Manitoba Hydro
PO Box 815 • Winnipeg Manitoba Canada • R3C 2P4
Street Location for DELIVERY: 22nd floor – 360 Portage Avenue
Telephone / N° de téléphone: 204-360-3257 • Fax / N° de télécopieur: 204-360-6147 • baczarnecki@hydro.mb.ca

February 12, 2015

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Mr. D. Christle, Board Secretary and Executive Director

Dear Mr. Christle:

RE: CENTRA GAS MANITOBA INC. ("CENTRA")
PUBLIC UTILITIES BOARD REQUEST FOR FINANCIAL INFORMATION

Centra is in receipt of the Public Utilities Board of Manitoba's ("PUB") letter dated January 14, 2015, which requests certain financial information with respect to the fiscal years 2012/13 and 2013/14.

Attached to this letter please find the following:

- Attachment 1- Centra's audited financial statements for the fiscal year ending March 31, 2013;
- Attachment 2- Centra's audited financial statements for the fiscal year ending March 31, 2014; and,
- Attachment 3- Weather Normalized Net Income calculations for the 2012/13 and 2013/14 fiscal years.
- Attachment 4- Financial forecasts for gas operations CGM13 and CGM14 with interest coverage, capital coverage and debt to equity ratios calculated using the PUB-methodology. While Manitoba Hydro's financial targets apply to consolidated operations only, financial ratios have been calculated for gas operations in Attachment 4 as requested.

Should you have any questions regarding the information being provided, please contact the writer at 204-360-3257 or Shannon Gregorashuk at 204-360-4270.

Yours truly,

MANITOBA HYDRO LAW DIVISION
Per:

Brent A. Czarnecki
Barrister and Solicitor

Att.

cc: Mr. B. Peters, Fillmore Riley
Mr. R. Cathcart, Cathcart Advisors Inc.
Mr. B. Ryall, Ryall Engineering

Financial Statements

Centra Gas Manitoba Inc.

March 31, 2013

Ernst & Young

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Centra Gas Manitoba Inc.

We have audited the accompanying financial statements of **Centra Gas Manitoba Inc.**, which comprise the balance sheet as at March 31, 2013 and the statements of income (loss), retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Centra Gas Manitoba Inc.** as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
June 26, 2013.

Chartered Accountants

CENTRA GAS MANITOBA INC.

STATEMENT OF INCOME (LOSS)

For the year ended March 31

	Notes	2013	2012
		millions of dollars	
Revenues			
Commodity		**182**	197
Distribution		**146**	131
		328	328
Cost of gas sold		**182**	197
		146	131
Other income		**1**	1
		147	132
Expenses			
Operating and administrative	3	**64**	62
Finance expense	3 & 4	**18**	19
Depreciation and amortization		**27**	26
Capital and other taxes		**18**	19
Corporate allocation	5	**12**	12
		139	138
Net Income (Loss)		**8**	(6)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2013	2012
	millions of dollars	
Retained earnings, beginning of year	**34**	40
Net income (loss)	**8**	(6)
Retained earnings, end of year	**42**	34

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.

BALANCE SHEET

As at March 31

	Notes	2013	2012
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	**661**	637
Less accumulated depreciation	6	**232**	224
		429	413
Construction in progress	6	**2**	2
		431	415
Current Assets			
Accounts receivable and accrued revenue		**76**	47
Gas in storage		**21**	41
		97	88
Other Assets			
Regulated assets	7	**78**	77
Intangible assets	8	**8**	8
		86	85
		614	588
Liabilities and Shareholder's Equity			
Long-Term Debt	9	**295**	235
Current Liabilities			
Due to parent	10	**26**	14
Accounts payable and accrued liabilities	11	**76**	70
Current portion of long-term debt	9	**-**	63
		102	147
Other Liabilities			
Refundable advances from customers		**21**	18
		21	18
Contributions in Aid of Construction		**33**	33
Shareholder's Equity			
Share capital	14	**121**	121
Retained earnings		**42**	34
		163	155
		614	588

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

CENTRA GAS MANITOBA INC.
STATEMENT OF CASH FLOWS
For the year ended March 31

	2013	2012
	millions of dollars	
Operating Activities		
Cash receipts from customers	294	389
Cash paid to suppliers	(239)	(320)
Interest paid	(20)	(20)
Cash provided by operating activities	35	49
Financing Activities		
Long-term repayments to parent	(63)	-
Long-term advances from parent	60	-
Short-term advances from (repayments to) parent	12	(6)
Cash provided by (used for) financing activities	9	(6)
Investing Activities		
Property, plant and equipment, net of contributions	(34)	(31)
Other	(10)	(12)
Cash used for investing activities	(44)	(43)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	-	-

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization – Centra Gas Manitoba Inc. (Centra) distributes natural gas to more than 269 000 residential, commercial and industrial customers throughout Manitoba. Centra delivers natural gas to its customers through a network of transmission pipelines and distribution mains totaling approximately 9 300 kilometers in length. Centra is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and is regulated by the Public Utilities Board of Manitoba (PUB).

