The Public Utilities Board

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MANITOBA	Order No. 130/98
THE PUBLIC UTILITIES BOARD ACT	October 7, 1998

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

CENTRA GAS MANITOBA INC. APPLICATION FOR AN ORDER

1. **APPROVING AND AUTHORIZING A NEW FRANCHISE AGREEMENT WITH THE RURAL MUNICIPALITY OF HANOVER**

2. **APPROVING THE FINANCIAL FEASIBILITY TEST FOR THE EXPANSION OF NATURAL GAS TO THE CENTRAL REGION OF THE RURAL MUNICIPALITY OF HANOVER AND THE RURAL MUNICIPALITY OF LA BROQUERIE**

The Public Utilities Board

Table of Contents

Page

1.0 Appearances

R. F. Peters	Counsel for The Public Utilities Board of Manitoba ("the Board")
M. T. O'Neill	Counsel for Centra Gas Manitoba Inc. ("Centra")
B. J. Meronek, Q.C.	Counsel for the Consumers' Association of Canada (Manitoba) Inc. and the Manitoba Society of Seniors ("CAC/MSOS")
G. M. Wood	Counsel for the City of Steinbach ("Steinbach")

2.0 Witnesses for Centra Gas Manitoba Inc.

I. D. Anderson	Vice-President, Marketing and Business Development
L. M. Herzog	Manager, Residential/Small Commercial Markets
D. P. Kroeker	Manager, Construction
W. W. West	Manager, Business Expansion and Franchise Development

3.0 Intervenors

Consumers' Association of Canada (Manitoba) Inc. and the Manitoba Society of Seniors

4.0 Presenters

G. M. Wood	City of Steinbach
J. Giesbrecht	Reeve, R.M. of La Broquerie
A. Friesen	Reeve, R.M. of Hanover
S. Peters	Citizen and Councilor, R.M. of Hanover
Mr. Hiebert	Councilor, R.M. of Hanover
L. Barkman	Citizen and Councilor, R.M. of Hanover
G. Friesen	Citizen
P. Froese	Citizen
D. Friesen	Citizen
D. Barkman	Citizen
N. Warkentin	Councilor, R. M. of Hanover

5.0 Background

On August 21, 1998, Centra Gas Manitoba Inc. ("Centra"), on its own behalf and on behalf of the Rural Municipality of Hanover ("Hanover"), applied to the Manitoba Public Utilities Board ("the Board"), pursuant to the Public Utilities Board Act and the Municipal Act, for an order approving a new franchise agreement for the distribution of natural gas within Hanover. Centra also applied for approval of a financial feasibility test for expansion of natural gas service to the central portion of Hanover and to the Rural Municipality of La Broquerie ("La Broquerie").

A public hearing to consider this application was held at the Centre De L'Amitie in La Broquerie, Manitoba on September 24, 1998.

6.0 The Application

6.1 General

Centra stated that it first received requests to extend natural gas service to the Hanover area in the mid 1980's. These requests have increased with the provision of natural gas to the Town of La Broquerie in 1995. In 1997, Centra provided gas service to approximately 800 customers within the existing franchise areas of Hanover. Commencing in January of 1998, Centra held numerous meetings with Hanover and La Broquerie Gasification Committees, and started a customer sign-up campaign. The campaign included public town hall meetings, media advertising and direct mail to the residents of both municipalities. Centra continues to actively pursue customer attachments.

Centra stated that the introduction of high speed ploughing for rural installations has significantly reduced construction costs from traditional methods. The use of this technique enhances the feasibility of providing gas service to the presently unserved areas in the two municipalities.

