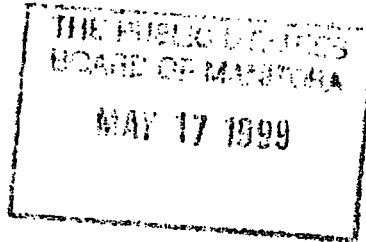
Sincerely,

Hans D. Mehrle  
Chairperson

# MANITOBA HYDRO

OFFICE OF THE VICE-PRESIDENT

P.O. BOX 815 • WINNIPEG, MANITOBA, CANADA R3C 8P4



May 17, 1999

Fax # (204) 945-2643

Mr. G.D. Forrest, Chair  
The Public Utilities Board  
2nd Floor, 280 Smith Street  
Winnipeg, Manitoba  
R3C 1K2

Dear Mr. *Forrest* Forrest:

In response to the Public Utilities Board request for comments on the scope and criteria for the review of Manitoba Hydro's proposed acquisition of the issued and outstanding shares of Centra Gas Manitoba, I want to assure the Board that Manitoba Hydro will fully cooperate in whatever process the Board chooses as appropriate to provide for an effective review of the relevant issues. I do, however, suggest that the review should be as open as possible so that all interested parties have an opportunity to express their views on this important transaction for the Board's consideration.

The Share Purchase Agreement was signed by both parties on May 14, 1999 with the provision that closing is conditional upon the approval of The Public Utilities Board (Article 4.1).

Manitoba Hydro is, of course, anxious to conclude the proposed acquisition as soon as possible, recognizing that closure is needed to achieve unified strategies, a committed workforce, and synergistic cost savings. During your review and deliberations, Manitoba Hydro is at your disposal to provide whatever assistance you may require.

Sincerely,

A handwritten signature in cursive script that reads "Bob Dummer".

RBB/dp

c: The Honourable David Newman, Q.C.  
J.S. McCallum

