CENTRA GAS MANITOBA, INC.
ANNUAL REPORT ON
FIXED RATE PRIMARY GAS SERVICE
AS OF MARCH 31, 2018

The objective of the Fixed Rate Primary Gas Service (FRPGS) is to respond to customer demand for more pricing alternatives relating to Primary Gas service, allowing customers to find the product that best meets their individual needs.

The purpose of this report is to both summarize the program results for Centra's FRPGS for the fiscal year ended March 31, 2018, and cumulative results since program inception.

Background

The FRPGS program has been in place since 2008. From 2008 to the May 2011 marketing period, Centra utilized financial derivatives to manage market price risk for its FRPGS products. However, the low volumes associated with the FRPGS resulted in Centra being unable to obtain sufficient price quotations in accordance with its derivatives policy and, as a result, the PUB approved a revised methodology that used a proxy Primary Gas commodity price for setting prices for the August 2011 marketing period through to the May 2013 marketing period.

Subsequently, in Order 85/13 issued July 26, 2013, the PUB approved a request by Centra to use self-insurance in place of the proxy methodology for all subsequent contract offerings. Under self-insurance, Centra determines an average Primary Gas commodity price for each contract term that reflects the volume weighted average strip prices at AECO (based on a designated market close date), the forecast effects of storage withdrawals on the average price, transportation costs and/or market basis differentials from AECO to Empress, Alberta, and the cost of compressor fuel to transport the natural gas to Centra's system. A Self-Insurance Risk Premium and the FRPGS Program Cost Rate are added to the commodity price to arrive at the rates for each offering. This revised price setting methodology was first used to set prices for the second enrolment period in 2013/14 and has been used for all rate offerings since then.

In Order 65/15 issued July 3, 2015, the PUB established a new Code of Conduct for Direct Purchase Natural Gas Transactions and Related Compliance Documents. In accordance with this Order, the PUB approved in December 2015, revisions to the FRPGS contract Early Termination Fee, and a revised FRPGS Form of Contract, Disclosure Statement, Rate Comparison Form, Guide to Purchasing Natural Gas in Manitoba, and Annual Information Notice for use effective January 1, 2016. On October 13, 2015, Centra proposed changes to the FRPGS Standard of Conduct to reflect the new requirements established in Order 65/15. The PUB requested that the review of changes be addressed at a future proceeding which was initiated on August 11, 2017. On October 3, 2017, Centra confirmed with the PUB that there were no further revisions to the FRPGS Standard of Conduct that were identified in its October 13, 2015 submission. On April 30, 2018, the PUB approved Centra's October 3, 2017 version of the FRPGS Standard of Conduct.

Summary of Product Offerings (2017/18)

The following table compares the fixed rate products offered during each of the four enrolment periods in 2017/18 with the corresponding Quarterly Primary Gas Rate in effect during the enrolment period. The enrolment periods were from:

- May 9 – June 9, 2017, for August 1, 2017 flow;
- August 8 – September 8, 2017, for November 1, 2017 flow;
- November 13 – December 8, 2017, for February 1, 2018 flow; and,
- February 12 – March 9, 2018, for May 1, 2018 flow.

	Rates ($/m^3) in Effect During Enrolment Period for Each Flow Date							
Product	Aug. 1, 2017	Rate Diff.	Nov. 1, 2017	Rate Diff.	Feb. 1, 2018	Rate Diff.	May 1, 2018	Rate Diff.
Quarterly Rate	**$0.1017**	**---**	**$0.0921**	**---**	**$0.0831**	**---**	**$0.0762**	**---**
1-Year Fixed	$0.1592	57%	$0.1396	52%	$0.1339	61%	$0.1130	48%
3-Year Fixed	$0.1498	47%	$0.1367	48%	$0.1355	63%	$0.1106	45%
5-Year Fixed	$0.1490	47%	$0.1355	47%	$0.1376	66%	$0.1147	51%

All FRPGS products offered during 2017/18 have had a higher rate than Centra's quarterly rate, with rate differentials ranging from 45% to 66%. For comparison, FRPGS products offered during 2016/17 had rate differentials ranging from 29% to 87% and in 2015/16, had rate differentials ranging from 25% to 70%.

Summary of Product Subscriptions (2017/18)

The following table presents the actual number of newly contracted customers participating in the offerings for Centra's FRPGS in 2017/18.

Product	**Contracted Customers**			
	Aug. 1, 2017	**Nov. 1, 2017**	**Feb. 1, 2018**	**May 1, 2018**
1-Year Fixed	0	0	1	0
3-Year Fixed	0	0	0	1
5-Year Fixed	3	3*	2	1
Total	**3**	**3**	**3**	**2**

* Note: One SGS residential customer that signed a 5-year contract for November 1, 2017 flow was rejected as they were already enrolled in a Broker Contract. The above table reflects the actual number of enrollments for each offering.

The following table presents the actual volumes subscribed for Centra's FRPGS offerings in 2017/18. All volumes listed below pertain to General Service Small Residential customers.

Product	Volumes Subscribed (GJ)			
	Aug. 1, 2017	**Nov. 1, 2017**	**Feb. 1, 2018**	**May 1, 2018**
1-Year Fixed	0	0	94	0
3-Year Fixed	0	0	0	68
5-Year Fixed	210	257	178	94
Total	**210**	**257**	**272**	**162**

Financial Results

Program Operating Expense

As discussed in the 2017/18 Electric GRA, detailed operating budgets were not prepared for the 2017/18 fiscal year as the corporation was in the midst of significant restructuring, however throughout the year costs were monitored monthly for comparison against prior year expenditures. As such, the FRPGS annual report includes the actual results for 2013/14 through 2017/18.

Actual operating expenses for 2017/18 were $11,000. This equates to a reduction of $12,000 when compared to actual operating expenses for 2016/17. This reduction can be attributed primarily to the removal of advertising costs. Paid advertising costs were removed from the FRPGS program for 2017/18 as a result of low customer demand for FRPGS offerings.

The following table provides a summary of program operating expenses over the past five years.

Implementation of Fixed Rate Service	**2017/18**	**2016/17**	**2015/16**	**2014/15**	**2013/14**
Results reported in 000's	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**
Labour					
Marketing	$4	$3	$1	$2	$3
Gas Supply	$4	$2	$4	$2	$2
Creative Services	$0	$2	$0	$1	$2
Load Forecast	$0	$0	$0	$0	$0
Contact Centre	$0	$0	$0	$0	$0
Billing	$0	$0	$0	$0	$0
Accounting	$0	$0	$0	$0	$0
Rates & Regulatory	$2	$2	$0	$5	$2
Legal	$0	$0	$0	$0	$0
Other	$0	$0	$0	$0	$0
Overhead	$0	$0	$0	$3	$3
Marketing					
Advertising	$0	$13	$14	$15	$15
Materials & Administration	$0	$1	$1	$1	$1
Promotional Items	$0	$0	$0	$0	$0
Other					
Computer Software	$0	$0	$0	$0	$0
Total Costs [1]	**$11**	**$23**	**$20**	**$28**	**$29**

[1] Total Costs may not add due to rounding.

Program Income Statement

FISCAL MARCH 31, 2018 FINANCIAL RESULTS FOR FIXED RATE PRIMARY GAS PROGRAM OFFERINGS
Results reported in 000's

	1 Year	3 Year	5 Year	Fiscal Mar 31/2018	Fiscal Mar 31/2017
Primary Gas Revenue	$0	$8	$186	**$194**	**$134**
Less: Primary Cost of Gas Sold					
Cost of Gas [1]	$0	($4)	($96)	**($100)**	**($68)**
Hedge Cost for Delivered Gas [2]	$0	$0	$0	**$0**	**($1)**
Total Cost of Gas Sold	$0	($4)	($96)	**($100)**	**($69)**
Gross Margin	**$0**	**$4**	**$90**	**$94**	**$65**
Under/Over Subscribed Hedge Impacts [3]	$0	$0	$0	**$0**	**$0**
Program Operating Expense				**($11)**	**($23)**
Net Program Income (loss)				**$83**	**$42**
Other Costs					
Mark to Market of Unsettled Hedges [4]				**$0**	**$1**
Net Income Statement impact				**$83**	**$43**

Notes and explanations:

1. The cost of gas for the actual period is derived by applying the Fixed Rate Primary Gas Service contract volumes to the actual average unit cost of physical Primary Gas supplied to the load.
2. The hedge cost for delivered gas is the difference between the locked in cost of gas for each offering and the AECO monthly firm market index price for each period, multiplied by the contract volumes consumed by customers. It also includes hedge impacts on over/under consumed volumes.
3. Under/Over subscribed hedge impacts are the amounts either paid to or received from counterparties associated with excess hedge instruments due to under-subscription of offerings, as well as unhedged market price exposure impacts on over-subscribed primary gas volumes that have been subscribed but not hedged.
4. The mark to market cost of unsettled hedges are the amounts expensed in the fiscal year relative to FRPGS hedges. During the future periods, these hedges will settle and the mark to market cost will be reversed.

Financial Results by Fiscal Year

FINANCIAL RESULTS FOR FIXED RATE PRIMARY GAS PROGRAM OFFERINGS FROM INCEPTION TO MARCH 31, 2018

Results reported in 000's

	Fiscal 2009-2013	Fiscal Mar 31/2014	Fiscal Mar 31/2015	Fiscal Mar 31/2016	Fiscal Mar 31/2017	Fiscal Mar 31/2018	Total Results
Primary Gas Revenue	$2,966	$941	$465	$243	$134	$194	$4,943
Less: Primary Cost of Gas Sold							
Cost of Gas [1]	($1,589)	($696)	($316)	($117)	($68)	($100)	($2,886)
Hedge Cost for Delivered Gas [2]	($829)	($119)	($42)	($33)	($1)	$0	($1,024)
Total Cost of Gas Sold	($2,418)	($815)	($358)	($150)	($69)	($100)	($3,910)
Gross Margin	$548	$126	$107	$93	$65	$94	$1,033
Unsubscribed Hedge Impacts [3]	($682)	($100)	($63)	($33)	$0	$0	($878)
Program Operating Expense	($790)	($29)	($28)	($20)	($23)	($11)	($901)
Net Program Income (loss)	($924)	($3)	$16	$40	$42	$83	($746)
Other Costs							
Amortization of Start Up Costs [4]	($400)	($100)	0	0	0	0	($500)
Mark to Market of Unsettled Hedges [5]	($335)	$267	$13	$54	$1	$0	$0
Net Income Statement Impact	($1,659)	$164	$29	$94	$43	$83	($1,246)

Notes and explanations:

1. The cost of gas for the actual period is derived by applying the Fixed Rate Primary Gas Service contract volumes to the actual average unit cost of physical Primary Gas supplied to the load.