6.2 Franchise Agreement

On July 9, 1997, Hanover gave first reading to its By-Law 1942 authorizing Hanover to enter into a franchise agreement with Centra to distribute natural gas within the entire Municipality. Second and third reading of this By-Law will follow Board approval of the franchise agreement. Centra currently holds franchise agreements with Hanover giving Centra exclusive rights to provide gas service to the northern and southwestern portion of

Hanover. The proposed franchise agreement would grant Centra exclusive rights to distribute gas to the entire municipality of Hanover and would consolidate and replace the existing franchise agreements. Centra witnesses testified that the proposed franchise agreement is consistent with the generic form of franchise agreement previously approved by the Board. Centra currently holds a similar franchise agreement with the Rural Municipality of La Broquerie.

6.3 Customer Attachments and Annual Volumes

Centra identified total potential residential customers in the two municipalities by a 1995 survey which included a count of all existing homes as well as data from municipal ownership maps. An updated survey was based on information obtained during the sign up campaign. Potential residential customers include existing residences and only future buildings for which permits have been issued in 1998 by the time of the application. No other potential residential customers are included for purposes of assessing the project viability. House trailers and vacant homes were excluded.

Centra submitted that there are a total of 1,267 potential residential customers in both municipalities. Centra assumed an annual use of 2,832.8 cubic meters per residential customer, which includes both space and hot water heat. During the hearing Centra testified that space heat, on average, accounts for approximately 80% of the total load, and that the average annual use for an existing residential customer is approximately 111 Mcf, or about 3,145 cubic meters.

Potential commercial customers were estimated through direct contact with all of the potential Large General Service class customers to assess their energy requirements.

Additionally, over 1,500 load survey packages were mailed to potential customers to evaluate the amount and types of existing equipment that could be converted to natural gas. Building expansion plans, current interest in conversions and future conversion plans were also investigated. More than 50% of the potential commercial customers responded to this survey. Loads for those customers who did not respond were estimated based on statistical data obtained from the 1997 Hanover expansion project. Loads for existing unoccupied commercial buildings being maintained for sale or lease were assumed to be required only for space heat. Centra used three of four generally accepted methods in assessing equivalent annual usage for commercial customers if existing equipment were converted to natural gas. Of the 257 potential commercial customers in Hanover and La Broquerie, annual usage for 25 (9.7%) was estimated based on actual energy bills for existing energy source, converted to natural gas equivalents; the annual usage for 47 (18.3%) was based on equipment heat output and estimated annual full load use; and the annual usage for 185 (74.9%) was based on use of comparative operations of customers in the 1997 Hanover expansion. Centra did not estimate any commercial use based on building area. In Centra's opinion, this is the least accurate method, and only to be used absent any other usage information.

Centra generally assumed an equal distribution of customer conversions throughout the year. As a consequence, annual attachments were adjusted down by 50%, with these volumes being annualized in the subsequent year. Centra testified that the exception to this was two commercial hog barn operations that are currently using natural gas through a temporary connection to the existing Hanover distribution system. First year volumes for these operations were assumed at 75% of the annualized load. This results in first year total volumes being greater than 50% of the annualized total load.

Centra assumed a conversion rate of 50% for all potential residential and commercial customers in the first year, 75% by the end of year five and 80% residential and 90% commercial by the end of year ten. Annual usage for each commercial customer was an average annual load for all potential commercial customers. For purposes of the feasibility test, Centra assumed that there would be no further residential or commercial customer conversions beyond year ten. Centra's feasibility test estimated a total of 767 customer conversions in the first year.

Centra indicated that to date, 620 residential customers and 166 commercial customers, for a total of 786 customers, have been signed up. Centra defined a sign up as a customer who has completed and signed a service application and has made the required advance customer contribution to the municipality.

The potential customer counts, customer conversion assumptions and annual volume estimates are summarized in the following table.