Basis of Presentation – The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook, "Pre-Changeover Accounting Standards" and include the significant accounting policies described hereafter.

Rate-Regulated Accounting - The prices charged for the sale of natural gas within Manitoba are subject to review and approval by the PUB. The rate-setting process is designed such that rates charged to gas customers recover all costs incurred in providing gas service to customers. As permitted under GAAP, Centra applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Centra applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise be included in the determination of net income in the year that the cost or credit is incurred. Centra refers to such deferred costs or credits as regulated assets (Note 7) or regulated liabilities (Note 11) which are generally comprised of the following:

- Power Smart programs - The costs of Centra's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

- Deferred taxes - As a result of its acquisition by Manitoba Hydro in 1999, Centra became non-taxable and, in so doing, incurred a non-recurring tax expense. This non-recurring tax expense has been deferred and is being amortized over a period of 30 years.

- Site restoration costs - Site restoration costs incurred are deferred and amortized on a straight-line basis over a period of 15 years.

- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

- Purchased gas variance accounts - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/payable and recovered or refunded in future rates.

Centra's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

b) **Depreciation**
Depreciation is provided on a straight-line remaining-life basis. The range of estimated service lives of each major asset category is as follows:

Distribution	5 - 65 years
General plant	10 - 45 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by Centra.

c) **Intangible Assets**
Intangible assets include computer application development costs and land easements. Intangible assets are recorded at cost. The cost of computer application development includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer application development	10 years
Land easements	75 years

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by Centra.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

d) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

e) **Gas in Storage**
Gas in storage is valued at average cost.

f) **Revenues**
Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

g) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

h) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities. Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

i) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). As Centra has no items related to OCI, comprehensive income for the year is equivalent to net income.

j) **Foreign Currency Translation**
Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Gains or losses related to natural gas storage purchases which arise from the date of receipt to date of payment are included as inventoried cost. All other exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

k) **Derivatives**
Centra does not engage in derivative trading or speculative activities. Centra mitigates natural gas price volatility to customers through the use of natural gas price swaps. Fixed price swaps are carried at fair value on the balance sheet with gains and losses recorded in income.

l) **Debt Discounts and Premiums**
Debt discounts and premiums are amortized to finance expense using the effective interest method.

m) **Use of Estimates**
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Overhead Rate Estimate
Centra's policy is to include a proportionate share of overhead costs in property, plant and equipment based on overhead rate studies that are performed annually. In 2012, Centra revised its overhead rate estimate to remove information technology infrastructure and related support costs and common building depreciation and operating costs. This change in estimate was applied prospectively effective April 1, 2012 and resulted in a $2 million increase in operating and administrative expense in 2012-13.

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Centra would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Centra include property, plant and equipment, regulatory assets and liabilities and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, *First-Time Adoption of IFRS*.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus *Improvements to IFRS*, which includes an amendment to IFRS 1 for entities with rate-regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Centra intends to apply this exemption.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

In September 2010, the AcSB implemented changes to Part I of the CICA Handbook – *Accounting*; allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of Part I IFRS for one year. In March 2012, September 2012 and February 2013, the AcSB announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Centra meets the AcSB criteria for deferral and intends to adopt Part I IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On April 25, 2013, the IASB issued the Exposure Draft, "Regulatory Deferral Accounts". The Exposure Draft proposes an interim standard intended to allow entities that are first–time adopters of IFRS and that currently recognize regulatory deferral accounts (i.e. regulatory assets and liabilities) in accordance with their existing GAAP, to continue to do so upon transition. Under the proposed interim standard, entities will be able to avoid making major changes in accounting for regulatory assets and liabilities on transition to IFRS until the IASB can provide more guidance through its Rate-regulated Activities project. Comments on the Exposure Draft are due in September of 2013 and the IASB is not expected to make a decision on the proposed interim standard until December of 2013.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in changes to existing IFRS prior to the commencement of Centra's 2015-16 fiscal year. Centra continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 3 RELATED PARTY TRANSACTIONS

Centra has related party transactions with its parent which are recorded at the exchange amount. The following transactions are in addition to those disclosed elsewhere in the financial statements:

	2013	2012
	millions of dollars	
Expense		
Net operating and administrative costs	**64**	62
Interest on advances from parent	**18**	19

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 4 FINANCE EXPENSE

	2013	2012
	millions of dollars	
Interest on debt	**21**	22
Interest capitalized	**(3)**	(3)
	18	19

Included in interest on debt is $3 million (2012 - $3 million) in respect of the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2012 – 1.0%).

