

The Public Utilities Board

2nd Floor
230 Smith Street
Winnipeg, Manitoba
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MANITOBA) Order No. 92/96
THE PUBLIC UTILITIES BOARD ACT) August 29, 1996

BEFORE: G. D. Forrest, Chairman
D. L. Barrett-Hrominchuk, Member
W. E. Chiswell, Member

AN APPLICATION BY CENTRA GAS MANITOBA INC.
FOR AN EX PARTE ORDER OR EX PARTE ORDERS OF
THE BOARD TO APPROVE:

1. A FRANCHISE AGREEMENT BETWEEN THE LOCAL GOVERNMENT DISTRICT OF REYNOLDS AND CENTRA GAS MANITOBA INC. FOR THE DISTRIBUTION OF NATURAL GAS WITHIN THE LOCAL GOVERNMENT DISTRICT.
2. A FINANCIAL FEASIBILITY TEST FOR THE EXPANSION OF NATURAL GAS TO PINELAND FOREST NURSERY.

1.0 The Application

On August 1, 1996, Centra Gas Manitoba Inc. ("Centra") applied to the Manitoba Public Utilities Board (the "Board") for approval, on an ex parte basis, of: a franchise agreement to be executed with the Local Government District of Reynolds (the "LGD") granting Centra the right to distribute natural gas within the LGD, and of a financial feasibility test related to the expansion of natural gas service to the Pineland Forest Nursery ("Pineland"), located within the LGD.

The LGD has given first reading to the By-law approving the Franchise Agreement with Centra, and second and third readings will be completed upon receiving Board approval for this Franchise Agreement. The only customer anticipated by Centra at this time is the Pineland Forest Nursery located near the community of Hadashville, Manitoba.

The plant necessary to provide natural gas service to Pineland will consist of a new tap and metering station to be installed by TransCanada Pipelines Ltd. ("TCPL") whose pipeline passes through Pineland property. Centra will construct a primary regulation station. Pineland will be responsible for constructing all piping and associated plant downstream of the Centra regulation station and costs associated with the conversion of Pineland heating systems from propane fuel to natural gas. The estimated construction cost for Centra's plant, including Engineering and Overheads, is \$114,560.

Pineland's past three year average use of propane was used as the basis for estimated consumption, Pineland's first year load is estimated to be $533 \times 10^3 \text{M}^3$ (18,921 Mcf). Load requirements are anticipated to increase to a maximum of $629.4 \times 10^3 \text{M}^3$ (22,345 Mcf) in year 5 reflecting anticipated additional reforestation market share.

Centra's primary regulation station, which is to consist of gas regulating, odorizing, metering and telemetry equipment, is the minimum size required to meet future potential load in the surrounding area as well as Pineland's incremental requirement. The ultimate potential design load is 2,120 cubic meters per hour.

The financial feasibility test utilized estimated annual operating and maintenance costs of \$3,000; delivered gas cost of \$2.438 per Mcf; property tax based on current Provincial mil rates for each type of plant category to be installed; and an overall rate of return on investment of 10.16% (using the 1996 allowed return on equity of 11.28%). The revenues from Pineland were determined using the 1996 annualized LGS 4 base sales rate (Fixed monthly charge of \$50.00 and commodity rate of \$0.1205 per cubic meter) as approved in Board Order 6/96, dated February 5, 1996. The 30 year Net Present Value test indicated that the required customer contribution from Pineland is \$15,987. This contribution will be paid to Centra prior to construction commencing.

2.0 Board Findings

Having carefully considered the application made by Centra and recognizing that Pineland is anxious to have natural gas available this fall and that it is in the public interest to do so, the Board will approve Centra's application on an ex parte basis. It is the Board's intention to consider confirmation or otherwise at the upcoming GRA proceeding for which Notice was included in a Notice of Application and Hearing dated August 19, 1996 and published August 24, 1996. The Board will expect Centra to provide the Board with details of actual construction costs and any other changes at the upcoming GRA proceeding.

The Board's pending decision with respect to Centra's merchant function role may affect rights and obligations in franchise agreements for natural gas distributors in Manitoba in the future. In view of this and the fact that Pineland is the only customer being proposed by Centra at this time, the Board will only approve Centra's request for a Franchise Agreement with the LGD to the extent that such an agreement is required to enable Centra to provide natural gas service to Pineland, and matters which involve Pineland, such as required easements through Pineland's property for potential expansion to other consumers within the LGD.

Should Centra wish to expand natural gas service to other customers within the LGD, the Board will require Centra to make further applications, which applications will be dealt with in the normal course.

3.0 IT IS THEREFORE ORDERED THAT:

1. The request by Centra Gas Manitoba Inc. to enter into a franchise agreement with the Local Government District of Reynolds BE AND IS HEREBY APPROVED ON AN INTERIM EX PARTE BASIS, but shall be applicable only to an area required to include the Pineland Forest Nursery property.
2. The financial feasibility test for the expansion of natural gas service to Pineland Forest Nursery BE AND IS HEREBY APPROVED ON AN INTERIM EX PARTE BASIS.
3. Centra Gas Manitoba Inc. file with The Public Utilities Board an executed copy of the franchise agreement and of the By-law.

4. This Interim Ex Parte Order shall be in full force and effect as of the date of this Order and shall be in effect until confirmed or otherwise dealt with by the Board at the next earliest opportunity.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"
Chairman

"H. M. SINGH"
Acting Secretary

Certified a true copy of Order
No. 92/96 issued by The Public
Utilities Board

H. M. Singh
Acting Secretary