	Year			
	1	5	10	Potential
Residential Customers	635	951	1,011	1,267
Percent of Potential	50	75	80	
Percent Conversions	62.8	94.1	100	
Annual Volumes	1,799	2,693	2,863	
Commercial Customers	132	199	229	257
Percent of Potential	51	77	90	
Percent Conversions	57.6	86.9	100	
Annual Volumes	2,780	4,169	4,874	
Total Annual Volumes	4,579	6,862	7,737	8,717
Effective Annual Volumes	3,437	4,431	4,871	

6.4 System Design and Routing

Centra's system is designed to meet the peak hourly demand of 100% of all existing and potential residential and commercial customers, including all future potential loads in the proposed subdivisions in Kleefeld and within other currently identified parts of the two municipalities. Growth allowances were made for future loads for existing poultry and hog barns. The result is that the distribution system can serve a load approximately 20% greater than the identified future loads of existing and potential customers. The peak hourly load was determined by applying a coincidence factor of approximately 78% to the estimated simultaneous peak connected load. The transmission system design will accommodate the projected peak hourly load of these customers.

Centra investigated three options for the routing of the transmission and distribution system. One option was a looping of the existing Steinbach transmission line from the TransCanada Pipeline (TCPL) with additional transmission lines within the Municipalities. A second option was a TCPL primary station take-off east of Kleefeld for Hanover and a TCPL primary station take-off at Richer for La Broquerie. The third, and recommended option includes a primary station near Niverville, steel transmission and polyethylene distribution mains, with appropriate town border and regulator stations.

Centra has applied for an environmental licence for this project pursuant to the Manitoba Environment Act. Centra received environmental approval for this project on September 10, 1998.

6.5 Capital Costs

In estimating the capital cost of the proposed system, Centra utilized labor rates experienced in the 1997 Hanover expansion project, materials costs based on current supply prices and lengths and sizes of transmission and distribution mains identified in the preferred option routing. Centra allowed a 10% contingency for contract labor and material. A 20% overhead allowance included 5% for engineering design; 9% for construction inspection, surveying, field supervision and construction management; 4% for administration; 1% for interest during construction and a 1% overhead contingency.

The estimated cost for the transmission plant, including primary and regulating stations is $2,121,205. The estimated cost for the distribution plant is $3,128,519. Overheads and expenses are estimated at $1,068,345 and a contingency allowance of $534,172 has been included. Centra testified that in light of the Southwest Manitoba experience and the 1997 construction experience in Hanover, cost estimates are more refined, resulting in a lower contingency allowance. Overhead allowances have also been reduced, on a percentage basis, as marketing costs previously included as a part of overheads are now expensed.

Total project costs, including the cost of attaching customers for the first ten years of the project, are estimated by Centra to be $9,038,442. The cost allocated to Hanover is $5,150,949, and $3,887,493 is allocated to La Broquerie.

The TCPL primary station is designed to accommodate this expansion project, as well as the Ste. Agathe Expansion project, which was conditionally approved by the Board in Order 89/97, dated November 26, 1997. Centra proposed to allocate the costs based on the design loads for each of the three entities. The result is that 52% of the $315,000 total capital cost of the primary station is allocated to Ste. Agathe. The remaining portion of approximately $151,000 is allocated 68% to Hanover and 32% to La Broquerie.

Centra witnesses testified that on a stand-alone basis, costs to service Hanover would be approximately $5.21 million and cost to service La Broquerie would be approximately $4.6 million.

6.6 Proposed Change in Accounting for Customer Contributions

Customer contributions on some capital projects may be received by Centra prior to Centra making the related capital expenditures. As a result, Centra's accounting records reflect a "negative rate base" for a period of time when customer contributions exceed capital expenditures. To avoid this anomaly, Centra has proposed a change in its method of accounting for customer contributions, so that customer contributions will be applied against capital expenditures on a pro-rata basis relative to capital expenditures.

Centra has applied this proposed change in accounting policy to its feasibility test for La Broquerie and Hanover. As a result of applying this new methodology to the feasibility test, net capital costs are increased in the early years of the project. As a consequence, the required customer contributions for this project are $201,000 higher than they would otherwise be without the accounting policy change.