NOTE 5 CORPORATE ALLOCATION

Financing costs related to the acquisition of Centra are allocated between gas and electricity operations in accordance with the synergies and benefits derived by each segment of the business at the time of acquisition.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
	millions of dollars			*millions of dollars*		
Distribution	**648**	**223**	**2**	623	215	2
General plant	**13**	**9**	**-**	14	9	-
	661	**232**	**2**	637	224	2

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 7 REGULATED ASSETS

	2013	2012
	millions of dollars	
Power Smart programs	**46**	44
Deferred taxes	**29**	30
Site restoration costs	**2**	2
Regulatory costs	**1**	1
	78	77

If Centra was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and the net income for 2013 would have decreased by $1 million (2012 – net loss increased by $2 million).

In total, regulated assets of $11 million (2012 - $10 million) were amortized to operations during the period.

NOTE 8 INTANGIBLE ASSETS

	2013			2012		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
		millions of dollars			*millions of dollars*	
Computer application development	**8**	**4**	**4**	7	3	4
Land easements	**5**	**1**	**4**	5	1	4
	13	**5**	**8**	12	4	8

The additions to intangible assets for the year were $1 million (2012 - $1 million). In total, intangible assets of $1 million (2012 - $2 million) were amortized to operations during the period.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 9 LONG-TERM DEBT

	2013	2012
	millions of dollars	
Long-term advances from parent	295	298
Less: Current portion of long-term debt	-	(63)
	295	235

Debt principal amounts and related yields are summarized by fiscal years in which advances are required to be repaid in the following table:

	2013		2012
	Total principal amount of repayment	Weighted average yield rate	Total principal amount of repayment
	millions of dollars		*millions of dollars*
2015	35	1.74%	35
2019-2023	20	3.18%	-
2024-2028	-	-	-
2029-2033	60	5.57%	30
2034-2038	130	4.40%	110
2039-2043	50	4.43%	60
	295	4.56%	235

NOTE 10 DUE TO PARENT

Centra's short-term funding is provided by Manitoba Hydro with interest calculated at the three-month T-Bill rate plus a 1% Provincial Guarantee Fee on the outstanding balance. The effective rate for fiscal year 2013 was 0.95% (2012 – 0.90%). There are no fixed repayment terms.

NOTE 11 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
	millions of dollars	
Accounts payable and accrued liabilities	52	40
Regulated liabilities		
Purchased gas variance accounts	24	30
	76	70

Centra passes costs related to the purchase and transportation of natural gas onto its customers without markup. If Centra was not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. For fiscal year 2013, if actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $6 million (2012 - net loss decreased by $17 million).

NOTE 12 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of Centra's non-derivative financial instruments at March 31 were as follows:

	2013		2012	
Financial instruments	Carrying value	Fair value	Carrying value	Fair value
	millions of dollars			
Loans and Receivables				
Accounts receivable and accrued revenue	**76**	**76**	47	47
Other Financial Liabilities				
Long-term debt	**295**	**337**	298	330
Accounts payable and accrued liabilities	**76**	**76**	70	70
Due to parent	**26**	**26**	14	14

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are Level 1 measurements with the exception of long-term debt which is a Level 2 measurement. Fair value measurement of Centra's long-term debt is based on market yields at close of business on the balance sheet date for similar instruments available in capital markets. The carrying values of all other financial assets and liabilities approximate fair value.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

Financial Risks

During the normal course of business, Centra is exposed to a number of financial risks including credit and liquidity risks, and market risk resulting from fluctuations in interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by Centra, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed, and reviewed by the Audit Committee of the Centra Gas Board, to ensure the adequacy of the risk management framework in relation to the risks faced by Centra. The nature of the financial risks and Centra's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Exposure to credit risk related to accounts receivable arising from natural gas sales is minimized due to a large and diversified customer base.

The value of Centra's aged accounts receivable for customers and related bad debt provisions are presented in the following table:

	2013	2012
	millions of dollars	
Under 30 days	**71**	42
30 to 60 days	**4**	3
Over 60 days	**3**	4
	78	49
Provision at end of period	**(2)**	(2)
Total accounts receivable	**76**	47

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible. There was no significant change to the allowance for doubtful accounts from last year.

