

**MANITOBA**  
**THE PUBLIC UTILITIES BOARD ACT**

**Order No. 13/06**  
**January 31, 2006**

Before:           Graham F.J. Lane, B. A., C.A., Chairman  
                      Monica Girouard, C.G.A., Member  
                      Mario J. Santos, B.A., LL.B., Member

**AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN INTERIM ORDER  
APPROVING PRIMARY GAS SALES RATES, EFFECTIVE FOR ALL GAS  
CONSUMED ON AND AFTER FEBRUARY 1, 2006**

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## 1.0 EXECUTIVE SUMMARY

In its regular quarterly Primary Gas Rate setting Application, Centra Gas Manitoba Inc. (Centra) proposed to The Public Utilities Board (Board) that there be no change in the Primary Gas rate charged to its consumers, effective February 1, 2006.

In response to Centra's updated Application, and effective February 1, 2006, the Board, in this Order, has approved rates and the removal of rate riders that will result in the following annual bill impacts:

Customer Class	Annualized Bill Impact Effective Feb 1/06
SGS – Residential	0.3% increase*
SGS – Commercial	(4.1%) – (4.5%) decrease
LGS	(4.7%) – (5.5%) decrease
HVF	(4.7%) – (6.1%) decrease
Mainline	(6.1%) – (6.5%) decrease
Interruptible	(5.6%) – (6.3%) decrease

\* The Board has ordered no increase in the residential primary gas rate. The removal of the rate riders, approved in Order 115/05 dated July 27, 2005, results in an increase in the annual bill of approximately \$4 for the typical residential customer.

### Residential

For November 1, 2005 Primary Gas Rates for Residential customers, the Board restrained the full impact of its approved Rate Setting Methodology (RSM) out of concern for the ability of Residential customers, particularly low-income families, to adjust to the extraordinarily high commodity prices following natural gas supply problems in the United States and resulting forecasted higher heating costs for the 2005/06 winter.

The reduced rate increase on November 1, 2005 for Residential customers was to assist them in meeting the challenges that higher natural gas heating costs bring and provide them with an opportunity to better insulate and take steps for greater energy efficiency.

Those same concerns of the Board continue through this Order. By freezing the Residential Primary Gas Rate at the level set November 1, 2005, and not increasing that rate by approximately 4.1% as otherwise indicated by the RSM, consumers are given additional time to avail themselves of various Demand Side Management (DSM) programs to make their homes more energy efficient.

Rate riders that were calculated to expire January 31, 2006 are removed from billed rates. The removal of these riders has a combined impact of 0.3%, or approximately \$4.00 on the annual bill of a typical residential customer.

The Board reminds Residential consumers that the continuing deferral of commodity costs comes at a financial price – as Centra is permitted to charge short term interest rates on the balances it is carrying for Residential consumers. Furthermore, if market prices either do not fall or other means are unavailable to address the costs being deferred, those costs will have to be taken into account in future rate settings, exacerbating what is already a difficult pricing environment.

### **Non-Residential Customers**

The full impact of the RSM was applied to Non-Residential customers on November 1, 2005 when rates increased. The full impact of the RSM is applied to Non-Residential customers in this Order, effective February 1, 2006, when rates will decrease for these customers. The Board's rationale that supported rate increases for Non-Residential Customers also supports rate decreases when indicated by the RSM.

### **Hedging**

Centra's Hedging Program impacts on the future prices to be paid for gas by all system supplied customers. The use of mechanistic hedging techniques needs further study and review. This will be addressed in the next scheduled Cost of Gas proceeding for Centra.

## **Weather**

The warmer than normal weather since November 1, 2005 has given consumers a reprieve from the higher gas bills usually received in the winter months. Consumers would be well advised to take advantage of this financial benefit by investing in initiatives to make their homes more energy efficient.