6.7 Other Feasibility Test Costs and Forecast Revenues

Centra provided feasibility test results using both the weighted average cost of gas ("WACOG") and long run incremental cost of gas ("LRICOG"). At the time of this application the Board had not yet rendered its decision in respect of the appropriate cost of gas assumptions to use in feasibility tests. Subsequent to Centra filing the application, the Board, in Order 123/98, dated September 23, 1998, directed that WACOG should be used as the cost of gas assumption for feasibility test purposes. At the hearing, Centra requested that the WACOG scenario be considered for this application, but reserved the right to request to vary the Board's decision should the costing assumptions change in the future.

Centra's feasibility test assumptions in respect of other costs are as currently approved by the Board, and consistent with Centra's most recent Ste. Agathe application. The feasibility test uses a 30 year net present value calculation, with an additional requirement that the fifth year revenue to cost ratio to be no less than 1.00. The resulting revenue to cost ratio in year five is 1.03. Centra used a discount rate and allowed rate of return of 8.893%, as currently allowed by the Board.

Centra calculated the revenue stream flowing from this expansion using annualized base sales rates for the SGS and the LGS customer classes which were approved by the Board in Order 104/98, dated August 10, 1998.

6.8 Conversion Costs and Potential Savings

During the customer sign up campaign, Centra provided interested parties with information which indicated a range of natural gas conversion costs from electric baseboard, electric forced air, propane and fuel oil heating systems. Centra testified that they also recommended to all prospective customers that they obtain quotes from qualified heating contractors for conversion costs before making the customer contribution.

Conversion costs for residential premises vary from $200 for propane systems to $5,200 for electric baseboard systems. Conversion costs for hog barns could vary widely from $2,000 to $20,000. Centra indicated that possible energy savings information given to potential customers does not quantify pay back periods, including conversion costs. Centra considered that the larger operators were more sophisticated and would certainly consider conversion costs prior to deciding to switch to natural gas.

Centra also provided estimated energy savings to potential customers using base sales rates, rather than current as-billed rates. Centra's position is that base sales rates will fluctuate, probably annually, and may be either higher or lower than billed rates. As such current base sales rates are the appropriate sales rates to use in the feasibility test and in estimating average annual energy costs. Centra further submitted that the publicity given to Centra's most recent rate case was sufficient to make prospective customers aware of the potentially higher cost of gas for 1999.

6.9 Funding Arrangement

Funding support for this project is being finalized from both the Federal and Provincial governments, and each government has agreed in principle to provide $1.6 million for the project. While certain terms and conditions of the funding agreement are still being negotiated, Centra expected an agreement in principle will be achieved within a matter of days, with the agreements being signed shortly thereafter. Centra stated that construction would not commence until the funding agreements were signed. Centra expects the agreements would closely resemble the Canada-Manitoba Infrastructure funding agreements related to the expansion projects completed in 1997.

Hanover's contribution to the project is $2,342,500 and La Broquerie's contribution to the project is $2,975,600. The Municipalities will arrange funding by collecting a sign up fee of $500 from each residential customer, and a fee determined on use and annual consumption from the commercial customers. Centra stated that the sign up fee is a matter between the municipalities and the customers and Centra in not directly involved in this matter. The balance of the funding will be received by debentures issued by the Municipalities. Centra expected the funding agreements with the Municipalities to be signed immediately after the Federal/Provincial agreements have been executed.

The total funding from third parties is estimated to be $8,518,100. Centra's direct investment will total approximately $520,300.

6.10 Project Benefits and Risks

Centra submitted that this project will result in significant benefits for the area including: creation of a new property tax base from Centra's distribution system, attraction of future agricultural based business, creating an additional property tax base, development of local employment opportunities, opportunities for low cost energy for hog and poultry production, support for expansion of hog production industry to satisfy market demand, generation of economic development , and creation of infrastructure to the municipalities.