To mitigate credit risk related to the use of derivative instruments, Centra adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The maximum exposure to credit risk related to Centra's derivative counterparties is equal to the positive fair value of its financial derivatives.

b) Liquidity Risk

Liquidity risk refers to the risk that Centra will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, Centra uses cash generated from operations, as well as short-term funding and long-term advances from Manitoba Hydro.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying Value	2014	2015	2016	2017	2018	2019 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	76	76	-	-	-	-	-
Due to parent	26	26	-	-	-	-	-
Long-term debt*	295	13	48	12	12	12	458
Derivative financial liabilities							
Fixed price swap contracts	-	-	-	-	-	-	-
		115	48	12	12	12	458

*including current portion and interest payments

c) **Market Risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Centra is exposed to interest rate risk and commodity price risk associated with the price of natural gas.

i. Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Centra is exposed to interest rate risk associated with amounts due to the parent company, floating rate long-term debt, fixed rate long-term debt maturing within 12 months, and the purchased gas variance accounts, offset by the change in interest capitalization. At March 31, 2013, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $1 million (2012 - $1 million).

ii. Commodity Price Risk
Centra is exposed to natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. Centra mitigates commodity price risk for its fixed rate service with the use of natural gas price swaps. Centra does not use derivative contracts for trading or speculative purposes.

Centra has entered into natural gas price swaps until July 2016 to purchase 231 510 gigajoules of natural gas at a weighted average fixed price of \$5.12/GJ. The weighted average forward price of the swaps per AECO at March 31, 2013 was \$3.67/GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet.

The unrealized fair value losses of these natural gas derivative contracts as at March 31 are as follows:

	2013	2012
	millions of dollars	
Fixed price swap contracts	-	(1)

Fair value is calculated by using the monthly forward AECO price as reported by the Natural Gas Exchange as at March 31, 2013.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Centra has energy purchase commitments of \$136 million (2012 – \$39 million) that relate to future purchases of natural gas (including transportation and storage contracts), which expire in 2020.

Centra has various legal and operational matters pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Centra's financial position or results of operations.

NOTE 14 SHARE CAPITAL

	2013	2012
	millions of dollars	
Share capital		
Authorized		
Unlimited number of common shares		
Issued		
1 505 common shares	121	121
	121	121

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 15 CAPITAL MANAGEMENT

Centra manages its capital structure to ensure sufficient retained earnings to enable it to absorb the financial effects of adverse circumstances. Centra's capital requirements are met through cash generated from operations as well as short-term funding and long-term advances from its parent company, the Manitoba Hydro-Electric Board.

NOTE 16 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2012 have been reclassified in order to conform to the presentation adopted in 2013.

Financial Statements

Centra Gas Manitoba Inc.

March 31, 2014

EY

Building a better working world

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Centra Gas Manitoba Inc.

We have audited the accompanying financial statements of **Centra Gas Manitoba Inc.**, which comprise the balance sheet as at March 31, 2014 and the statements of income (loss), retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Centra Gas Manitoba Inc.** as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
June 25, 2014.

Chartered Accountants

CENTRA GAS MANITOBA INC.
STATEMENT OF INCOME
For the year ended March 31

	Notes	2014	2013
		millions of dollars	
Revenues			
Commodity		**252**	182
Distribution		**161**	146
		413	328
Cost of gas sold		**252**	182
		161	146
Other income		**2**	1
		163	147
Expenses			
Operating and administrative	4	**67**	64
Finance expense	4 & 5	**16**	18
Depreciation and amortization	6	**28**	27
Capital and other taxes		**20**	18
Corporate allocation	7	**12**	12
		143	139
Net Income		**20**	8

The accompanying notes are an integral part of the financial statements.

STATEMENT OF RETAINED EARNINGS
For the year ended March 31

	2014	2013
	millions of dollars	
Retained earnings, beginning of year	**42**	34
Net income	**20**	8
Retained earnings, end of year	**62**	42

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.
BALANCE SHEET
As at March 31

	Notes	2014	2013
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	8	**684**	661
Less accumulated depreciation	8	**240**	232
		444	429
Construction in progress	8	**4**	2
		448	431
Current Assets			
Accounts receivable and accrued revenue		**109**	76
Gas in storage		**-**	21
		109	97
Other Assets			
Regulated assets	9	**124**	78
Intangible assets	10	**8**	8
		132	86
		689	614
Liabilities and Shareholder's Equity			
Long-Term Debt	11	**270**	295
Current Liabilities			
Due to parent	12	**34**	26
Accounts payable and accrued liabilities		**107**	52
Current portion of long-term debt	11	**35**	-
		176	78
Other Liabilities			
Regulated liabilities	9	**6**	24
Refundable advances from customers		**12**	21
		18	45
Contributions in Aid of Construction		**42**	33
Shareholder's Equity			
Share capital	15	**121**	121
Retained earnings		**62**	42
		183	163
		689	614

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

CENTRA GAS MANITOBA INC.
STATEMENT OF CASH FLOWS
For the year ended March 31

	2014	2013
	millions of dollars	
Operating Activities		
Cash receipts from customers	318	294
Cash paid to suppliers	(271)	(239)
Interest paid	(18)	(20)
Cash provided by operating activities	29	35
Financing Activities		
Long-term repayments to parent	-	(63)
Long-term advances from parent	10	60
Short-term advances from parent	8	12
Cash provided by financing activities	18	9
Investing Activities		
Property, plant and equipment, net of contributions	(35)	(34)
Other	(12)	(10)
Cash used for investing activities	(47)	(44)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	-	-

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

Centra Gas Manitoba Inc. (Centra) distributes natural gas to more than 272 000 residential, commercial and industrial customers throughout Manitoba. Centra delivers natural gas to its customers through a network of transmission pipelines and distribution mains totaling approximately 9 800 kilometers in length. Centra is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and is regulated by the Public Utilities Board of Manitoba (PUB).