## **Bill 11**

Bill 11 was the subject of discussion by Centra and also by various Interveners. The Board's freezing of the Residential Primary Gas Rate and the reduction of the Non-Residential Primary Gas Rate, both effective February 1, 2006, is not seen as being in conflict with the proposed legislation.

## **2.0 BACKGROUND**

The five components of Centra's natural gas bill are:

- Primary Gas Rates;
- Supplemental Gas Rates;
- Transportation (to Centra) Rates,
- Distribution (to Customer) Rates; and
- Basic Monthly Charges.

The Board approved Rate Setting Methodology (RSM) provides for Primary Gas Rates to be set quarterly on February 1, May 1, August 1, and November 1 of each year. This Board Order sets Primary Gas Rates effective February 1, 2006.

Quarterly rate setting reflects the most recent 12-month forward market prices for natural gas, with the forward price being weighted to take into account the cost of gas Centra

has injected into storage in Northern Michigan, as well as volumes hedged. In addition to the Primary Gas Base Rate, a Primary Gas Rate Rider (Rider) is attached to the rate concurrent with the Primary Gas Rate change. The Rider is designed to distribute the projected balance in the Primary Gas Purchase Gas Variance Account (PGVA), as at the end of each quarter, over customer bills for the next twelve months of normalized gas usage volumes.

The current RSM involves Centra:

- a) basing its applications for Primary Gas Rate changes on a twelve-month forward price strip exercised during the first week of the month preceding the commencement of the next gas quarter;
- b) filing Applications on a timely basis on an interim ex parte basis; and
- c) issuing a press release and a “bill stuffer” communicating the reasons for rate changes as approved by the Board. Centra will notify customers of the rate changes arising out of this Order through a newsletter, *Energy Matters*, and by a Press Release.

Prior to this Order, residential rates had risen by approximately 19% over the last three quarterly settings.

In December 1999, Primary Gas commodity prices were \$3.00/gigajoule (GJ) and the average annual heating bill for a residential customer was estimated to be at \$840. Five years later, the primary gas commodity price had reached \$7.03/GJ and the average residential heating bill \$1,298/year. The November, 2005 market prices of \$12.67/GJ would translate into an average residential hearing bill approaching \$1,800/year excepting for the effects from hedging, gas storage and the Board’s Orders for rate smoothing (which reduce annual costs by approximately 25% to \$1358.00, given normal weather). These are extraordinary increases matching or exceeding those incurred for gasoline, diesel and propane. Only electricity among energy sources has seen price increases over the past six years at or below the rate of increase in the Consumer Price Index (Manitoba Hydro’s electricity rates have increased by less than the rate of inflation over this period).

Natural gas prices, similar to the situation with coal, uranium, petroleum, gasoline, diesel, fuel oil and propane are of concern to all, though low-income residential customers, in particular, have more difficulty managing the expense increases.

### **November 1, 2005 Primary Gas Rates**

The Board's Orders 142/05 and 148/05, both in respect of November 1, 2005 Primary Gas Rates, approved different Primary Gas Rates for Residential customers, compared to the Primary Gas Rate for Non-Residential customers. Effective November 1, 2005 the Primary Gas Rate for Residential customers was set at \$0.3207/per cubic metre which provided for an average annual heating bill increase of 6.3% or \$81 per year. If the full increase, pursuant to a complete application of the RSM had been implemented, the average annual increase would have been approximately twice what was actually ordered by the Board.

The complete application of the RSM for November 1, 2005 Primary Gas Rates, resulted in a billed Primary Gas Rate of \$0.3506/cubic meter for Non-Residential customers which resulted in an approximate 12.9% annual heating bill increase. As was then-noted, the RSM derived rates would have been considerably higher excepting for Centra's prior hedging of gas volumes and the relatively lower cost of gas in Centra's storage, which would be withdrawn and utilized during the winter season.

## **3.0 APPLICATION BY CENTRA**

### **January 2, 2006 Twelve Month Future Price Strip**

In accordance with the standard RSM procedures, Centra ran a twelve month futures price strip on January 2, 2006 and filed its initial February 1 Primary Gas Rate Application with the Board on January 18, 2006.