In Centra's opinion, the risks to the project are low because the project is financially feasible using the 30 year NPV test and has a 1.03 revenue to cost ratio in the fifth year, volume and revenue estimates are reasonable and attainable, cost estimates are reasonable and appropriate overheads and contingencies have been included to minimize the risk of cost overruns. In addition, Centra's local knowledge in existing adjacent franchise areas will reduce risk, and the level of commitment by the two municipalities and level of funding from all parties will ensure project success.

7.0 Intervenors' Positions

7.1 CAC/MSOS

CAC/MSOS submitted that they are not intrinsically opposed to expansion, but remain concerned that the existing customers do not subsidize expansion. CAC/MSOS stated that if the Board was convinced that a cross subsidy will not occur, then CAC/MSOS would have no objection to this project. CAC/MSOS submitted that this expansion had a high risk because it was to be subsidized to 95% of the total cost. This high degree of subsidy could result in the project not being economically feasible, if any of the assumptions in the feasibility test were to vary unfavourably.

CAC/MSOS contended that there was little comfort for them in statements that Centra was "fairly conservative" and as a result, the project had a low risk factor. The funding agreements are expected to be similar to those used for the Southwest and Southeast Manitoba expansion project. Therefore, costs that were below estimates would likely flow back to the various governments, while cost overruns would be at the risk of the existing customers. CAC/MSOS was of the opinion that the risk of cost overruns is greater in this project, because of the decreased contingency fund allowance. Another added risk related to funding structure was the lack of certainty that the customer contributions are non-refundable, and not within the direct control of Centra.

CAC/MSOS expressed concern that Centra and the two municipalities have overestimated the demand for new hog production facilities, given the increase in production facilities in the last several years, and the controversy and volatility of today's prices. CAC/MSOS also questioned the assumption that 50% of the potential customers would actually convert to natural gas, when the experience in the Southwest and

Southeast had shown that such a conversion rate was not achieved. CAC/MSOS also questioned the merit of adjusting volumes down by 50% for the initial year. CAC/MSOS assigned little value to Centra's assertion that signups and volumes were conservative estimates because the people in this particular area were surrounded by others with natural gas availability and were thus more familiar with the product.

CAC/MSOS suggested that Centra's sign up campaign placed little emphasis on informing the potential customers of the actual potential energy savings including conversion costs and payback periods. Additionally, Centra used currently approved base rates in calculating annual energy savings, rather than as-billed rates. The current as-billed rates are higher than the approved base rates, and Centra's own forecast is for January 1, 1999 as-billed rates to be higher than the current as-billed rates. CAC/MSOS contended that consumers were interested in actual as-billed rates and resultant actual costs, especially for the first few years of an expansion project when the consumer would also be faced with covering conversion costs.

CAC/MSOS expressed concern with respect to Centra's proposed change to pro-rata customer contributions in relation to the amount of capital costs expended in any give year. CAC/MSOS suggested that the change may have merit in principle, but the Board had insufficient evidence or time to properly assess the matter. Of particular concern was the appropriate carrying cost rate to use and that a decision now could potentially impact on future expansions. CAC/MSOS suggested that the Board had three options to deal with this matter: an in-depth review at the next general rate application; allow the change for this application only, without setting a precedent for future applications; or to allow interested parties further review and, having been satisfied that the carrying cost rate is equal to the rate of return, allow the proposed change.

CAC/MSOS submitted that if the Board were satisfied that there would not be any cost overruns which Centra would subsequently request be added to Rate Base, they had no objection to the application. However, CAC/MSOS cautioned the Board not to be swayed by Centra's assertion that there should not be any problems and that, should problems arise, they would be rectified as soon as they occurred. Historically, Centra has had problems and these have not been rectified, with the existing customers bearing some of the associated financial risks.

