

Manitoba Public Utilities Board Guide to the Purchase of Natural Gas in Manitoba

As a Manitoba natural gas consumer, you now have more choices available for buying the natural gas you use in your home or business. You also have more information available to help you select the choice that's right for you.

A new service has been developed to help you compare your gas supply options and to enhance your ability to comparison shop before choosing your natural gas supplier.

THIS INFORMATION IS INTENDED TO:

- help you understand what your choices are,
- inform you of some of the benefits and risks associated with those choices,
- and, to introduce you to a new service known as the Western Transportation Service.

This information brochure was developed jointly by the Coalition of Eastern Natural Gas Aggregators and Sellers, Centra Gas Manitoba Inc., and representatives of the Consumers Association of Canada (Manitoba) and the Manitoba Society of Seniors. This brochure explains the role of Centra Gas and the role of gas marketers and is intended to provide you with information to assist you in making an informed choice about your gas supply.

UNDERSTANDING YOUR NATURAL GAS SUPPLY

Natural gas is a commodity that is bought and sold in a highly competitive marketplace that is shaped by the forces of supply and demand. As a result, natural gas prices rise and fall every day.

The Western Transportation Service will provide consumers with additional choice when it comes to purchasing the natural gas they use in their home or business. The choices facing a consumer are similar to those faced by a person choosing a residential mortgage. When shopping for a mortgage one might ask, "Do I want a fixed interest rate or a variable interest rate?" And, "How long do I want my choice to be locked in for?" When shopping for a natural gas supplier, the questions will be similar. "Do I want a fixed price, or a price that floats with the market?" "Do I want a five-year term, or a one-year term?"

Regardless of who supplies your natural gas, most of the natural gas you use comes from Western Canada, through a major transportation pipeline system, to the Centra Gas distribution facilities in Manitoba. Centra Gas delivers natural gas to your home or business through the network of pipelines and equipment that it owns and maintains. The costs of providing these services are accounted for individually and presented on your gas bill in the following way:

Primary Gas This is natural gas received from Western Canadian sources. It can be purchased on an unregulated basis, from a natural gas marketer, or obtained by Centra Gas, which provides gas supply on a regulated basis. Your Primary Gas represents approximately 94% of your annual natural gas use. For a typical residential customer, the cost of Primary Gas is approximately one-third of your total annual bill. This is the portion of your bill affected by your options.

Supplemental Gas In order to provide for your total annual natural gas needs, Supplemental Gas is purchased by Centra Gas as required to ensure supply is available when demand is higher than normal. It represents about six per cent of the gas you use each year, assuming normal weather. The Supplemental Gas charge varies from month to month depending on the amount of natural gas you use.

Transportation to Centra This is the cost of transporting natural gas to Manitoba. This cost includes pipeline charges to transport gas to Manitoba and the costs associated with storing gas purchased in the summer for use in the winter.

Distribution to Customer This is the cost incurred by Centra Gas to deliver the natural gas to your home or business. This cost includes the cost of pipe and facilities that Centra has installed, the operation and maintenance costs for the distribution system, and other customer services. A portion of these costs is recovered each month through the Basic Monthly Charge.

The Role of Centra Gas Centra Gas is a regulated utility that delivers natural gas and provides related utility services.

Centra Gas provides these services to all customers, regardless of whether you purchase your Primary Gas supply from Centra Gas or a gas marketer.

Centra Gas can obtain Primary Gas for its customers. In addition, it supplies Supplemental Gas and is responsible for providing backstopping and bridging services to all customers. Backstopping and bridging services are only required in the event that a customer's supplier is unable to provide them with their Primary Gas supply. Like the other services Centra Gas provides, the Primary Gas supply option offered by Centra Gas is regulated by the Public Utilities Board of Manitoba.

The Role of Gas Marketers Gas marketers, also called gas brokers, operate as independent businesses. They offer Primary Gas supply at competitive prices to groups of gas users. Marketers offer you the opportunity to select an option with different terms or pricing than that offered by Centra Gas, such as a fixed price for a fixed period of time. Given normal weather conditions, your Primary Gas supply charge, itemized on your monthly gas bill as Primary Gas, represents about one-third of your annual natural gas bill.

Marketers can arrange your Primary Gas supply. They do not deliver the gas or provide utility services. The prices and options offered by Brokers are not regulated by the Manitoba Public Utilities Board.