2. The hedge cost for delivered gas is the difference between the locked in cost of gas for each offering and the AECO monthly firm market index price for each period, multiplied by the contract volumes consumed by customers. It also includes hedge impacts on over/under consumed volumes.

3. Under/Over subscribed hedge impacts are the amounts either paid to or received from counterparties associated with excess hedge instruments due to under-subscription of offerings, as well as unhedged market price exposure impacts on over-subscribed primary gas volumes that have been subscribed but not hedged.

4. The amortization of start up costs represents 1 year of amortization of the deferred costs related to the introduction of the FRPGS program. These costs are amortized over a 5-year period with the annual amortization being recorded against the FRPGS offerings made in each year. Amortization of these costs concluded in 2013/14.

5. The mark to market cost of unsettled hedges are the amounts expensed in the fiscal year relative to FRPGS hedges. During the future periods, these hedges will settle and the mark to market cost will be reversed.

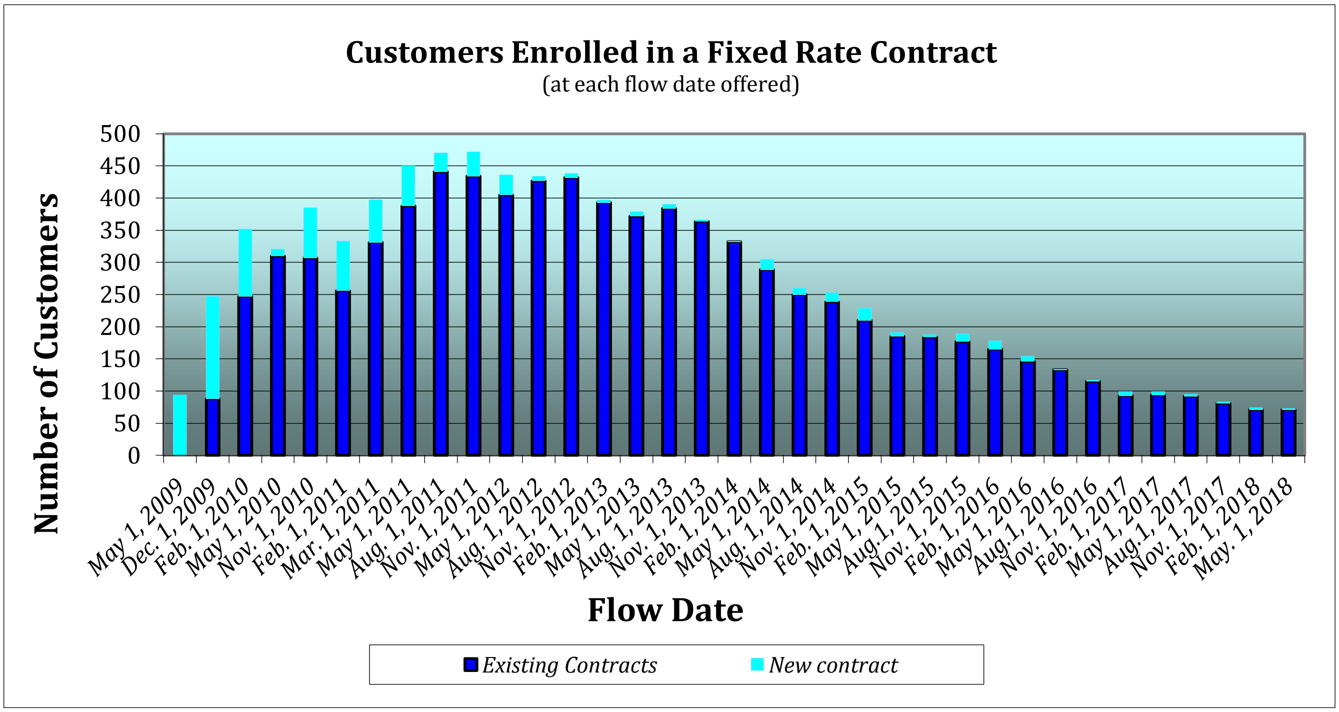
Observations (2017/18):

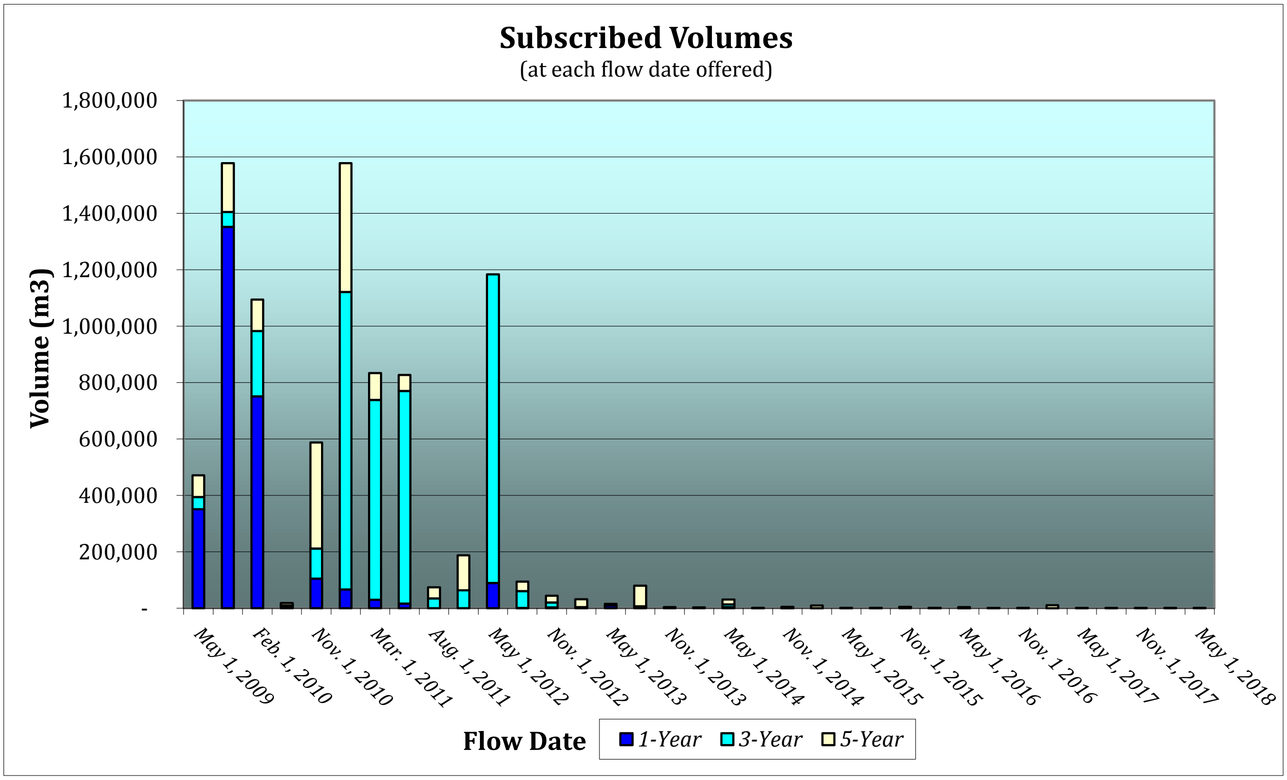
1. The FRPGS experienced a net income statement impact of $83,000 for 2017/18.
2. Actual program operating expenses for 2017/18 of $11,000 were $12,000 lower than actual operating expenses incurred in 2016/17.
3. The total net income statement impact on the Program from inception equates to a loss of $1.2 million. This loss can be attributed to low customer demand for fixed-rate products resulting in insufficient Program Cost Rate revenue to cover total operating expenses since program inception of $0.9 million and the amortization of start-up costs of $0.5 million, as well as losses associated with unsubscribed hedge impacts.

Customer demand for fixed-rate products has been minimal in response to the relatively low market price for natural gas that has been experienced.

Program Results to Date

The following charts show the number of customers enrolled and subscribed volumes in FRPGS to date.





Subscribed Volumes (m3)		
Offering	Flow Date	Total
1	May 1, 2009	471,613
2	Dec. 1, 2009	1,578,050
3	Feb. 1, 2010	1,094,687
4	May 1, 2010	18,286
5	Nov. 1, 2010	588,127
6	Feb. 1, 2011	1,578,436
7	Mar. 1, 2011	834,037
8	May 1, 2011	827,196
9	Aug. 1, 2011	74,694
10	Nov. 1, 2011	187,849
11	May 1, 2012	1,184,370
12	Aug. 1, 2012	94,445

Subscribed Volumes (m3)		
Offering	Flow Date	Total
13	Nov. 1, 2012	44,630
14	Feb. 1, 2013	32,381
15	May 1, 2013	16,084
16	Aug. 1, 2013	80,503
17	Nov. 1, 2013	3,968
18	Feb. 1, 2014	2,730
19	May 1, 2014	30,786
20	Aug. 1, 2014	764
21	Nov. 1, 2014	5,440
22	Feb. 1, 2015	9,526
23	May 1, 2015	480
24	Aug.1, 2015	342

Subscribed Volumes (m3)		
Offering	Flow Date	Total
25	Nov. 1, 2015	4,399
26	Feb. 1, 2016	1,118
27	May 1, 2016	4,514
28	Aug. 1, 2016	68
29	Nov. 1 2016	119
30	Feb. 1, 2017	11,044
31	May 1, 2017	797
32	Aug. 1, 2017	210
33	Nov. 1, 2017	257
34	Feb. 1, 2018	272
35	May 1, 2018	162

Centra's experience with offering fixed rate products indicates that consumer interest tends to be consistent with the natural gas customer research that was conducted in 2007 which indicated the following results:

- Without consideration of other factors, a significant number of customers preferred their rate for natural gas to be fixed for longer periods of time (e.g. 3 to 5 years); however, a significant portion of customers were not willing to pay a premium for this option; and,

- Of those customers willing to pay a premium for having their rates for natural gas fixed for a long period of time, the number of customers willing to pay the premium decreased as the premium increased with very low interest when the premium is greater than 20-30%.