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Chartered Professional Accountants (CPA) Canada Handbook - Accounting - Pre-Changeover Accounting Standards and include the significant accounting policies described hereafter.

Rate-Regulated Accounting - The prices charged for the sale of natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to natural gas customers recover all costs incurred in providing gas service to customers. As permitted under Canadian GAAP, Centra applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of Canadian GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Centra applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Centra refers to such deferred costs or credits as regulated assets or regulated liabilities (Note 9) which are generally comprised of the following:

- Power Smart programs - The costs of Centra's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

- Deferred taxes - As a result of its acquisition by Manitoba Hydro in 1999, Centra became non-taxable and, in so doing, incurred a non-recurring tax expense. This non-recurring tax expense has been deferred and is being amortized over a period of 30 years.

- Site restoration costs - Site restoration costs incurred are deferred and amortized on a straight-line basis over a period of 15 years.

- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

- Purchased gas variance accounts - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is recovered or refunded in future rates.

- Demand side management (DSM) deferral – In Board Order 85/13, the PUB directed that the differences between actual and planned spending on gas DSM for the 2013-14 fiscal year be recorded in a regulatory deferral account. The cumulative difference for 2013-2014 has been recorded as a regulated liability with an offsetting balance recorded as a regulated asset. The disposition of this regulatory deferral will be determined at a future PUB proceeding.

Centra's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

b) **Depreciation**
Depreciation is provided on a straight-line remaining-life basis. The range of estimated service lives of each major asset category is as follows:

Distribution	5 - 65 years
General plant	10 - 45 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by Centra.

c) **Intangible Assets**
Intangible assets include computer application development costs and land easements. Intangible assets are recorded at cost. The cost of computer application development includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer application development	10 years
Land easements	75 years

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by Centra.

d) **Contributions In Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

e) **Gas in Storage**
Gas in storage is valued at average cost.

f) **Revenues**
Gas sales are recognized upon delivery to the customer and include an estimate of gas deliveries not yet billed at period-end.

g) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

h) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities. Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

i) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). As Centra has no items related to OCI, comprehensive income for the year is equivalent to net income.

j) **Foreign Currency Translation**
Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing as at the balance sheet date. Gains or losses related to natural gas storage purchases which arise from the date of receipt to date of payment are included as inventoried cost. All other exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

k) **Derivatives**
Centra does not engage in derivative trading or speculative activities. Centra mitigates natural gas price volatility to customers through the use of natural gas price swaps. Fixed price swaps are carried at fair value on the balance sheet with gains and losses recorded in income.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

l) **Debt Discounts and Premiums**
Debt discounts and premiums are amortized to finance expense using the effective interest method.

m) **Use of Estimates**
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Centra would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Centra include property, plant and equipment, regulatory assets and liabilities and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus Improvements to IFRS, which includes an amendment to IFRS 1 for entities with rate-regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Centra intends to apply this exemption.

In September 2010, the AcSB implemented changes to Part I of the CPA Canada Handbook – International Financial Reporting Standards allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of IFRS for one year. In March 2012, September 2012 and February 2013, the AcSB announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Centra meets the AcSB criteria for the deferral and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On January 30, 2014, the IASB issued the interim standard IFRS 14 *Regulatory Deferral Accounts* for rate-regulated activities effective January 1, 2016 with earlier adoption permitted. Centra will early adopt the interim standard upon transition to IFRS effective

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

April 1, 2015 and will continue to recognize regulatory deferral accounts for its financial reporting.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-Regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in modifications to existing IFRS prior to the commencement of Centra's 2015-16 fiscal year. Centra continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 4 RELATED PARTY TRANSACTIONS

Centra has related party transactions with its parent which are recorded at the exchange amount. The following transactions are in addition to those disclosed elsewhere in the financial statements:

	2014	2013
	millions of dollars	
Expense		
Net operating and administrative costs	**67**	64
Interest on advances from parent	**16**	18

NOTE 5 FINANCE EXPENSE

	2014	2013
	millions of dollars	
Interest on debt	**19**	21
Interest capitalized	**(3)**	(3)
	16	18

Included in interest on debt is $3 million (2013 - $3 million) in respect of the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2013 – 1.0%).