The Board requested Centra provide a copy of its January 18, 2006 Application to Interveners for comments, and also requested Centra provide a further and more current update of its calculations to the Board. Centra filed its updated material on January 24, 2006 based on a January 20, 2006 twelve-month future price strip for Alberta supply.

Numerically, the January 2, 2006 and January 20, 2006 future price strips yielded the following results:

**BY THE NUMBERS:**

<b>Description</b>	<b>Approved for November 1, 2005 Primary Gas Rates</b>	<b>January 2, 2006 Price Strip</b>	<b>Based on January 20, 2006 Price Strip</b>
12 month price strip costs	\$12.671/GJ	\$9.913/GJ	\$9.441/GJ
Gas in storage	\$7.925/GJ	\$7.902/GJ	\$7.902/GJ
Primary Gas weighted average costs	\$9.314/GJ	\$9.548/GJ	\$9.162/GJ
Converted to Volumetric	\$352.08/10 <sup>3</sup> M <sup>3</sup>	\$360.90/10 <sup>3</sup> M <sup>3</sup>	\$346.30/10 <sup>3</sup> M <sup>3</sup>
TCPL Compressor Fuel	\$8.00/10 <sup>3</sup> M <sup>3</sup>	\$6.50/10 <sup>3</sup> M <sup>3</sup>	\$5.90/10 <sup>3</sup> M <sup>3</sup>
Gas Overhead Component	\$1.68/10 <sup>3</sup> M <sup>3</sup>	\$1.68/10 <sup>3</sup> M <sup>3</sup>	\$1.68/10 <sup>3</sup> M <sup>3</sup>
Primary Gas Base Rate	\$361.76/10 <sup>3</sup> M <sup>3</sup>	\$369.08/10 <sup>3</sup> M <sup>3</sup>	\$353.88/10 <sup>3</sup> M <sup>3</sup>
Residential Primary Gas Rate Riders	\$(11.30)/ 10 <sup>3</sup> M <sup>3</sup>	(\$18.00)10 <sup>3</sup> M <sup>3</sup>	(\$14.20)10 <sup>3</sup> M <sup>3</sup>
<b>Residential Primary Gas Billed Rates</b>	<b>\$320.70/10<sup>3</sup>M<sup>3</sup></b>	<b>\$351.08/10<sup>3</sup>M<sup>3</sup></b>	<b>\$339.68/10<sup>3</sup>M<sup>3</sup></b>
Non-Residential Primary Gas Rate Riders	\$(11.30)/ 10 <sup>3</sup> M <sup>3</sup>	\$(31.50/10 <sup>3</sup> M <sup>3</sup> )	\$(27.00)/10 <sup>3</sup> M <sup>3</sup>
<b>Non-Residential Primary Gas Billed Rate</b>	<b>\$350.70/10<sup>3</sup>M<sup>3</sup></b>	<b>\$337.58/10<sup>3</sup>M<sup>3</sup></b>	<b>\$326.88/10<sup>3</sup>M<sup>3</sup></b>

In terms of annualized bill impacts to consumers, the most current price projections and the removal of rate riders previously ordered to expire January 31, 2006 would result in the following annual bill impacts:

<b>Customer Class</b>	<b>June 20/2006 Updated Futures Strip &amp; Removal of Reconciliation &amp; Refund Riders</b>
Typical Residential	4.1%
SGS- Residential	4.0% - 4.4%
SGS-Commercial	(4.1%) – (4.5%)
LGS	(4.7%) - (5.5%)
HVF	(4.7%) – (6.1%)
Mainline	(6.1%) - (6.5%)
Interruptible	(5.6%) – (6.3%)

From the numerical information provided above, it is evident that a strict following of the RSM would result in an increase to the Residential Primary Gas Rate and a decrease to the Non-Residential Residential Primary Gas Rate.