Low participation is also influenced by the relatively low market price of natural gas.

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The purpose of this report is to both summarize the program results for Centra's FRPGS for the fiscal year ended March 31, 2017, and cumulative results since program inception.

Background

The FRPGS program has been in place since 2008. From 2008 to the May 2011 marketing period, Centra utilized financial derivatives to manage market price risk for its FRPGS products. However, the low volumes associated with the FRPGS resulted in Centra being unable to obtain sufficient price quotations in accordance with its derivatives policy and, as a result, the PUB approved a revised methodology that used a proxy Primary Gas commodity price for setting prices for the August 2011 marketing period through to the May 2013 marketing period.

Subsequently, in Order 85/13 issued July 26, 2013, the PUB approved a request by Centra to use self-insurance in place of the proxy methodology for all subsequent contract offerings. Under self-insurance, Centra determines an average Primary Gas commodity price for each contract term that reflects the volume weighted average strip prices at AECO (based on a designated market close date), the forecast effects of storage withdrawals on the average price, transportation costs and/or market basis differentials from AECO to Empress, Alberta, and the cost of compressor fuel to transport the natural gas to Centra's system. A Self-Insurance Risk Premium and the FRPGS Program Cost Rate are added to the commodity price to arrive at the rates for each offering. This revised price setting methodology was first used to set prices for the second enrolment period in 2013/14 and has been used for all rate offerings since then.

In Order 65/15 issued July 3, 2015, the PUB established a new Code of Conduct for Direct Purchase Natural Gas Transactions and Related Compliance Documents. In accordance with this Order, the PUB approved, in December 2015, revisions to the FRPGS contract Early Termination Fee (ETF), and a revised FRPGS Form of Contract, Disclosure Statement, Rate Comparison Form, Guide to Purchasing Natural Gas in Manitoba, and Annual Information Notice for use effective January 1, 2016. The revised documents and ETF have been in use for all offers since the May 1, 2016 flow date. The first Annual Information Notice was sent out in September 2016 to existing FRPGS customers. As a direct result of the Annual Information Notice, five customers terminated their contract early.

Summary of Product Offerings (2016/17)

The following table compares the fixed rate products offered during each of the four enrolment periods in 2016/17 with the corresponding Quarterly Primary Gas Rate in effect during the enrolment period. The enrolment periods were from:

- May 16 – June 10, 2016, for August 1, 2016 flow;
- August 8 – September 9, 2016, for November 1, 2016 flow;
- November 7 – December 9, 2016, for February 1, 2017 flow; and,
- February 13 – March 10, 2017, for May 1, 2017 flow.

	Rates ($/m^3) in Effect During Enrolment Period for Each Flow Date							
Product	Aug. 1, 2016	Rate Diff.	Nov. 1, 2016	Rate Diff.	Feb. 1, 2017	Rate Diff.	May 1, 2017	Rate Diff.
Quarterly Rate	**$0.0819**	**---**	**$0.1055**	**---**	**$0.0974**	**---**	**$0.1127**	**---**
1-Year Fixed	$0.1330	62%	$0.1493	42%	$0.1530	57%	$0.1564	39%
3-Year Fixed	$0.1457	78%	$0.1551	47%	$0.1530	57%	$0.1477	31%
5-Year Fixed	$0.1530	87%	$0.1580	50%	$0.1539	58%	$0.1449	29%

All FRPGS products offered during 2016/17 have had a higher rate than Centra's quarterly rate, with rate differentials ranging from 29% to 87%. For comparison, FRPGS products offered during 2015/16 had rate differentials ranging from 25% to 70% and in 2014/15, had rate differentials ranging from 9% to 42%.

Summary of Product Subscriptions (2016/17)

The following table presents the actual number of newly contracted customers participating in the offerings for Centra's FRPGS in 2016/17.

Product	**Contracted Customers**			
	Aug. 1, 2016	**Nov. 1, 2016**	**Feb. 1, 2017**	**May 1, 2017**
1-Year Fixed	0	1	1	0
3-Year Fixed	0	1	2	0
5-Year Fixed	1	0	3*	5*
Total	**1**	**2**	**6**	**5**

* Note: Two customers were rejected as they were already enrolled in a Broker Contract. One SGS residential customer that signed a 5-year contract for February 1, 2017 flow and, one SGS residential customer that signed a 5-year contract for May 1, 2017 flow. The above table reflects the actual number of enrollments for each offering.

The following table presents the actual volumes subscribed for Centra's FRPGS offerings in 2016/17. The February 1, 2017 5-Year product had one Large General Service customer and the May 1, 2017 5-Year product had one Small Commercial customer enroll in the Fixed Rate Service. The remaining volumes pertain to General Service Small Residential customers.

Product	**Volumes Subscribed (GJ)**			
	Aug. 1, 2016	**Nov. 1, 2016**	**Feb. 1, 2017**	**May 1, 2017**
1-Year Fixed	0	56	88	0
3-Year Fixed	0	63	163	0
5-Year Fixed	68	0	10,793	797
Total	**68**	**119**	**11,044**	**797**

Financial Results

Program Operating Expense

Operating expenses for the FRPGS were forecasted to be $25,000 for 2016/17. This budgeted amount represented the forecast of the program administration and marketing costs to deliver FRPGS products to the market.

Actual operating expenses for 2016/17 were $23,000 or $2,000 lower than budget amount, primarily due to lower labour hours and reduced advertising costs.

The following table provides a summary of program operating expenses over the past five years.

Implementation of Fixed Rate Service	**2016/17**		**2015/16**	**2014/15**	**2013/14**	**2012/13**
Results reported in 000's	**Budget**	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**
Labour						
Marketing	$2.1	$2.9	$1.4	$2.1	$3.4	$14.6
Gas Supply	$1.2	$1.9	$3.5	$2.4	$2.3	$1.8
Creative Services	$0	$1.8	$0	$0.6	$2.1	$1.6
Load Forecast	$0	$0	$0	$0	$0	$0
Contact Centre	$0	$0	$0	$0	$0.2	$0.4
Billing	$0	$0	$0	$0	$0	$0
Accounting	$0	$0	$0	$0	$0	$0
Rates & Regulatory	$5.8	$1.9	$0.4	$4.9	$2	$0
Legal	$0	$0	$0	$0	$0	$0
Other	$0	$0	$0	$0	$0	$0
Overhead	$0	$0	$0	$2.5	$2.6	$4.7
Marketing						
Advertising	$15	$13.1	$13.7	$14.9	$15	$18
Materials & Administration	$1	$1	$1	$0.8	$1.1	$0.9
Promotional Items	$0	$0	$0	$0	$0	$0
Other						
Computer Software	$0	$0	$0	$0	$0	$0
Total Costs	**$25**	**$23**	**$20**	**$28**	**$29**	**$42**

It is noted that operating expenses for the FRPGS declined in 2013/14 and then stabilized over the past four years. The decline and stabilization of operating expenses is primarily attributed to a decline in participation resulting from low and relatively stable natural gas prices.

Program Income Statement

FISCAL MARCH 31, 2017 FINANCIAL RESULTS FOR FIXED RATE PRIMARY GAS PROGRAM OFFERINGS
Results reported in 000's

	1 Year	3 Year	5 Year	Fiscal Mar 31/2017	Fiscal Mar 31/2016
Primary Gas Revenue	$9	$15	$110	**$134**	**$243**
Less: Primary Cost of Gas Sold					
Cost of Gas [1]	($4)	($8)	($56)	**($68)**	**($117)**
Hedge Cost for Delivered Gas [2]	$0	$0	($1)	**($1)**	**($33)**
Total Cost of Gas Sold	($4)	($8)	($57)	**($69)**	**($150)**
Gross Margin	**$5**	**$7**	**$53**	**$65**	**$93**
Under/Over Subscribed Hedge Impacts [3]	$0	$0	$0	**$0**	**($33)**
Program Operating Expense				**($23)**	**($20)**
Net Program Income (loss)				**$42**	**$40**
Other Costs					
Mark to Market of Unsettled Hedges [4]				**$1**	**$54**
Net Income Statement impact				**$43**	**$94**

Notes and explanations:

1. The cost of gas for the actual period is derived by applying the Fixed Rate Primary Gas Service contract volumes to the actual average unit cost of physical Primary Gas supplied to the load.

2. The hedge cost for delivered gas is the difference between the locked in cost of gas for each offering and the AECO monthly firm market index price for each period, multiplied by the contract volumes consumed by customers. It also includes hedge impacts on over/under consumed volumes.

3. Under/Over subscribed hedge impacts are the amounts either paid to or received from counterparties associated with excess hedge instruments due to under-subscription of offerings, as well as unhedged market price exposure impacts on over-subscribed primary gas volumes that have been subscribed but not hedged.

4. The mark to market cost of unsettled hedges for fiscal March 31, 2017 are the amounts expensed in fiscal 2016/17 relative to FRPGS hedges. During the future periods, these hedges will settle and the mark to market cost will be reversed.

Financial Results by Fiscal Year

FINANCIAL RESULTS FOR FIXED RATE PRIMARY GAS PROGRAM OFFERINGS FROM INCEPTION TO MARCH 31, 2017

Results reported in 000's

	Fiscal 2009-2012	Fiscal Mar 31/2013	Fiscal Mar 31/2014	Fiscal Mar 31/2015	Fiscal Mar 31/2016	Fiscal Mar 31/2017	Total Results
Primary Gas Revenue	$1,875	$1,091	$941	$465	$243	$134	$4,749
Less: Primary Cost of Gas Sold							
Cost of Gas [1]	($1,058)	($531)	($696)	($316)	($117)	($68)	($2,786)
Hedge Cost for Delivered Gas [2]	($560)	($269)	($119)	($42)	($33)	($1)	($1,024)
Total Cost of Gas Sold	($1,618)	($800)	($815)	($358)	($150)	($69)	($3,810)
Gross Margin	$257	$291	$126	$107	$93	$65	$939
Unsubscribed Hedge Impacts [3]	($516)	($166)	($100)	($63)	($33)	$0	($878)
Program Operating Expense	($748)	($42)	($29)	($28)	($20)	($23)	($890)
Net Program Income (loss)	($1,007)	$83	($3)	$16	$40	$42	($829)
Other Costs							
Amortization of Start Up Costs [4]	($300)	($100)	($100)	0	0	0	($500)
Mark to Market of Unsettled Hedges [5]	($896)	$561	$267	$13	$54	$1	$0
Net Income Statement Impact	($2,203)	$544	$164	$29	$94	$43	($1,329)

Notes and explanations:

1. The cost of gas for the actual period is derived by applying the Fixed Rate Primary Gas Service contract volumes to the actual average unit cost of physical Primary Gas supplied to the load.