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 6 DEPRECIATION AND AMORTIZATION

	2014	2013
	millions of dollars	
Depreciation of property, plant and equipment	**17**	18
Amortization of regulated assets	**8**	7
Amortization of intangible assets	**3**	2
	28	27

NOTE 7 CORPORATE ALLOCATION

Financing costs related to the acquisition of Centra are allocated between gas and electricity operations in accordance with the synergies and benefits derived by each segment of the business at the time of acquisition.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
	millions of dollars			*millions of dollars*		
Distribution	**672**	**232**	**4**	648	223	2
General plant	**12**	**8**	**-**	13	9	-
	684	**240**	**4**	661	232	2

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 9 REGULATED ASSETS AND LIABILITIES

	2014	2013
	millions of dollars	
Regulated assets		
Power Smart programs	**54**	46
Purchased gas variance accounts	**39**	-
Deferred taxes	**27**	29
Site restoration costs	**3**	2
Regulatory costs	**1**	1
	124	78
Regulated liabilities		
DSM deferral	**6**	-
Purchased gas variance accounts	**-**	24
	6	24

If Centra was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and the net income for 2014 would have decreased by $1 million (2013 – net income decreased by $1 million).

In total, regulated assets of $12 million (2013 - $11 million) were amortized to operations during the period.

Centra passes costs related to the purchase and transportation of natural gas onto its customers without markup. If Centra was not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. For fiscal year 2014, if actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $63 million (2013 – decreased by $6 million).

NOTE 10 INTANGIBLE ASSETS

	2014			2013		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
		millions of dollars			*millions of dollars*	
Computer application development	**8**	**4**	**4**	8	4	4
Land easements	**5**	**1**	**4**	5	1	4
	13	**5**	**8**	13	5	8

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

The additions to intangible assets for the year were $1 million (2013 - $1 million). In total, intangible assets of $1 million (2013 - $1 million) were amortized to operations during the period.

NOTE 11 LONG-TERM DEBT

	2014	2013
	millions of dollars	
Long-term advances from parent	**305**	295
Less: Current portion of long-term debt	**35**	-
	270	295

Debt principal amounts and related yields are summarized by fiscal years in which advances are required to be repaid in the following table:

	2014		2013
	Total principal amount of repayment	Weighted average yield rate	Total principal amount of repayment
	millions of dollars		*millions of dollars*
2015	**35**	**1.62%**	35
2019-2023	**20**	**3.18%**	20
2024-2028	**10**	**3.40%**	-
2029-2033	**60**	**5.57%**	60
2034-2038	**130**	**4.40%**	130
2039-2043	**50**	**4.43%**	50
	305	**4.56%**	295

NOTE 12 DUE TO PARENT

Centra's short-term funding is provided by Manitoba Hydro with interest calculated at the three-month T-Bill rate plus 1% Provincial Guarantee Fee on the outstanding balance. The effective rate for fiscal year 2014 was 0.95% (2013 – 0.95%). There are no fixed repayment terms.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 13 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of Centra's financial instruments at March 31 were as follows:

	2014		2013	
Financial instruments	Carrying value	Fair value	Carrying value	Fair value
	millions of dollars			
Loans and Receivables				
Accounts receivable and accrued revenue	**109**	**109**	76	76
Other Financial Liabilities				
Long-term debt	**305**	**334**	295	337
Accounts payable and accrued liabilities	**107**	**107**	52	52
Due to parent	**34**	**34**	26	26

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are Level 1 measurements with the exception of long-term debt which is a Level 2 measurement. Fair value measurement of Centra's long-term debt is based on market yields at close of business on the balance sheet date for similar instruments available in capital markets. The carrying values of all other financial assets and liabilities approximate fair value.

Financial Risks
During the normal course of business, Centra is exposed to a number of financial risks including credit and liquidity risks, and market risk resulting from fluctuations in interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by Centra, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed, and reviewed by the Audit Committee of the Centra Gas Board, to ensure the adequacy of the risk management framework in relation to the risks faced by Centra. The nature of the financial risks and Centra's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Exposure to credit risk related to

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

accounts receivable arising from natural gas sales is minimized due to a large and diversified customer base.

The value of Centra's aged accounts receivable for customers and related bad debt provisions are presented in the following table:

	2014	2013
	millions of dollars	
Under 30 days	**103**	71
31 to 60 days	**4**	4
Over 60 days	**4**	3
	111	78
Provision at end of year	**(2)**	(2)
Total accounts receivable	**109**	76

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible. There was no significant change to the allowance for doubtful accounts from last year.