Based on the RSM, the rate for the typical residential customer would increase approximately 4.1% or \$56 per year. Based on the RSM, the Primary Gas Rate for the Non-Residential Customer would decrease between 4.1% and 6.5% (depending on volumes used).

However, rather than seek any change effective February 1, 2006 in either the Residential or Non-Residential Primary Gas Rate, Centra has requested no change to current rates as implemented November 1, 2005.

## **RATE RIDERS**

Rate Riders are temporary adjustments to base rates. Like base rates, Rate Riders are approved by the Board, but are of limited duration. Rate Riders either collect or refund money with the goal of ensuring the consumer pays no more or no less than the Board approved costs to serve them.

Based on Centra's last General Rate Application, in early 2005, the Board issued Orders 103/05 and 135/05. Included in those Orders was the approval of the establishment of various Rate Riders, including three of which have an impact on the current Application by Centra.

- (i) The Primary Gas Reconciliation Rider, recovered the delayed increase in the Gas Overhead Component of the Primary Gas base rate for the period February 1, 2005 to July 31, 2005, over the six-month period from August 1, 2005 through January 31, 2006.

In Centra's Application for February 1, 2006 Primary Gas Rates, the Primary Gas Reconciliation Rider has been removed for both Residential and Non-Residential customers, consistent with the Board's previous Orders when this Rate Rider was established.

- (ii) The Refund Rate Rider refunded to consumers that portion of the February 1, 2005 rate increase that was reduced by the Board in its GRA Orders.
- (iii) The Reconciliation Rate Rider adjusted and reconciled the proper allocation of the February 1, 2005 rate increase, using Board approved allocation methods as opposed to the proxy methodology used by Centra for the February 1, 2005 rate increases.

Both the Refund Rate Rider and the Reconciliation Rate Rider were established as part of Centra's last GRA and were approved in Board Order 115/05. Both were designed to expire January 31, 2006.

However, Centra proposed to defer the removal of these Rate Riders and to collect the net impact as part of a subsequent application for a change in rates.

## **SUMMARY**

In short, and citing consistency with Bill 11, effective February 1, 2006 Centra proposed no change to the Residential and Non-Residential Primary Gas Rates as approved by the Board for November 1, 2005 in Order 148/05.

### **4.0 SUBMISSIONS BY INTERVENERS**

Three Intervenors provided submissions to the Board with respect to Centra's Application, namely Direct Energy (operating in Manitoba as Municipal Gas), Consumers' Association of Canada (Manitoba) Inc. and Manitoba Society of Seniors (CAC/MSOS), and Time to Respect Earth's Ecosystems and Resource Conservation Manitoba (RCM/TREE).

#### **DIRECT ENERGY**

Direct Energy (Direct) urges the Board to implement its Rate Setting Methodology (RSM) and to order MH to set the primary gas rate for February 1, 2006 based on its most recent cost estimates, and to discontinue the Refund and Reconciliation Rate Riders arising from Board Order 115/05.

Direct makes this submission on the basis that natural gas consumers must be kept informed of market prices for natural gas. In its view, a failure to provide accurate price signals will induce higher consumption, inefficient fuel switching and uneconomic investment decisions.

Direct submits that Bill 11, currently tabled before the Manitoba Legislature, may not have the long-term effect that the Provincial Government envisions, in attempting to protect Manitoba consumers from a natural gas rate increase for the 2005/06 heating season. Direct submits that reduced rates would actually discourage energy efficiency and efforts at gas consumption reduction contrary to the objectives Bill 11.

Direct is not in favour of cross-subsidization of gas prices from Manitoba Hydro's electricity export sales revenue via the Fund referred in Bill 11. Direct believes that such cross-subsidies will distort retail electricity and gas prices resulting in inefficient use of both fuel sources. Such subsidies may also be unfair, it argues, to gas consumers served by other distributors or other non-gas fuel consumers who will not benefit from a natural gas subsidy.