2. The hedge cost for delivered gas is the difference betw een the locked in cost of gas for each offering and the AECO monthly firm market index price for each period, multiplied by the contract volumes consumed by customers. It also includes hedge impacts on over/under consumed volumes. The last fixed rate contract that utilized hedging concluded as of July 31, 2016

3. Under/Over subscribed hedge impacts are the amounts either paid to or received from counterparties associated w ith excess hedge instruments due to under-subscription of offerings, as w ell as unhedged market price exposure impacts on over-subscribed primary gas volumes that have been subscribed but not hedged.

4. The amortization of start up costs represents 1 year of amortization of the deferred costs related to the introduction of the FRPGS program. These costs are amortized over a 5-year period w ith the annual amortization being recorded against the FRPGS offerings made in each year, amortization of these costs conculuded in 2013/14.

5. The mark to market cost of unsettled hedges for fiscal March 31, 2017 are the amounts expensed in fiscal 2016/17 relative to FRPGS hedges. During the future periods, these hedges w ill settle and the mark to market cost w ill be reversed.

Observations (2016/17):

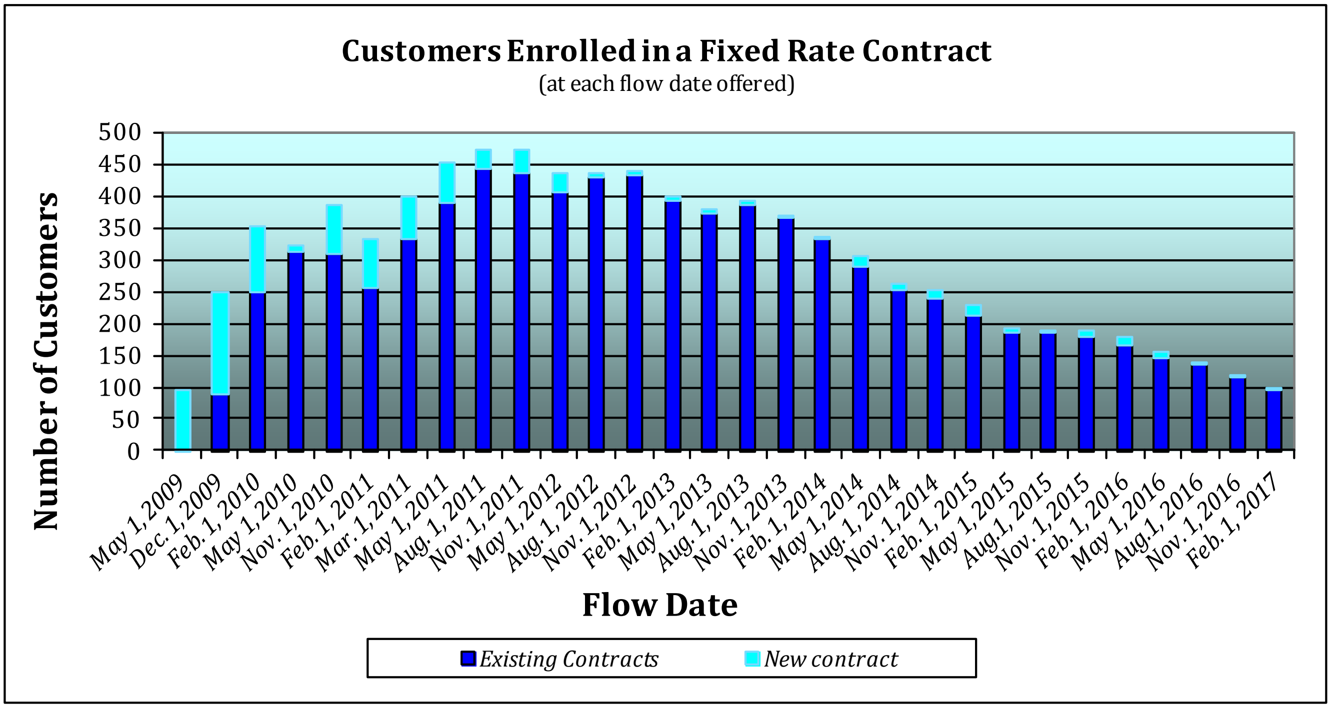
1. The FRPGS experienced a net income statement impact of $43,000 for 2016/17. Of the $43,000 impact, $1,000 relates to the mark-to-market position of unsettled hedges as of March 31, 2017. The 2016/17 fiscal year is the last year where mark-to-market unsettled hedges will be present in the financial results because the last fixed rate contract that utilized hedging concluded as of July 31, 2016.

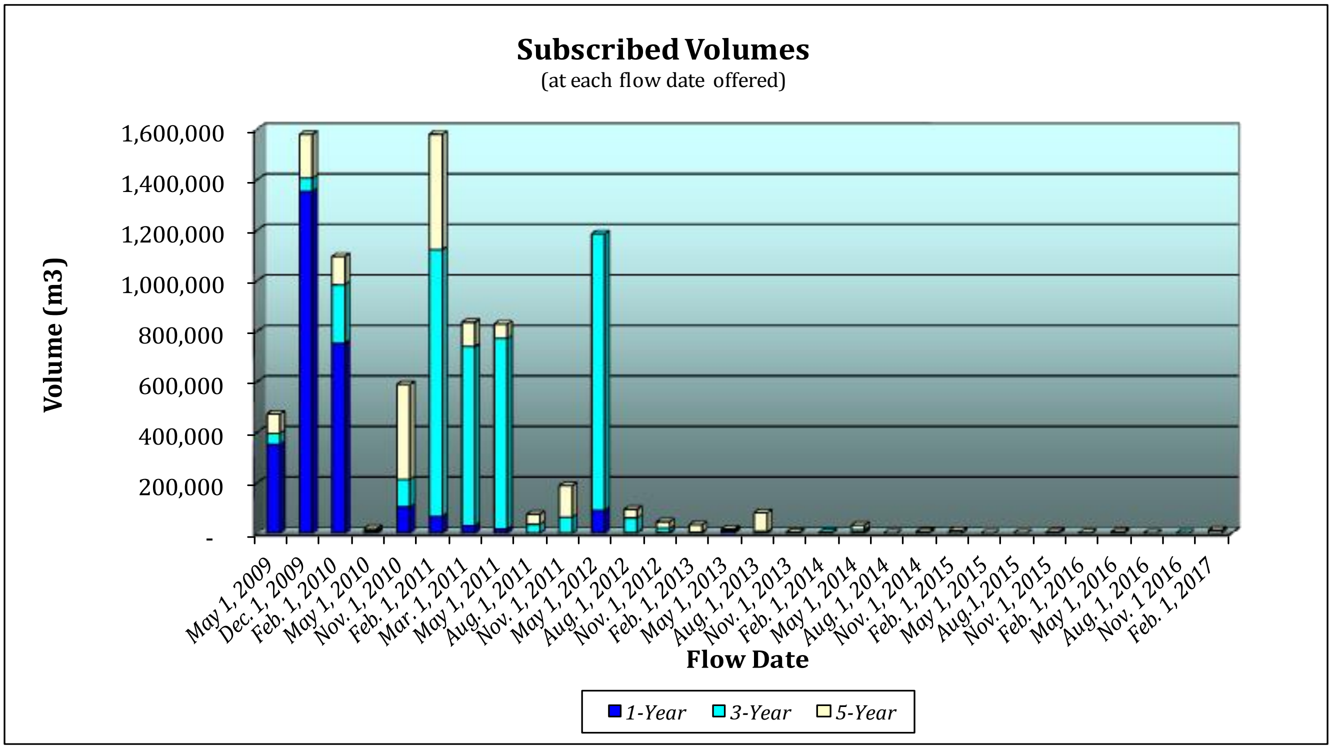
2. The total net income statement impact on the Program from inception equates to a loss of $1.3 million. This loss can be attributed to low customer demand for fixed-rate products resulting in insufficient Program Cost Rate revenue to cover total operating expenses since program inception of $0.9 million and the amortization of start-up costs of $0.5

million, as well as losses associated with unsubscribed hedge impacts. Customer demand for fixed-rate products has been minimal in response to the relatively low market price for natural gas that has been experienced.

Program Results to Date

The following charts show the number of customers enrolled and subscribed volumes in FRPGS to date.





Centra's experience with offering fixed rate products indicates that consumer interest tends to be consistent with the natural gas customer research that was conducted in 2007 which indicated the following results:

- Without consideration of other factors, a significant number of customers preferred their rate for natural gas to be fixed for longer periods of time (e.g. 3 to 5 years); however, a significant portion of customers were not willing to pay a premium for this option; and,

- Of those customers willing to pay a premium for having their rates for natural gas fixed for a long period of time, the number of customers willing to pay the premium decreased as the premium increased with very low interest when the premium is greater than 20-30%.

Low participation is also influenced by the relatively low market price of natural gas.

CENTRA GAS MANITOBA, INC.
ANNUAL REPORT ON
FIXED RATE PRIMARY GAS SERVICE
AS OF MARCH 31, 2016

The objective of the Fixed Rate Primary Gas Service (FRPGS) is to respond to customer demand for more choices in the pricing of their Primary Gas service, allowing customers to find the product that best meets their individual needs.

The purpose of this report is to summarize the program results for Centra's FRPGS for the fiscal year ended, March 31, 2016.