To mitigate credit risk related to the use of derivative instruments, Centra adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The maximum exposure to credit risk related to Centra's derivative counterparties is equal to the positive fair value of its financial derivatives.

b) Liquidity Risk

Liquidity risk refers to the risk that Centra will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, Centra uses cash generated from operations, as well as short-term funding and long-term advances from Manitoba Hydro.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying Value	2015	2016	2017	2018	2019	2020 and thereafter
			millions of dollars				
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	107	107	-	-	-	-	-
Due to parent	34	34	-	-	-	-	-
Long-term debt*	305	48	12	12	12	12	458
Derivative financial liabilities							
Fixed price swap contracts	-	-	-	-	-	-	-
		189	12	12	12	12	458

*including current portion and interest payments

c) **Market Risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Centra is exposed to interest rate risk and commodity price risk associated with the price of natural gas.

i. Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Centra is exposed to interest rate risk associated with amounts due to the parent company, floating rate long-term debt, fixed rate long-term debt maturing within 12 months, and the purchased gas variance accounts, offset by the change in interest capitalization. At March 31, 2014, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $0.2 million (2013 - $0.7 million).

ii. Commodity Price Risk
Centra is exposed to natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. Centra mitigates commodity price risk for its fixed rate service with the use of natural gas price swaps. Centra does not use derivative contracts for trading or speculative purposes.

Centra has entered into natural gas price swaps until July 2016 to purchase 87 450 gigajoules (GJ) of natural gas at a weighted average fixed price of $5.15/GJ. The weighted average forward price of the swaps per AECO at March 31, 2014 was $4.37/GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet. The unrealized fair value losses of these natural gas derivative contracts at March 31 are nil (2013 - nil).

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 14 COMMITMENTS AND CONTINGENCIES

Centra has energy purchase commitments of $182 million (2013 – $136 million) that relate to future purchases of natural gas (including transportation and storage contracts), which expire in 2020.

Centra has various legal and operational matters pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Centra's financial position or results of operations.

NOTE 15 SHARE CAPITAL

	2014	2013
	millions of dollars	
Share capital		
Authorized		
Unlimited number of common shares		
Issued		
1 505 common shares	**121**	121
	121	121

NOTE 16 CAPITAL MANAGEMENT

Centra manages its capital structure to ensure sufficient retained earnings to enable it to absorb the financial effects of adverse circumstances. Centra's capital requirements are met through cash generated from operations as well as short-term funding and long-term advances from its parent company, the Manitoba Hydro-Electric Board.

NOTE 17 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2013 have been reclassified in order to conform to the presentation adopted in 2014.

Centra Gas Manitoba Inc.
Actual Net Income and Retained Earnings

Attachment 3
February 12, 2015
($000's)

	2012/13 Actual	2012/13 Weather Normalized	2013/14 Actual	2013/14 Weather Normalized	
Revenue	$ 327,724	$ 327,724	$ 412,674	$ 412,674	
Weather Impact on Net Income	$ -	$ [redacted]	$ -	$ [redacted]	1d
	$ 327,724	$ [redacted]	$ 412,674	$ [redacted]	1e
Cost of Sales	$ 181,636	$ 181,636	$ 251,733	$ 251,733	
Gross Margin	$ 146,088	$ [redacted]	$ 160,941	$ [redacted]	1e
Other Income	$ 1,296	$ 1,296	$ 1,598	$ 1,598	
	$ 147,384	$ [redacted]	$ 162,539	$ [redacted]	1e
Expenses	$ 139,573	$ 139,573	$ 142,746	$ 142,746	
Net Income (Loss)	$ 7,811	$ [redacted]	$ 19,793	$ [redacted]	1e
Retained Earnings	$ 42,111		$ 61,904		

Centra Gas Manitoba Inc.

Attachment 4
February 12, 2015

GAS OPERATIONS (CGM14)
PROJECTED OPERATING STATEMENT
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
REVENUES										
General Consumers										
at approved rates	419	423	393	394	398	399	401	402	402	402
additional revenue requirement*	0	0	0	7	8	8	8	8	8	14
	419	423	393	401	405	407	409	410	410	416
Cost of Gas Sold	270	277	247	247	246	247	247	248	247	247
Gross Margin	149	147	146	154	159	160	161	162	162	169
Other	1	2	2	2	2	2	2	2	2	2
	151	148	148	156	161	162	163	164	164	171
EXPENSES										
Operating and Administrative	68	67	68	69	69	70	71	71	73	74
Finance Expense	16	17	19	21	21	22	22	23	24	25
Depreciation and Amortization	29	29	29	31	31	32	32	33	33	34
Capital and Other Taxes	19	19	20	20	20	20	21	21	21	21
Corporate Allocation	12	12	12	12	12	12	12	12	12	12
	144	144	148	152	154	157	157	160	162	167
Net Income	7	4	0	3	7	5	6	4	2	4
* Additional Revenue Requirement										
Percent Increase	0.00%	0.00%	0.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.75%
Cumulative Percent Increase	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	3.79%
Financial Ratios										
Equity Ratio (PUB Methodology)	35%	34%	34%	34%	34%	35%	35%	35%	34%	34%
Interest Coverage	1.41	1.22	1.01	1.16	1.33	1.24	1.25	1.18	1.07	1.15
Capital Coverage	0.52	0.94	0.74	0.96	0.98	0.87	0.82	0.76	0.66	0.76

Centra Gas Manitoba Inc.