Direct has recommended to the Board that, given the current market prices, primary gas rates should be set to minimize the cost deferral by applying the deferral to only the most vulnerable consumers, being residential and small commercial consumers, and by limiting the recovery period. Direct has suggested that Manitoba Hydro be required to set out the primary gas rate deferral in a clear way on consumers' bills if a residential rate adjustment continues to be warranted.

Direct has also suggested as an alternative to a further rate freeze that the Board can use a Rate Rider as another form of rate relief to return the Residential PGVA credit balance to residential consumers over the next three months rather than over the next year as proposed by MH.

## **CAC/MSOS**

CAC/MSOS opposes Centra's request for a global rate freeze for all customer classes to hold at November 1, 2005 rates. CAC/MSOS opines that Centra has misinterpreted Bill 11 to require Centra to freeze rates and seek no change to rates during the winter heating season. CAC/MSOS submits that Bill 11 indicates that Centra must not seek increases in natural gas rates during the 2005-06 winter heating season. CAC/MSOS submits that Bill 11 does not prohibit rate decreases.

CAC/MSOS states that Centra's primary gas cost data, based on an updated forward price strip shows that SGS-commercial, LGS, HVF, Mainline and Interruptible Customers are entitled to a rate decrease under the Board's RSM. Until Centra applies to the Board to change or abandon the RSM, Applications are still required to be made by Centra on a quarterly basis and, in this case CAC/MSOS says, the rate should be adjusted downward for the stated classes.

Due to the Board's directed price smoothing for the Residential class by Board Order 142/05, Residential rates would not decrease by application of the RSM in this quarterly period. CAC/MSOS submits that the Board ought to clearly address this matter by providing its reasons at this time and explaining the impact of rate smoothing on the February 1, 2006 residential primary gas rate.

CAC/MSOS also recommends that the Board require Centra to track, in a transparent way, all cost deferrals that flow directly from Bill 11 requirements. If Bill 11 is given Royal Assent in its current form and increases are not ordered for either the 2005-06 or the 2006-07 winter heating seasons, Centra is required to account for the outstanding balance for that season and by using deferral and gas cost balancing accounts to seek an order of the Board to recover the outstanding balance in the period following the winter heating season. CAC/MSOS argues that since the legislation requires this process to be used, those specific deferral costs must be isolated so that the Board can consider rate decreases exclusive of past accumulated deferrals to a given class.

It should also be noted that the legislation permits the deferred gas costs recovery period to be prescribed by regulation by the Lieutenant Governor in Council.

CAC/MSOS notes that warm weather through out North America in the midst of the winter heating season 2005-06 may have increased natural gas supplies and reduced demand. The price of gas is falling based on current information. CAC/MSOS submits that this supports the full application of the RSM at this time for all customer classes other than SGS-Residential.

CAC/MSOS has also addressed the mechanistic approach adopted by Centra in its hedging program. CAC/MSOS points out that Centra's hedging practices may likely produce a negative impact on gas prices as shown in Centra's forecast for the period August 2006 to October 2006.

## **RCM/TREE**

Dr. Peter Miller made submissions on behalf of RCM/TREE, and agrees with CAC/MSOS and Direct that Bill 11 is intended to shield consumers from rate increases, not to stop rate decreases. For all non-residential customers, RCM/TREE submits the normal RSM should prevail in the setting of primary gas rates for February 1, 2006.

RCM/TREE comments that rate deferral accounts with a negative balance, due to deferred increases as may be required under Bill 11, have the effect of adding the cost of interest to the cost of gas, and shifting costs from those who consume a higher proportion of their gas in winter to those with a flatter load profile. The latter will, as a result, pay more than their share of the deficit. RCM/TREE recommends that the Board consider measures other than a residential rate increase (given the pending legislation) that reduce the amount of rate deferral for residential consumers, where possible.