Background

The FRPGS program has been in place since 2008. From 2008 to the May 2011 marketing period, Centra utilized financial derivatives to manage market price risk for its FRPGS products. On August 9, 2011, Centra notified the Public Utilities Board of Manitoba (PUB) that it was unable to obtain sufficient price quotations in accordance with its derivatives policy and sought approval to apply for a proxy Primary Gas commodity price to be used in setting rates for the FRPGS offerings. Centra's request was approved by the PUB and the revised methodology was used to set prices for the August 2011 marketing period through to the May 2013 marketing period.

In January 2013, Centra sought approval from the PUB to use self-insurance in place of the proxy methodology for all subsequent contract offerings. Under self-insurance, Centra determines an average Primary Gas commodity price for each contract term that reflects the volume weighted average strip prices at AECO (based on a designated market close date), the forecast effects of storage withdrawals on the average price, transportation costs and/or market basis differentials from AECO to Empress, Alberta, and the cost of compressor fuel to transport the natural gas to Centra's system. A Self-Insurance Risk Premium and the FRPGS Program Cost Rate are added to the commodity price to arrive at the rates for each offering. In Order 85/13, the PUB approved Centra's request to use self-insurance and this methodology has been used to set prices since the second enrolment period in 2013/14.

On August 28, 2013 Centra filed a submission to the PUB seeking approval of minor revisions to the FRPGS Standard of Conduct ("SOC"), including the elimination of Attachment 1 of the SOC which listed the positions that are authorized to access commercially sensitive marketer information. In November 2014, the PUB approved the elimination of Attachment 1 from the SOC, and directed that Centra maintain the list of positions internally, to provide a copy of the list of positions whenever it is amended and to append a copy of the list of positions to its Annual Standard of Conduct Compliance Review. Centra filed with the PUB a copy of the SOC reflecting these changes on April 30, 2015, which was approved by the PUB on December 22, 2015.

In July 2015, the PUB issued Order 65/15 that established a new Code of Conduct for Direct Purchase Natural Gas Transactions and Related Compliance Documents. In October 2015, in response to Order 65/15, Centra requested PUB approval of a revised formula for the calculation of the FRPGS contract Early Termination Fee (ETF), and revised FRPGS Form of Contract, Disclosure Statement, Rate Comparison Form, Guide to Purchasing Natural Gas in Manitoba, and Annual Information Notice. In December 2015, the PUB approved Centra's revised documents and the proposed changes to the ETF. The revised documents and ETF were used in February 2016 to market the FRPGS offering for May 1, 2016 Flows.

Summary of Product Offerings (2015/16)

The following table compares the fixed rate products offered during each of the four enrolment periods in 2015/16 with the corresponding Quarterly Primary Gas Rate in effect during the enrolment period. The enrolment periods were from:

- May 11 – June 12, 2015, for August 1, 2015 flow;
- August 10 – September 11, 2015, for November 1, 2015 flow;
- November 9 – December 11, 2015, for February 1, 2016 flow; and,
- February 8 – March 11, 2016, for May 1, 2016 flow.

	Rates ($/m^3) in Effect During Enrolment Period for Each Flow Date							
Product	Aug. 1, 2015	Rate Diff.	Nov. 1, 2015	Rate Diff.	Feb. 1, 2016	Rate Diff.	May 1, 2016	Rate Diff.
Quarterly Rate	**$0.1183**	**---**	**$0.1183**	**---**	**$0.1064**	**---**	**$0.0942**	**---**
1-Year Fixed	$0.1481	25%	$0.1571	33%	$0.1457	37%	$0.1399	49%
3-Year Fixed	$0.1571	33%	$0.1621	37%	$0.1547	45%	$0.1514	61%
5-Year Fixed	$0.1641	39%	$0.1686	43%	$0.1608	51%	$0.1604	70%

All FRPGS products offered during 2015/16 have had a higher rate than Centra's quarterly rate, with rate differentials ranging from 25% to 70%. By contrast, FRPGS products offered during 2014/15 had rate differentials ranging from a low of 9% to a high of 42% and in 2013/14, had rate differentials ranging from a low of 38% to a high of 68%.

Summary of Product Subscriptions (2015/16)

The following table presents the actual number of newly contracted customers participating in the offerings for Centra's FRPGS in 2015/16.

Product	Contracted Customers			
	Aug. 1, 2015	**Nov. 1, 2015**	**Feb. 1, 2016**	**May 1, 2016**
1-Year Fixed	1	5	4	2
3-Year Fixed	2	2	3	2
5-Year Fixed	1	6*	7*	4
Total	**4**	**13**	**14**	**8**

*** Note: Two customers cancelled their contract within the 10-day cooling-off period. One SGS Residential customer that signed a 5-year contract for November 1, 2015 flow and, one SGS Residential customer that signed a 5-year contract for February 1, 2016 flow.**

The following table presents the actual volumes subscribed for Centra's FRPGS offerings in 2015/16. The November 1, 2015 1-Year product and May 1, 2016 5-Year product both had one Large General Service customer enroll in the Fixed Rate Service.

Product	Volumes Subscribed (GJ)			
	Aug. 1, 2015	**Nov. 1, 2015**	**Feb. 1, 2016**	**May 1, 2016**
1-Year Fixed	53	3,192	365	184
3-Year Fixed	221	845	204	186
5-Year Fixed	68	362	549	4,144
Total	**342**	**4,399**	**1,118**	**4,514**

Financial Results

Program Operating Expense

Operating expenses for the FRPGS were forecasted to be $52,000 for 2015/16. This budgeted amount represented the forecast of the program administration and marketing costs to deliver FRPGS products to the market.

Actual operating expenses for 2015/16 were $20,000 or $32,000 lower than forecast, primarily due to lower labour hours and reduced advertising costs.

The following table provides a summary of program operating expenses.

627020 Implementation of Fixed Rate Service	**2015/16**		**2014/15**	**2013/14**	**2012/13**	**2011/12**	**2010/11**	**2009/10**
Results reported in 000's	**Budget**	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**
Labour								
Marketing	$18.6	$1.4	$2.1	$3.4	$14.6	$37	$42	$65
Gas Supply	$2.3	$3.5	$2.4	$2.3	$1.8	$17	$51	$47
Business Communications	$0	$0	$0.6	$2.1	$1.6	$0.5	$2	$14
Load Forecast	$0	$0	$0	$0	$0	$0.5	$12	$18
Contact Centre	$0	$0	$0	$0.2	$0.4	$2	$4	$4
Billing	$0	$0	$0	$0	$0	$0	$1	$5
Accounting	$0	$0	$0	$0	$0	$0.5	$3	$7
Rates & Regulatory	$0	$0.4	$4.9	$2	$0	$6	$17	$6
Legal	$0	$0	$0	$0	$0	$0.5	$1	$1
Other	$0	$0	$0	$0	$0	$0	$0	$0
Overhead	$0	$0	$2.5	$2.6	$4.7	$11	$22	$43
Marketing								
Advertising	$30	$13.7	$14.9	$15	$18	$28	$64	$144
Materials & Administration	$1	$1	$0.8	$1.1	$0.9	$1	$0	$0
Promotional Items	$0	$0	$0	$0	$0	$0	$0	$0
Other								
Computer Software	$0	$0	$0	$0	$0	$5.0	$0	$0
Total Costs	**$52**	**$20**	**$28**	**$29**	**$42**	**$109**	**$219**	**$354**

It is noted that operating expenses for the FRPGS have declined significantly since the first year of the program in 2009/10. This is primarily attributed to the elimination of the placement of financial derivatives, and a reduction in marketing labour costs due to a decline in participation resulting from low and relatively stable natural gas prices. Marketing expenses have declined due to the decision to promote the program offerings through newspaper advertisements once a year as opposed to twice per year.

FISCAL MARCH 31, 2016 FINANCIAL RESULTS FOR FIXED RATE PRIMARY GAS PROGRAM OFFERINGS
Results reported in 000's

	1 Year	3 Year	5 Year	Fiscal Mar 31/2016	Fiscal Mar 31/2015
Primary Gas Revenue	$7	$27	$209	**$243**	**$465**
Less: Primary Cost of Gas Sold					
Cost of Gas [1]	($4)	($15)	($98)	**($117)**	**($316)**
Hedge Cost for Delivered Gas [2]	$0	$0	($33)	**($33)**	**($42)**
Total Cost of Gas Sold	($4)	($15)	($131)	**($150)**	**($358)**
Gross Margin	**$3**	**$12**	**$78**	**$93**	**$107**
Under/Over Subscribed Hedge Impacts [3]	$0	$0	($33)	**($33)**	**($63)**
Program Operating Expense				**($20)**	**($28)**
Net Program Income (loss)				**$40**	**$16**
Other Costs					
Amortization of Start Up Costs [4]				**$0**	**$0**
Mark to Market of Unsettled Hedges [5]				**$54**	**$13**
Net Income Statement impact				**$94**	**$29**

Notes and explanations:

1. The cost of gas for the actual period is derived by applying the Fixed Rate Primary Gas Service contract volumes to the actual average unit cost of physical Primary Gas supplied to the load.

2. The hedge cost for delivered gas is the difference betw een the locked in cost of gas for each offering and the AECO monthly firm market index price for each period, multiplied by the contract volumes consumed by customers. It also includes hedge impacts on over/under consumed volumes.

3. Under/Over subscribed hedge impacts are the amounts either paid to or received from counterparties associated w ith excess hedge instruments due to under-subscription of offerings, as w ell as unhedged market price exposure impacts on over-subscribed primary gas volumes that have been subscribed but not hedged.

4. The amortization of start up costs represents 1 year of amortization of the deferred costs related to the introduction of the FRPGS program. These costs are amortized over a 5-year period w ith the annual amortization being recorded against the FRPGS offerings made in each year. Amortization of these costs concluded in 2013/2014.

5. The mark to market cost of unsettled hedges for fiscal March 31, 2016 are the amounts expensed in fiscal 2015/16 relative to FRPGS hedges. During the future periods, these hedges w ill settle and the mark to market cost w ill be reversed.