HERE ARE YOUR OPTIONS:

Prior to the introduction of the Western Transportation Service (May 1, 2000), Manitoba consumers had two choices when it came to purchasing natural gas – taking system supply from Centra Gas or participating in a Buy/Sell arrangement to purchase natural gas from a natural gas marketer. With the introduction of the Western Transportation Service, you now have three ways by which you can buy your Primary Gas. Each option comes with its own benefits and risks.

1. Western Transportation Service Under the Western Transportation Service, you contract to buy your Primary Gas supply from a marketer at an agreed upon price for a specific term. The marketer supplies the Primary Gas to Centra Gas for delivery to you. Centra Gas, on behalf of your marketer, will bill you for your Primary Gas supply at the price you agreed to pay your marketer, and then Centra Gas will pay the marketer on your behalf.

If you choose this option, your agreed-upon unit price will be shown in the Primary Gas portion of your gas bill. The name and telephone number of your Primary Gas Supplier will also appear on your bill.

2. Buy/Sell Service Buy/Sell Service has been available in Manitoba since 1991. Under this program, a gas marketer buys the Primary Gas for you at a market price and then sells the Primary Gas to Centra Gas for delivery to you at Centra's system supply regulated price. If the price paid by the marketer for Primary Gas is lower than the regulated price, the difference may produce savings that the marketer is responsible for passing on to you, on the basis of the agreement you have signed.

If you choose Buy/Sell Service, the name and telephone number of your gas marketer will also appear on your bill, but you will be charged the regulated price. Any savings due to you should be paid by the marketer as a refund or rebate at some future time.

The Buy/Sell Service will be phased out by November 1, 2001.

3. System Gas Supply Your third option is to buy your Primary Gas from Centra Gas. Centra Gas offers a single gas supply option to all consumers. Centra Gas seeks to obtain the best prices available in a mix of long-term and short-term supply contracts to ensure a secure supply. The rate for Centra's Primary Gas charge is approved by the Public Utilities Board of Manitoba and is a pass through of the cost of gas and the cost of acquiring the gas. Due to fluctuations in the market price for natural gas, price adjustments are made from time to time to ensure that those prices are equal to the costs paid by Centra.

If you choose system gas supply, the regulated Centra Gas price will appear on the Primary Gas line of your bill.

How do I know which option is best for me? As with any other product or service, the best option for you will be the one that suits your own particular needs.

Until the introduction of the Western Transportation Service, natural gas marketers could only offer rebates from Centra's price. This meant consumers were protected by knowing that as long as their marketer continued to supply their natural gas needs, the highest price they could pay for Primary Gas was that approved by the Public Utilities Board. The Western Transportation Service means marketers can offer, and consumers can choose, options that can provide new flexibility, at whatever price and terms are mutually agreeable.

Each option will present a unique set of benefits and risks to the consumer. In order to choose between options, consumers will need to consider their price choices, the terms and conditions of the contract offered by the marketer, how much natural gas they use, natural gas market conditions and their own personal risk tolerance.

For example, suppose you choose a fixed price (an amount that remains the same for the contract period). If the market conditions drive up the market price of natural gas and it remains higher than your fixed price, you would benefit. On the other hand, if gas prices fall in the marketplace and remain lower than your fixed price, you could end up paying more than if you chose another option.

In order to make an accurate comparison, it's important to ensure the terms are the same for the prices being compared. You need to ask questions about other terms of your contract. For example, is there a penalty to get out of the contract? Is the contract transferable if you move? Will the contract be automatically renewed if you don't cancel it at the end of its term?

You should choose the option that best suits your needs. Some consumers may prefer the savings of a short-term price, while others may prefer the stability of a fixed price for a longer term.

Only Your Primary Gas Supply Charge Is Affected Keep in mind that the Primary Gas charge on your gas bill represents about one-third of your bill. The Supplemental Gas charge, the Transportation charge, the Delivery charge and the Basic Monthly charge are all shown on your monthly gas bill and represent almost two-thirds of your bill. These charges continue to be regulated by the Manitoba Public Utilities Board and are not affected by your Primary Gas supply purchase choice.

When Can You Change Your Supply Option?