Finally, RCM/TREE disagrees with CAC/MSOS that general primary gas rate decreases be left to the consideration of the Board notwithstanding the existence of accumulated rate deferrals arising from the application of Bill 11 in the winter heating seasons 2005-06 and/or 2006-07. RCM/TREE asserts that such rate deferrals should be paid off before a rate decrease occurs.

As the Board understands it, this particular position is based upon RCM/TREE's overriding belief that full-cost accounting must be applied to ensure that individual customers take responsibility for the full costs of consumption. Such an accounting RCM/TREE submits must include externalities which affect the true cost of gas supply and consumption and mitigation as well as the cost to support the measures required to address the needs of low-income customers.

## **5.0 BOARD FINDINGS**

### **UPDATED INFORMATION**

The Board appreciates Centra updating its Application for February 1, 2006 Primary Gas Rates, by using more current information related to the twelve month future price strip and updated Primary Gas PGVA balances, (which utilize actual results for November and December 2005 and estimated results for January, 2006) and also the impact of recent hedging activity.

As with prior quarterly rate settings, the Board is of the view that the most currently available information should be used, unless there are compelling reasons not to. In respect of this Application, the Board is not aware of any circumstances that would preclude it from using the updated information.

## **RESIDENTIAL PRIMARY GAS RATES FOR FEBRUARY 1, 2006**

In Order 142/05 for November 1, 2005 Primary Gas Rates, the Board found that to apply the full rate increase effect arising out of the RSM, at a time of extraordinarily high natural gas prices, would have a deleterious effect on all Residential customers.

The 44% price increase in the supply costs for November 1, 2005 Primary Gas, as well as the actual market prices at that time, were such that the natural gas pricing situation could not be considered normal.

Residential billed rates had already increased by 12% prior to the beginning of the 2005/06 winter season, and another 13% increase that would result from the application of the RSM was seen as rate shock by the Board.

The Board also noted that residential customers, particularly low and fixed income customers, have a reduced ability to meet the challenges higher natural gas heating costs bring. The Board previously commented on an increasing high level of service disconnection, account payment delinquency and bad debts amongst the Residential customers, as well as space heat being a necessity not a luxury.

Time was required, and was provided by the Board, to allow Residential customers to undertake consumption reduction DSM initiatives.

Based on the foregoing factors, the Board did not adopt the RSM for the Residential Primary Gas Rates effective November 1, 2005. Rather, the Board passed on half of the projected RSM increase by way of a 6.3% increase in annual bills for the Residential customer and deferred the remaining costs, to be recovered at a future time.

With Centra's Application for February 1, 2006 rates, the Board finds that circumstances have not materially improved for the Residential customer.

The very reasons that resulted in the Board tempering the Residential customers rate increase for November 1, 2005 continue to be applicable in respect of Centra's Application for February 1, 2006 rates.

Therefore, in respect of the Residential Primary Gas Rate, the Board will agree with Centra's request, as supported by some Interveners, and not increase the Primary Gas Rate set November 1, 2005.

### **NON-RESIDENTIAL PRIMARY GAS RATES FOR FEBRUARY 1, 2006**

In Order 142/05 and for Non-Residential Customers, the Board approved the full Application of the impacts of the RSM in the Primary Gas Rates.

The Board noted that commercial Non-Residential customers may have the opportunity to pass on input costs increases to their customers, the ability to deduct utility costs from taxable income, a capital base sufficient to accept the challenge of higher energy prices; and a preference for matching costs and revenues in the same fiscal period.

The foregoing reasons support rate increases to Non-Residential customers and are also valid considerations for the Board when the RSM indicates that rates should decrease.

Therefore, the Board will deny Centra's request for the Non-Residential Primary Gas Rate to remain at the level set for November 1, 2005.

Rather, the Board will direct Centra to file new rate schedules that reflect a Primary Gas Rate reduction for Non-Residential customers. The annualized bill impacts of this reduction will decrease Primary Gas costs for Non-Residential customers by between 4.1% and 6.5%, depending on volumes used.