Observations (2015/16):

1. The Fixed Rate Primary Gas Service experienced a net income statement impact of $96,000 for 2015/16. Of the $96,000 impact, $54,000 relates to the mark-to-market position of unsettled hedges as of March 31, 2016. As noted in the financial results, during future periods the mark- to-market of unsettled hedges will reverse.
2. As of March 31, 2016, there are 37 active customers whose contracted volumes are hedged. The last 5-year fixed rate contract under the hedging method will expire July 31, 2016.
3. Actual program operating expenses for 2015/16 of $20,000 were $8,000 lower than the actual operating expenses incurred in 2014/15.
4. The total net income statement impact on the Program from inception equates to a loss of $1.37 million. This loss can be attributed to low customer demand for fixed-rate products resulting in insufficient program cost rate revenue to cover total operating expenses of $867,000 and the amortization of start-up costs of $500,000, as well as losses associated with unsubscribed hedge impacts. Customer demand for fixed-rate products has been minimal in response to the relatively low market price for natural gas that has been experienced.

Financial Results by Fiscal Year

FINANCIAL RESULTS FOR FIXED RATE PRIMARY GAS PROGRAM OFFERINGS FROM INCEPTION TO MARCH 31, 2016

Results reported in 000's

	Fiscal Mar 31/2009	Fiscal Mar 31/2010	Fiscal Mar 31/2011	Fiscal Mar 31/2012	Fiscal Mar 31/2013	Fiscal Mar 31/2014	Fiscal Mar 31/2015	Fiscal Mar 31/2016	Total Results
Primary Gas Revenue	$0	$388	$617	$870	$1,091	$941	$465	$243	$4,616
Less: Primary Cost of Gas Sold									
Cost of Gas [1]	$0	($263)	($353)	($442)	($531)	($696)	($316)	($117)	($2,718)
Hedge Cost for Delivered Gas [2]	$0	($65)	($207)	($288)	($269)	($119)	($42)	($33)	($1,024)
Total Cost of Gas Sold		($328)	($560)	($730)	($800)	($815)	($358)	($150)	($3,741)
Gross Margin		$60	$57	$140	$291	$126	$107	$93	$875
Unsubscribed Hedge Impacts [3]	$0	($76)	($238)	($202)	($166)	($100)	($63)	($33)	($878)
Program Operating Expense	($66)	($354)	($219)	($109)	($42)	($29)	($28)	($20)	($867)
Net Program Income (loss)	($66)	($370)	($400)	($171)	$83	($3)	$16	$40	($871)
Other Costs									
Amortization of Start Up Costs [4]	$0	($100)	($100)	($100)	($100)	($100)	0	0	($500)
Mark to Market of Unsettled Hedges [5]	($77)	($451)	$52	($420)	$561	$267	$13	$54	($2)
Net Income Statement Impact	($143)	($921)	($448)	($691)	$544	$164	$29	$94	($1,373)

Notes and explanations:

1. The cost of gas for the actual period is derived by applying the Fixed Rate Primary Gas Service contract volumes to the actual average unit cost of physical Primary Gas supplied to the load.

2. The hedge cost for delivered gas is the difference between the locked in cost of gas for each offering and the AECO monthly firm market index price for each period, multiplied by the contract volumes consumed by customers. It also includes hedge impacts on over/under consumed volumes.

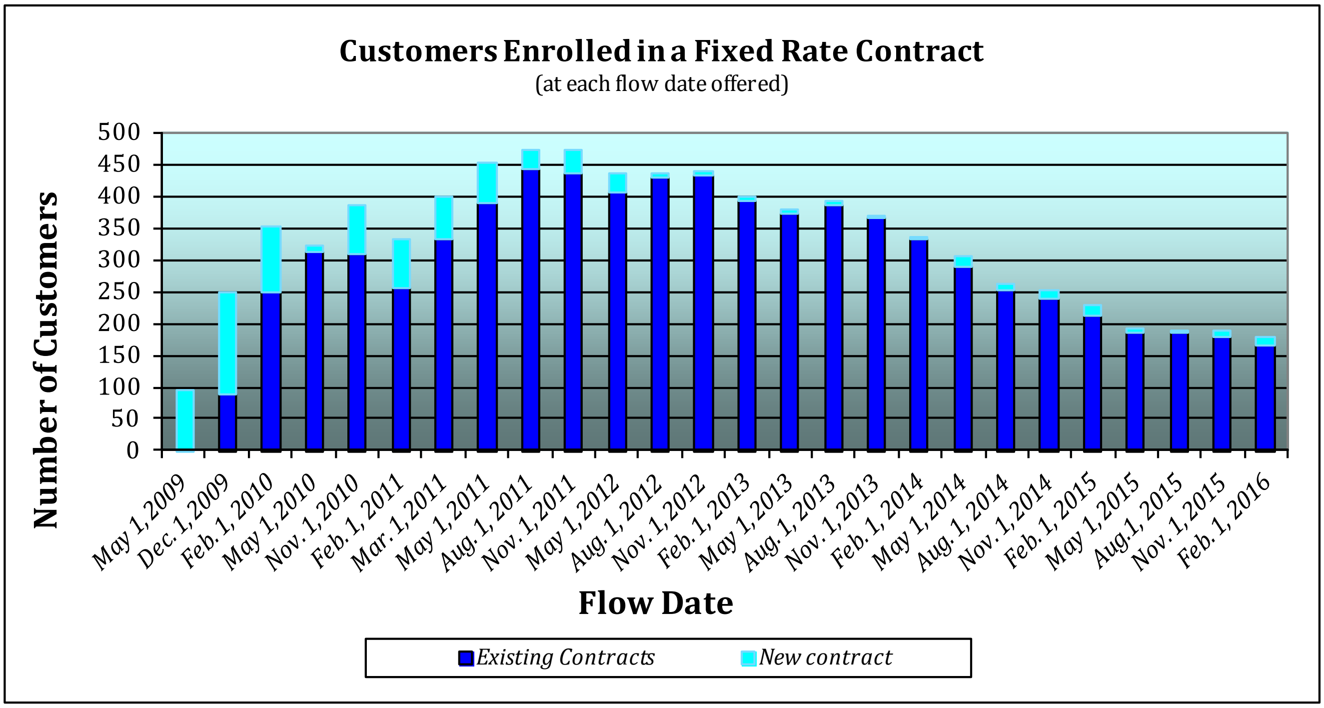
3. Under/Over subscribed hedge impacts are the amounts either paid to or received from counterparties associated with excess hedge instruments due to under-subscription of offerings, as well as unhedged market price exposure impacts on over-subscribed primary gas volumes that have been subscribed but not hedged.

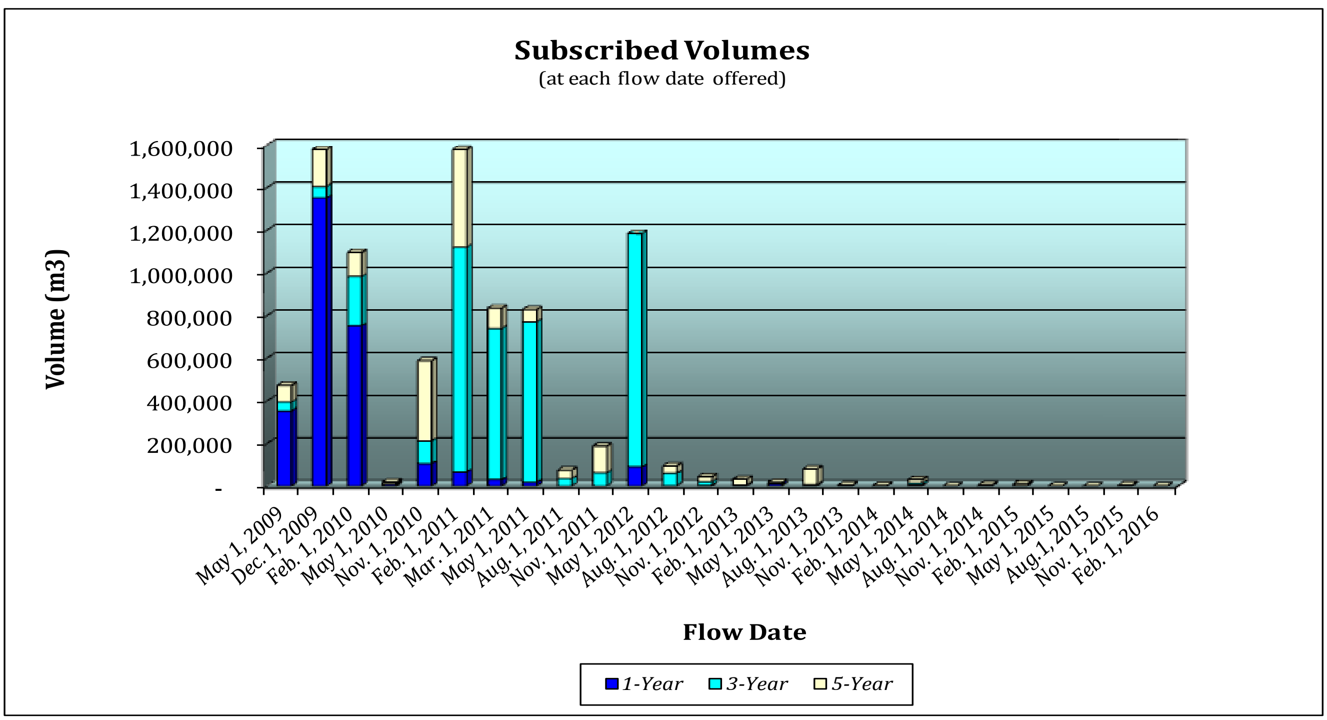
4. The amortization of start up costs represents 1 year of amortization of the deferred costs related to the introduction of the FRPGS program. These costs are amortized over a 5-year period with the annual amortization being recorded against the FRPGS offerings made in each year. Amortization of these costs concluded in 2013/2014.

5. The mark to market cost of unsettled hedges for fiscal March 31, 2016 are the amounts expensed in fiscal 2015/16 relative to FRPGS hedges. During the future periods, these hedges will settle and the mark to market cost will be reversed.

Program Results to Date

The following charts show the number of customers enrolled and subscribed volumes in FRPGS to date.





Centra's experience with offering fixed rate products indicates that consumer interest tends to be consistent with the natural gas customer research that was conducted in 2007, and which indicated the following results:

- Without consideration of other factors, a significant number of customers preferred their rate for natural gas to be fixed for longer periods of time (e.g. 3 to 5 years); however, a significant portion of customers were not willing to pay a premium for this option; and,
- Of those customers willing to pay a premium for having their rates for natural gas fixed for a long period of time, the number of customers willing to pay the premium decreased as the premium increased with very low interest when the premium is greater than 20-30%.