8.0 Presenters' Positions

8.1 City of Steinbach

The City of Steinbach ("Steinbach") withdrew its request for Intervenor status, and appeared as a Presenter. Counsel for Steinbach acknowledged that he had received and reviewed Order 123/98, and supported the concept of expansion of natural gas to rural areas of the Province. Steinbach is opposed to expansion occurring based on a cross subsidy from existing customers. Steinbach brought to the Board's attention the manner in which Hanover proposed to fund its share of the project. Steinbach is concerned because the Hanover School Division proposes to refund the local school levy on the proposed gas mains located in Hanover back to Hanover. As such the amount of the school levy received by the Hanover School Division will be reduced. As Steinbach pays about 40% of the school division levy, it will end up paying for 40% of the "refund grant".

8.2 Rural Municipalities of Hanover and La Broquerie

Reeve Aaron Friesen and a number of Hanover Councillors, and Reeve John Geisbrecht of the R.M. of La Broquerie appeared in support of Centra's application. They urged the Board to approve the application quickly so that construction could commence in 1998. They suggested that the availability of natural gas would allow them to compete for agricultural base industries, not only with other areas of the Province, but with other Provinces.

8.3 Citizens

All citizens appearing before the Board supported Centra's application. Citizen presentations were heard from homeowners, dairy farmers and hog producers.

9.0 Board Findings

9.1 Franchise Agreement

The Board is satisfied that the terms and conditions of the proposed franchise agreement is consistent with the terms and conditions of recent franchise agreement approved by the Board. The Board will therefore approve the proposed Franchise Agreement between Hanover and Centra. Copies of the final Franchise Agreement should be filed with the Board in due course.

9.2 Customer Attachments and Annual Volumes

The Board considers that Centra's estimates of customer attachments and annual usage to be generally more conservative than the assumptions used by Centra in the Southwest and Southeast Expansion Projects. The Board has previously approved the use of an average annual consumption of approximately 2,800 cubic metres per residence for both space and hot water heat, and considers this estimate to remain appropriate. The Board notes Centra's evidence that the system average annual residential use per customer is about 3,400 cubic metres. The Board further notes that 620 residential customers have signed up, compared to Centra's first year estimate of 635 residential attachments. The Board is of the view that sign-ups to dates represent a reasonable residential load, and that it is likely more customers will request service in the first year once construction commences.

The Board notes that to date 166 commercial customers have signed up, compared to Centra's first year estimate of 132. The Board further notes that, while the residential sign up fee is $500, the commercial customer's sign up fee may be significantly greater.

The Board considers that a residential customer might "donate" the sign up fee, to bring natural gas to the area without ever intending to use the service. It is unlikely however, that a commercial customer would do so, considering the greater financial commitment. The Board further notes that of the 166 commercial customers signed up, approximately 67 are existing or potential hog producers, representing a significant load. The Board recognizes that all expansions have uncertainties in respect of customer attachments and annual volumes. On balance, Centra's estimates for this project appear to be reasonable.

9.3 System Design, Routing and Capital Costs

Centra's design of the transmission system to accommodate all of the exiting customers peak hour load, with an allowance for 20% excess capacity, appears to be sound. This will allow for some future incremental load without having to construct another primary station. The Board notes that Centra considered three options for the routing of the transmission lines, and that costs for serving each of the two municipalities on a stand alone basis would be greater than the cost of the recommended route. The Board expects and accepts that all designs and construction procedures will be in accordance with respective specifications, accepted industry standards and construction techniques. The Board further expects that construction supervision, inspection, and most importantly, contract administration services will be provided on a continuing basis so as to avoid any project delays, or major cost overruns.

The Board accepts Centra's evidence that it has refined its cost estimating techniques. Because of these more stringent techniques, and Centra's local knowledge, the need for a contingency fund has been decreased. The Board will, in the normal course, consider all aspects of construction and other related costs when Rate Base additions related to this project are requested by Centra. The Board notes the concerns of CAC/MSOS that the risks of significant cost overruns not be borne by existing customers. To the extent that Centra cannot justify any significant cost overruns as being reasonable or prudent, existing customers will not be required to fund shortfalls. The Board will accept Centra's cost estimates for purposes of the feasibility test.