## **RATE RIDERS**

As was noted earlier, there are three temporary Rate Riders, arising from Centra's last GRA in earlier 2005, scheduled to expire January 31, 2006. Centra has removed one of the Rate Riders in its Application but requests the other two be left in place.

In the GRA Orders, as a result of the public process in early 2005, these Rate Riders were calculated to recover/refund specific amounts over a six month period commencing August 1, 2005.

If Rate Riders are not removed on their expiry date, they may either over refund, or over recover the costs that were the basis of the Rate Rider.

By the Rate Riders expiring on January 31, 2006 there is no impact on the base rates that the Board has previously approved as part of the GRA process in Order 115/05, dated July 27, 2006.

Therefore, the Board will deny Centra's request to leave the two Rate Riders in place until some unspecified future date, and will require these Rate Riders to be removed for all customer classes on January 31, 2006, as previously ordered by the Board.

## **HEDGING**

Centra indicates that it continues to mechanistically hedge eligible volumes, and has hedges in place for gas volumes to be consumed from February through October 2006 as well as for the following gas quarter.

When the hedge prices are compared to the futures market prices, a forecast impact on consumers' gas costs is calculated.

To demonstrate how quickly and dramatically the hedge prices can impact consumers' gas costs, the January 2, 2006 future price strip results can be compared to the January 20, 2006 future price strip results, and both of those strips can be compared to the strip underlying the November 1, 2005 Primary Gas Rates.

The future price strip that underpinned the November 1, 2005 Primary Gas Rates forecast a reduction to gas costs of approximately \$119M over the ensuing nine months.

Based on the January 2, 2006 future price strip, the total impact of hedges in place for the months of February through October, 2006 was a reduction in gas costs, over that period, from what the futures market prices are, by approximately \$19.5M.

The January 20, 2006 future prices, when tested against the hedges in place from February through October, 2006, indicate a reduction in gas costs of approximately \$1.3M for that same time period.

The dramatic differences can be attributed to changes in future market prices. For the months of August through October, 2006, the future prices of gas have breached the floors of the cashless collars for all three months.

Centra has also placed hedges on January 18 and 20, 2006 for gas to be consumed in the months of November/ 06, December /06, and January /07. Those cashless collars have ceiling prices that range from \$10.00 to \$11.07 /GJ and floor prices that range from \$9.20 to \$10.35/GJ. As the future prices are currently between the floor and the ceiling prices, there is no reported market impact at this time.

The issue of hedging remains a concern to the Board. Centra's motivation is to reduce volatility without regard to the impact on consumers' gas costs. Consumers can control volatility in their monthly gas bills by subscribing to Centra's Equal Payment Plan.

The Board sees the lowering of gas costs, or the attempting to lower gas costs, through the use of a well-defined hedging program as a rationale to hedge future gas prices.

In prior orders, the Board has noted its concerns that hedging mechanistically, in a rising market, would likely benefit consumers, but in a falling market, such a policy would likely add to the costs of gas. Centra was directed to perform further research of hedging programs and various options, and report to the Board. Centra's Report has only recently been received by the Board.

The Board sees the upcoming Cost of Gas Hearing as the venue to best explore and determine the appropriate practices and policies related to Centra's hedging program. Centra should conduct all necessary research in advance, so as to be able to provide rationale for the various options the Board should consider relative to Centra's Hedging Policy and Program.

## **ENERGY CONSERVATION**

Consumers' monthly gas bills are impacted by both rates, as approved by this Board, and by the level of consumption by the consumer.

In prior Orders the Board has encouraged Centra to develop DSM plans that would enhance the efficiency of gas use by its customers. This continues to be an area of development for Centra.

The Board has also encouraged consumers to avail themselves of the opportunity to better insulate and take steps for greater energy efficiency. The Board's order mitigating the Primary Gas Rate increase to Residential customers, effective November 1, 2005, also afforded time to those customers to undertake consumer-reduction DSM initiatives to make their homes more energy efficient. By holding the line on the February 1, 2006 Residential Primary Gas rate in this Order, in the face of continuing gas market upheaval, the Board is repeating its plea for these consumers to undertake energy efficiency initiatives as soon as possible.