Low participation is likely also influenced by the relatively low market price of natural gas.

CENTRA GAS MANITOBA, INC.
ANNUAL REPORT ON
FIXED RATE PRIMARY GAS SERVICE
AS OF MARCH 31, 2015

The objective of the Fixed Rate Primary Gas Service (FRPGS) is to respond to customer demand for more choices in the pricing of their Primary Gas service, allowing customers to find the product that best meets their individual needs.

The purpose of this report is to summarize the program results for Centra's FRPGS for the fiscal year ended, March 31, 2015.

Background

From the inception of the program in 2008, Centra utilized financial derivatives to manage market price risk for its FRPGS products. However, on August 9, 2011, Centra notified the PUB that it was unable to obtain sufficient price quotations in accordance with its derivatives policy and sought approval to apply for a proxy Primary Gas commodity price to be used in setting rates for the FRPGS offerings. Centra's request was approved by the PUB and the revised methodology was used to set prices for the second enrolment period of 2011/12 through to the first enrolment period in 2013/14.

In January 2013, Centra sought approval from the PUB to use self-insurance in place of the proxy methodology for all subsequent contract offerings. Under self-insurance, Centra determines an average Primary Gas commodity price for each contract term that reflects the volume weighted average strip prices at AECO (based on a designated market close date), the forecast effects of storage withdrawals on the average price, transportation costs and/or market basis differentials from AECO to Empress, Alberta, and the cost of compressor fuel to transport the natural gas to Centra's system. A Self-Insurance Risk Premium and the FRPGS Program Cost Rate are added to the commodity price to arrive to the rates for each offering.

In Order 85/13, the PUB approved Centra's request to use self-insurance and this methodology has been used to set prices since the second enrolment period in 2013/14.

Summary of Product Offerings (2014/15)

The following table compares the fixed rate products offered during each of the four enrolment periods in 2014/15 with the corresponding Quarterly Primary Gas Rate in effect during the enrolment period. The differential between the Quarterly Primary Gas Rate and the FRPGS rates offered is also shown in the table. The enrolment periods were from:

- May 9 – June 12, 2014, for August 1, 2014 flow;
- August 11 – September 12, 2014, for November 1, 2014 flow;
- November 13 – December 15, 2014, for February 1, 2015 flow; and,
- February 10 – March 12, 2015, for May 1, 2015 flow.

Summary of Product Offerings (2014/15)

Product	Rates ($/m^3) in Effect During Enrolment Period for Each Flow Date							
	Aug. 1, 2014	Rate Diff.	Nov. 1, 2014	Rate Diff.	Feb. 1, 2015	Rate Diff.	May 1, 2015	Rate Diff.
Quarterly Rate	**$0.1567**	**---**	**$0.1551**	**---**	**$0.1665**	**---**	**$0.1252**	**---**
1-Year Fixed	$0.2225	42%	$0.1862	20%	$0.1808	9%	$0.1571	25%
3-Year Fixed	$0.2094	34%	$0.1857	20%	$0.1841	11%	$0.1690	35%
5-Year Fixed	$0.2123	35%	$0.1898	22%	$0.1894	14%	$0.1768	41%

All FRPGS products offered during 2014/15 have had a higher rate than Centra's quarterly rate, with rate differentials ranging from 9% to 42%. By contrast, FRPGS products offered during 2013/14 had rate differentials ranging from a low of 38% to a high of 68% and in 2012/13, had rate differentials ranging from a low of 53% to a high of 98%.

Summary of Product Subscriptions (2014/15)

The following table presents the actual volumes subscribed for Centra's FRPGS offerings in 2014/15.

Volumes - Actual Subscription

Product	Volumes Subscribed (GJ)			
	Aug. 1, 2014	**Nov. 1, 2014**	**Feb. 1, 2015**	**May 1, 2015**
1-Year Fixed	64	85	138	61
3-Year Fixed	654	567	157	111
5-Year Fixed	47	4,787	9,232	308
Total	**764**	**5,440**	**9,526**	**480**

The following table presents the actual number of newly contracted customers participating in the offerings for Centra's FRPGS in 2014/15.

Number of Customers - Actual Subscription

Product	Contracted Customers			
	Aug. 1, 2014	**Nov. 1, 2014**	**Feb. 1, 2015**	**May 1, 2015**
1-Year Fixed	1	1	2	1
3-Year Fixed	8	8	2	3*
5-Year Fixed	1	5	15	3
Total	**10**	**14**	**19**	**7**

* Note: One SGS Residential customer that signed a 3-year contract subsequently cancelled their contract within the I0-day cooling-off period.

Financial Results

Program Operating Expense

Operating expenses for the FRPGS were forecasted to be $55,000 for 2014/15. This budgeted amount represented the forecast of the program administration and marketing costs to deliver FRPGS products to the market.

Actual operating expenses for 2014/15 were $28,000 or $27,000 lower than forecast, primarily due to lower labour hours and related overhead as well as reduced advertising costs.

The following table provides a summary of program operating expenses.

Program Operating Costs

	2014/15		2013/14	2012/13	2011/12	2010/11	2009/10
Results reported in 000's	Budget	Actual	Actual	Actual	Actual	Actual	Actual
Labour							
Marketing	$16.8	$2.1	$3.4	$14.6	$37	$42	$65
Gas Supply	$2.2	$2.4	$2.3	$1.8	$17	$51	$47
Business Communications	$0	$0.6	$2.1	$1.6	$0.5	$2	$14
Load Forecast	$0	$0	$0	$0	$0.5	$12	$18
Contact Centre	$0	$0	$0.2	$0.4	$2	$4	$4
Billing	$0	$0	$0	$0	$0	$1	$5
Accounting	$0	$0	$0	$0	$0.5	$3	$7
Rates & Regulatory	$0	$4.9	$2	$0	$6	$17	$6
Legal	$0	$0	$0	$0	$0.5	$1	$1
Other	$0	$0	$0	$0	$0	$0	$0
Overhead	$4.7	$2.5	$2.6	$4.70	$11	$22	$43
Marketing							
Advertising	$30	$14.9	$15	$18	$28	$64	$144
Materials & Administration	$1	$0.8	$1.1	$0.9	$1	$0	$0
Promotional Items	$0	$0	$0	$0	$0	$0	$0
Other							
Computer Software	$0	$0	$0	$0	$5	$0	$0
Total Costs	**$55**	**$28**	**$29**	**$42**	**$109**	**$219**	**$354**

It is noted that operating expenses for the FRPGS have declined significantly since the first year of the program in 2009/10. This is primarily attributed to the elimination of the placement of financial derivatives, and a reduction in marketing labor costs due to a decline in participation resulting from low and stable natural gas prices. Marketing expenses have declined due to the decision to promote the program offerings through newspaper advertisements once a year as oppose to twice per year.

Financial Results by Product Offering (2014/2015)

FISCAL MARCH 31, 2015 FINANCIAL RESULTS FOR FIXED RATE PRIMARY GAS PROGRAM OFFERINGS

Results reported in 000's

	1 Year	3 Year	5 Year	Fiscal Mar 31/2015	Fiscal Mar 31/2014
Primary Gas Revenue	$2	$158	$305	**$465**	**$941**
Less: Primary Cost of Gas Sold					
Cost of Gas[1]	($1)	($130)	($185)	**($316)**	**($696)**
Hedge Cost for Delivered Gas[2]	$0	$0	($42)	**($42)**	**($119)**
Total Cost of Gas Sold	($1)	($130)	($227)	**($358)**	**($815)**
Gross Margin	**$1**	**$28**	**$78**	**$107**	**$126**
Under/Over Subscribed Hedge Impacts[3]	$0	($0)	($63)	**($63)**	**($100)**
Program Operating Expense				**($28)**	**($29)**
Net Program Income (loss)				**$16**	**($3)**
Other Costs					
Amortization of Start Up Costs[4]				**$0**	**($100)**
Mark to Market of Unsettled Hedges [5]				**$13**	**$267**
Net Income Statement impact				**$29**	**$164**

Notes and explanations:

1. The cost of gas for the actual period is derived by applying the Fixed Rate Primary Gas Service contract volumes to the actual average unit cost of physical Primary Gas supplied to the load.

2. The hedge cost for delivered gas is the difference between the locked in cost of gas for each offering and the AECO monthly firm market index price for each period, multiplied by the contract volumes consumed by customers. It also includes hedge impacts on over/under consumed volumes.

3. Under/Over subscribed hedge impacts are the amounts either paid to or received from counterparties associated with excess hedge instruments due to under-subscription of offerings, as well as unhedged market price exposure impacts on over-subscribed primary gas volumes that have been subscribed but not hedged.

4. The amortization of start up costs represents 1 year of amortization of the deferred costs related to the introduction of the FRPGS program. These costs were amortized over a 5-year period with the annual amortization being recorded against the FRPGS offerings made in each year. Amortization of these costs concluded in 2013/14.

5. The mark to market cost of unsettled hedges for fiscal March 31, 2015 are the amounts expensed in fiscal 2014/15 relative to FRPGS hedges. During the future periods, these hedges will settle and the mark to market cost will be reversed.

Observations (FY 2015):

1. The Fixed Rate Primary Gas Service experienced a net income statement impact of $29,000 for 2014/15. Of the $29,000 impact, $13,000 relates to the mark-to-market position of unsettled hedges as of March 31, 2015. As noted in the financial results, during future periods the mark- to-market of unsettled hedges will reverse.
2. As of March 31, 2015, there are 92 active customers whose contracted volumes are hedged. The last 5-year fixed rate contract under the hedging method will expire July 31, 2016.
3. Actual program operating expenses for 2014/15 of $28,000 were $1,000 lower than the actual operating expenses incurred in 2013/14.
4. The total net income statement impact on the Program from inception equates to a loss of $1.47 million. This loss can be attributed to low customer demand for fixed-rate products resulting in insufficient program cost rate revenue to cover operating expenses of $847,000 and the amortization of start-up costs of $500,000, as well as losses associated with unsubscribed hedge impacts. Customer demand for fixed-rate products has been minimal in response to the relatively low market price for natural gas that has been experienced.