The Board notes that the TCPL primary station is intended to serve the two municipalities, which are the subject of this application, as well as the Ste. Agathe area, which was the subject of a 1997 application. The Board accepts the basis for the allocation of costs between these three areas, being the pro-rata load for each area. The Board expects that the actual costs and cost allocation will be reviewed at a subsequent hearing, once actual numbers are known. The Board will also require that the portion of the primary station cost allocated to Ste. Agathe be placed in construction work in progress until the Ste. Agathe project proceeds. Should Centra decide not to proceed with the Ste. Agathe project, the Board will require Centra to review the design and transmission pipe routing to ensure that the design to accommodate only Hanover and La Broquerie remains the most cost effective. The Board will expect to be informed of any change in the designs and resultant costs.

9.4 Customer Contributions

From the limited evidence on the matter, the Board is of the view that the proposed change in accounting for customer contributions may have merit. However, it is not appropriate to consider this matter in this forum. The Board is of the view that evidence on, and cross-examination of, this matter is more appropriate in a general rate application. One of the issues that should also be considered is whether it is appropriate to have consistency between the accounting treatment and the feasibility test treatment. The Board will therefore deny Centra's request in this application to change its method of accounting for customer contributions. Centra should file evidence on this matter at the next general rate application should it so choose.

9.5 Feasibility Test and Funding Arrangements

The Board will approve Centra's feasibility test and application to bring natural gas to Hanover and La Broquerie, conditional on the funding arrangements with the Federal, Provincial and Municipal governments being executed and filed with the Board, and subject to no change in this application relative to accounting for customer contributions.

The Board notes that the revised feasibility test will reduce the required customer contributions by approximately $201,000. The Board also notes that future expansion applications could proceed more efficiently if funding arrangements were ~~substantially~~ finalized and signed by all parties prior to Centra making application for approval of new expansion projects.

9.6 Other Matters

The Board notes the position of CAC/MSOS in respect of calculating pay back periods including estimated conversion costs. The Board acknowledges that there are many assumptions contained in the material prepared by CAC/MSOS, but the principle advanced has merit. The Board is of the view that potential customers should have as much relevant information as possible. If a potential customer has complete information and signs up for natural gas service, the likelihood of the customer changing their mind is greatly diminished.

The Board considers base rates to be the appropriate means to calculate feasibility test revenues over a 30 year period. However, the Board would encourage Centra to explain to potential customers that as-billed rates will apply at any point in time. Centra should provide its potential customers with its best estimate of as-billed rates for the next year. This will allow customers to better judge the viability of converting to natural gas.

10.0 IT IS THEREFORE ORDERED THAT:

1. The proposed new Franchise agreement between the Rural Municipality of Hanover and Centra Gas Manitoba Inc. BE AND IS HEREBY APPROVED.

2. The requested change in accounting methodology, for customer contributions BE AND IS HEREBY DENIED.

3. The feasibility test for the expansion of natural gas service to the Rural Municipality of Hanover Central Region and to the Rural Municipality of La Broquerie, BE AND IS HEREBY APPROVED, subject to:

   a). Finalization and execution of the funding agreements with the federal, provincial and municipal governments.

   b). Recalculation of the revised customer contribution without the requested change in accounting methodology.

4. Final signed copies of the Franchise Agreement and funding agreements be filed with the Board and Intervenors when executed.

5. If the economics of the project is affected in any significant way as a result of a delay in the project or for any other reason, Centra is to report to the Board accordingly.

6. Updated financial feasibility tests reflecting the change in customer contributions, and finalization of funding arrangements, be filed with the Board in due course.

The Public Utilities Board

THE PUBLIC UTILITIES BOARD

"G. D. Forrest"
Chairman

"Hollis Singh"
Acting Secretary

Certified a true copy of Order No. 130/98
issued by The Public Utilities Board

Hollis Singh
Acting Secretary