- If you do not wish to change your current gas supply arrangements, you are not required to take any action.
- If you would like to pursue a new option and are currently buying your supply of Primary Gas from Centra Gas, you can authorize a marketer to act on your behalf by signing an agency agreement with that marketer at any time. Your marketer will then notify Centra Gas and your new contract will take effect at the first available opportunity, generally within two months from signing the contract.
- If you have already signed an agreement or contract with a gas marketer for your Primary Gas supply, the terms and conditions of that agreement or contract will determine – and may limit - when you can change to another supplier. If you have questions about your arrangement, call your gas marketer. Their name and telephone number appears on your monthly gas bill.

How to Locate Marketers Some marketers may advertise or send an agent to your door. Others may choose to mail information directly to you. While neither the Manitoba Public Utilities Board nor Centra Gas can recommend a natural gas marketer to you, the Public Utilities Board does maintain a current list of all marketers who are licensed to do business in Manitoba and registered with the Board. You can get a copy of this list by contacting the Board at (204) 945-2638. You may also be able to find some gas marketers listed in the Yellow Pages.

Tips for Making an Informed Decision As a natural gas customer, you have the opportunity to choose who provides your Primary Gas supply. Take the time to find out what your options are and to compare the choices offered by various gas marketers and Centra Gas. Ask questions. Before you sign any agreement or contract that may be offered to you, read it carefully to understand all of the terms and conditions.

FURTHER CONSIDERATIONS

Under the Buy/Sell and Western Transportation Services you will be taking on two other risks in addition to those already mentioned.

1. Risks Related to Your Contract To use the Buy/Sell or the Western Transportation Service, you will be required to sign an agreement with a marketer. This agreement is a legal contract that gives the marketer permission to contract for the purchase and supply of Primary Gas on your behalf, so be sure you understand all of the obligations you assume when you sign it. These obligations may include payment to the marketer of costs incurred on your behalf, payment for gas loaned to the marketer by Centra Gas, and the reimbursement of other fees or charges incurred by the marketer. It may also include

costs incurred by Centra Gas in performing its agreement to supply gas to the marketer on your behalf.

2. Risk of Supply Failure Ensure that the marketer you deal with has a good reputation and a solid track record. If your marketer is unable to supply your gas because of temporary or permanent problems related to production, transportation or financial difficulty, Centra Gas, through its backstopping or bridging service, will make every effort to provide you with the natural gas you need. Although these situations have rarely arisen, there have been instances where natural gas marketers discontinued Primary Gas supply to residential consumers in Manitoba and in Ontario. If this should happen to you, the price you pay for Primary gas could be higher than either your contracted price or Centra's regulated price for a period of up to 90 days.

AS A CONSUMER, HOW AM I PROTECTED?

As a consumer, your best protection is to be an informed consumer. Consumers are protected by an industry Code of Conduct, which has been adopted by all marketers operating in Manitoba. Ask your marketer for a copy of the Code of Conduct. This code spells out acceptable marketing practices and also provides for a process to resolve disputes that arise between consumers and marketers. This Code of Conduct is also summarized in the Customer Bill of Rights that will be provided to you by your marketer.

If you have a question about your Primary Gas supply arrangements, as provided by a marketer, you should contact your marketer. In the event that your concerns have not been addressed to your satisfaction, this dispute resolution process is available to provide a quick and impartial resolution to your problem.

HOW DO I GET MORE INFORMATION?

Each gas marketer will offer different pricing options and features. For information about current pricing, features and options, contact gas marketers directly.

If you deal with a marketer and you have questions concerning your Primary Gas or the service provided by your marketer, the name and telephone number of your gas marketer is shown on your monthly bill from Centra Gas.

If you purchase your Primary Gas from Centra Gas or have any questions about other portions of your bill, you should contact Centra Gas. Centra's telephone number is also shown on your monthly bill.

Here are a Few Things to Find Out:

- What price choices and terms (length of contract) are best for your needs?
- Is there an automatic renewal and how does it work?

- What are the conditions for changing your price option later on or for canceling the arrangement? Is there a financial penalty?
- Are the marketer's fees or administration charges included in the offered price or do you have to pay any additional amounts?
- If a rebate or refund is offered, how is it calculated and when will you receive the rebate from the gas marketer?
- Does the contract you're about to sign accurately reflect the details of the gas marketer's offer?
- When can you switch from the Buy/Sell Service to the Western Transportation Service?
- Can your marketer transfer you or assign your contract to another marketer?