Financial Results by Fiscal Year

FINANCIAL RESULTS FOR FIXED RATE PRIMARY GAS PROGRAM OFFERINGS FROM INCEPTION TO MARCH 31, 2015

Results reported in 000's

	Fiscal Mar 31/2009	Fiscal Mar 31/2010	Fiscal Mar 31/2011	Fiscal Mar 31/2012	Fiscal Mar 31/2013	Fiscal Mar 31/2014	Fiscal Mar 31/2015	Total Results
Primary Gas Revenue	$0	$388	$617	$870	$1,091	$941	$465	$4,372
Less: Primary Cost of Gas Sold								
Cost of Gas [1]	$0	($263)	($353)	($442)	($531)	($696)	($316)	($2,601)
Hedge Cost for Delivered Gas [2]	$0	($65)	($207)	($288)	($269)	($119)	($42)	($990)
Total Cost of Gas Sold		($328)	($560)	($730)	($800)	($815)	($358)	($3,591)
Gross Margin		$60	$57	$140	$291	$126	$107	$781
Unsubscribed Hedge Impacts [3]	$0	($76)	($238)	($202)	($166)	($100)	($63)	($845)
Program Operating Expense	($66)	($354)	($219)	($109)	($42)	($29)	($28)	($847)
Net Program Income (loss)	($66)	($370)	($400)	($171)	$83	($3)	$16	($911)
Other Costs								
Amortization of Start Up Costs [4]	$0	($100)	($100)	($100)	($100)	($100)	0	($500)
Mark to Market of Unsettled Hedges [5]	($77)	($451)	$52	($420)	$561	$267	$13	($55)
Net Income Statement Impact	($143)	($921)	($448)	($691)	$544	$164	$29	($1,466)

Notes and explanations:

1. The cost of gas for the actual period is derived by applying the Fixed Rate Primary Gas Service contract volumes to the actual average unit cost of physical Primary Gas supplied to the load.

2. The hedge cost for delivered gas is the difference betw een the locked in cost of gas for each offering and the AECO monthly firm market index price for each period, multiplied by the contract volumes consumed by customers. It also includes hedge impacts on over/under consumed volumes.

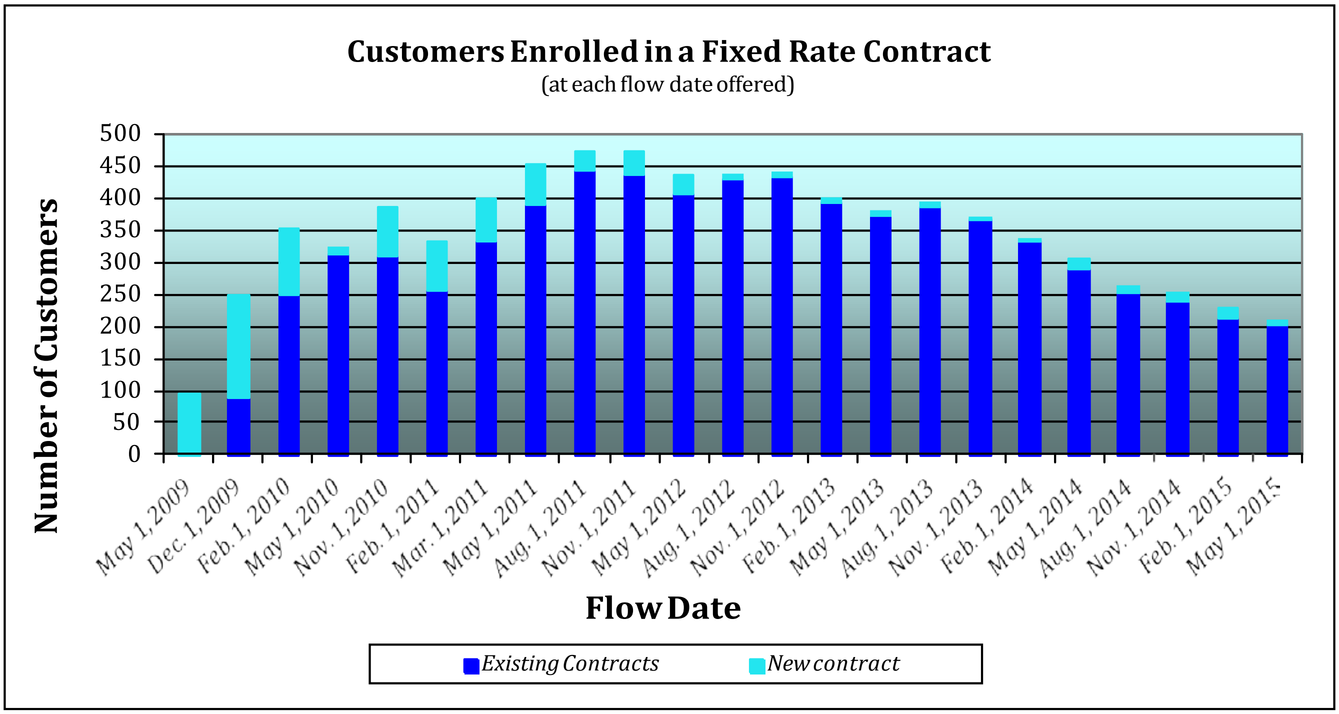
3. Under/Over subscribed hedge impacts are the amounts either paid to or received from counterparties associated w ith excess hedge instruments due to under-subscription of offerings, as w ell as unhedged market price exposure impacts on over-subscribed primary gas volumes that have been subscribed but not hedged.

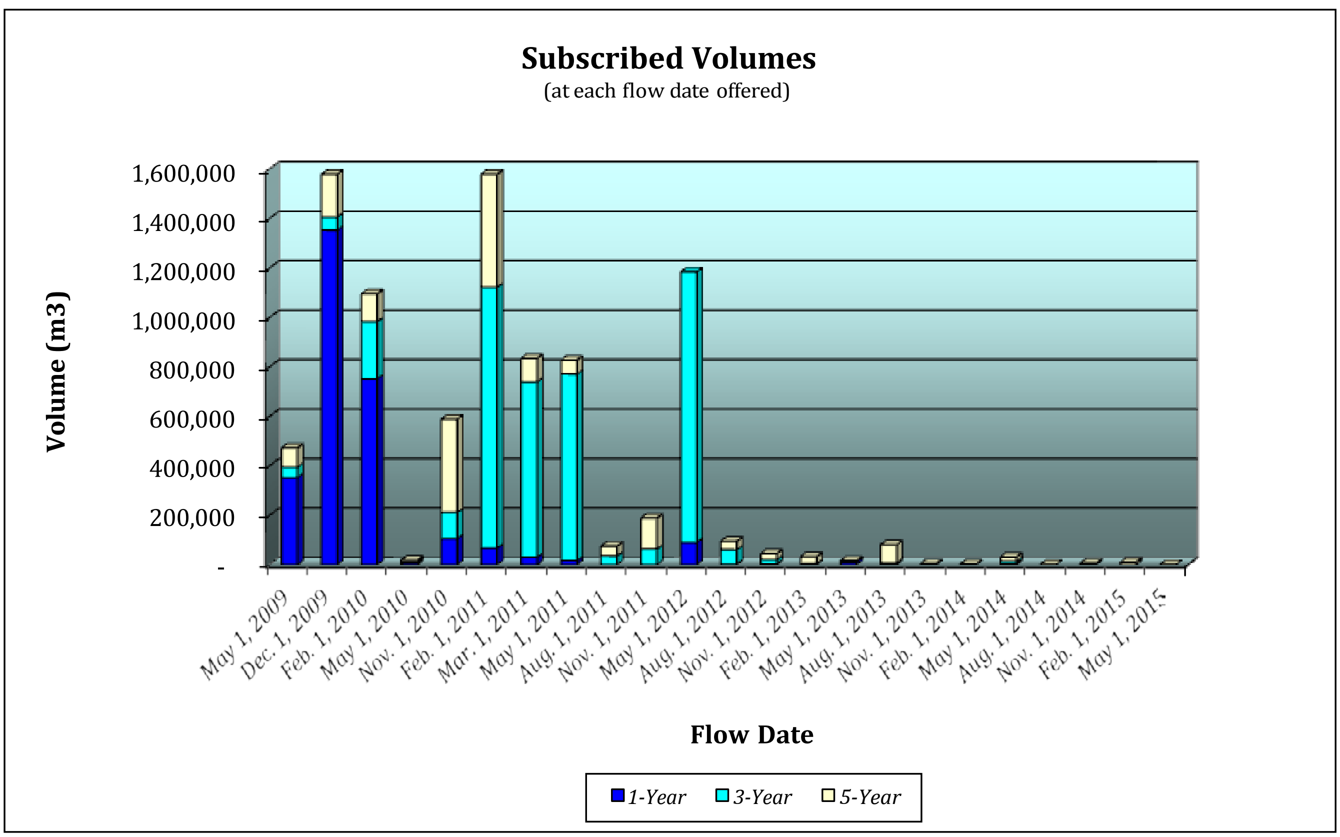
4. The amortization of start up costs represents 1 year of amortization of the deferred costs related to the introduction of the FRPGS program. These costs are amortized over a 5-year period w ith the annual amortization being recorded against the FRPGS offerings made in each year.

5. The mark to market cost of unsettled hedges for fiscal March 31, 2015 are the amounts expensed in fiscal 2014/15 relative to FRPGS hedges. During the future periods, these hedges w ill settle and the mark to market cost w ill be reversed.

Program Results to Date

The following charts show the number of customers enrolled and subscribed volumes in FRPGS to date.





Manitoba Hydro’s experience with offering fixed rate products indicates that consumer interest tends to be consistent with the natural gas customer research that was conducted in 2007, and which indicated the following results:

- Without consideration of other factors, a significant number of customers preferred their rate for natural gas to be fixed for longer periods of time (e.g. 3 to 5 years); however, a significant portion of customers were not willing to pay a premium for this option;
- Of those customers willing to pay a premium for having their rates for natural gas fixed for a long period of time, the number of customers willing to pay the premium decreased as the premium increased with very low interest when the premium is greater than 20-30%.

Low participation is likely also influenced by the relatively low market price of natural gas.