## **WEATHER**

The Board is not oblivious to the fact that the winter weather in Manitoba, since November 1, 2005, has been considerably milder than normal, and perhaps the warmest on record. While the warmer than normal temperatures may be welcomed by consumers, statistically it is unlikely such warm weather will be repeated next year. Therefore, consumers need to continue to take consumption reducing initiatives by making their homes more energy efficient.

The Board understands that approximately 50% of Centra's customers are on the Equal Payment Plan. Most of these customers may find themselves in a credit position, or near credit position, with respect to their account balances. Such monetary surplus, particularly at this time of the winter heating season, may provide a greater impetus to customers to avail themselves of existing DSM programs to make their homes more energy efficient.

## **ENERGY COST BENEFIT (ECB)**

The Board is also aware of the ECB, which is a one time, tax-free payment from the Government of Canada to certain people to help them deal with higher energy costs.

The Board understands that the ECB is paid to individuals, based on a financial means test, and has already been paid to some Manitobans in January 2006.

This source of funds, for those who receive it, should also be considered for use in making homes more energy efficient, as a method of addressing higher energy costs.

## **BILL 11**

Bill 11 entitled *The Winter Heating Costs Control Act*, was given first reading before the Manitoba Legislature on November 16, 2005 and has yet to be fully debated and passed into law.

Centra cites the intent of Bill 11 as its rationale for proposing no changes to the Board approved November 1, 2005 Primary Gas Rates for both Residential and Non-Residential customers.

The Interveners urge the Board to take a different interpretation of Bill 11 than that suggested by Centra. Interveners submit that Bill 11 purports to prohibit increases in February 1, 2006 Primary Gas Rates but does not prohibit Primary Gas Rate reductions should such rate decreases be indicated by the RSM.

Support for this position can be found in Section 3 of Bill 11:

“Centra Gas must not apply to the Public Utilities Board for an Order to increase the natural gas rates charged to consumers in Manitoba during the 2005-06 winter heating season beyond the rates approved by the Public Utilities Board on October 27, 2005 and November 3, 2005.” (emphasis added)

While the Bill has only received first reading and has not been given second reading or referred to Committee, the Board concludes that this draft legislation is aimed at restricting rate increases to consumers to only once during the winter heating season. Those increases occurred November 1, 2005.

In this Order and for the reasons previously cited, the Board has determined not to increase the Residential Primary Gas Rate but rather, to keep it the same as the rate set by the Board on November 1, 2005.

For Non-Residential Customers the Board has determined, in this Order, to reduce the Primary Gas Rate effective February 1, 2006 in accordance with the standard RSM utilized by the Board.

The Board does not consider its decisions in this Order to run contrary to Bill 11.

**IT IS THEREFORE ORDERED THAT:**

1. The February 1, 2006 Primary Gas billed rate, for Residential customers remain at the November 1, 2005 rate of \$0.3207/m<sup>3</sup>;
2. Centra recalculate the February 1, 2006 Primary Gas billed rate for Non-Residential customers pursuant to the approved RSM, using the January 20, 2006 forward price strip and reflecting the most recent estimated January 31, 2006 PGVA balances for these customers.
3. The Rate Riders established in Centra's GRA proceedings in early 2005 and in Order 103/05, that are to expire January 31, 2006, be allowed to expire as previously Ordered by the Board.
4. Centra file, for Board approval, revised rate schedules that reflect the decisions of the Board in this Order;
5. This Interim Order shall be in full force and effect until confirmed or otherwise dealt with by a future Order of the Board.

THE PUBLIC UTILITIES BOARD

"Graham F. J. Lane, C.A."  
Chairman

"G. Gaudreau, C.M.A."  
Secretary

Certified a true copy of  
Board Order No. 13/06 issued by  
The Public Utilities Board

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Secretary