Attachment 4
February 12, 2015

GAS OPERATIONS (CGM14)
PROJECTED BALANCE SHEET
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ASSETS										
Plant in Service	716	765	800	823	846	872	899	929	960	990
Accumulated Depreciation	(248)	(256)	(267)	(279)	(292)	(306)	(320)	(335)	(351)	(368)
Net Plant in Service	468	509	533	544	554	566	579	594	609	623
Construction in Progress	4	4	4	4	4	4	4	4	4	4
Current and Other Assets	120	121	121	121	121	121	121	121	121	121
Goodwill and Intangible Assets	7	6	6	5	5	4	4	4	4	4
Regulated Assets	85	84	85	82	78	75	72	70	68	66
	684	723	748	756	762	770	780	792	806	817
LIABILITIES AND EQUITY										
Long-Term Debt	300	310	320	320	330	330	340	320	350	370
Current and Other Liabilities	130	137	137	126	97	84	64	76	43	15
Contributions in Aid of Construction	64	83	98	114	131	148	163	178	193	208
Share Capital	121	121	121	121	121	121	121	121	121	121
Retained Earnings	69	72	72	75	82	87	93	97	99	102
	684	723	748	756	762	770	780	792	806	817

Centra Gas Manitoba Inc.

Attachment 4
February 12, 2015

GAS OPERATIONS (CGM14)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
OPERATING ACTIVITIES										
Cash Receipts from Customers	457	461	430	438	439	441	443	445	444	451
Cash Paid to Suppliers and Employees	(413)	(380)	(373)	(382)	(384)	(386)	(388)	(390)	(391)	(393)
Interest Paid	(19)	(19)	(20)	(21)	(22)	(22)	(23)	(23)	(24)	(25)
	25	61	37	35	34	33	33	32	29	33
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	30	10	10	-	10	-	10	-	40	20
Retirement of Long-Term Debt	(35)	-	-	-	-	-	-	-	(20)	(10)
Other	-	-	-	-	-	-	-	-	-	-
	(5)	10	10	-	10	-	10	-	20	10
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(50)	(66)	(52)	(37)	(35)	(39)	(40)	(42)	(45)	(44)
Other	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
	(50)	(66)	(52)	(37)	(36)	(39)	(41)	(43)	(46)	(44)
Net Increase (Decrease) in Cash	(30)	6	(4)	(2)	8	(6)	2	(11)	4	(1)
Cash at Beginning of Year	(34)	(64)	(59)	(63)	(65)	(57)	(63)	(61)	(72)	(68)
Cash at End of Year	(64)	(59)	(63)	(65)	(57)	(63)	(61)	(72)	(68)	(69)

Centra Gas Manitoba Inc.

Attachment 4
February 12, 2015

GAS OPERATIONS (CGM14)
PUB METHODOLOGY DEBT TO EQUITY RATIO

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Average Gas Long-Term Debt	303	305	315	320	325	330	335	340	350	365
Average Gas Due to Parent	49	62	61	64	61	60	62	67	70	69
	352	367	376	384	386	390	397	407	420	434
Average CG Capital Stock	121	121	121	121	121	121	121	121	121	121
Average Retained Earnings	65	70	72	73	79	85	90	95	98	101
	186	191	193	195	200	206	211	216	219	222
Total Debt and Equity (PUB Methodology)	538	558	569	579	586	596	608	623	639	655
Equity Ratio	**35%**	**34%**	**34%**	**34%**	**34%**	**35%**	**35%**	**35%**	**34%**	**34%**

GAS OPERATIONS (CG14)
PROJECTED FINANCIAL RATIOS

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
INTEREST COVERAGE										
Net Income	7	4	0	3	7	5	6	4	2	4
Finance Expense	16	17	19	21	21	22	22	23	24	25
Capitalized Interest	0	0	0	(0)	(0)	0	0	0	0	0
	23	21	19	24	28	27	28	27	26	29
Finance Expense	16	17	19	21	21	22	22	23	24	25
Capitalized Interest	0	0	0	(0)	(0)	0	0	0	0	0
	16	17	19	21	21	22	22	23	24	25
Interest Coverage	**1.41**	**1.22**	**1.01**	**1.16**	**1.33**	**1.24**	**1.25**	**1.18**	**1.07**	**1.15**
CAPITAL COVERAGE										
Internally Generated Funds	25	61	37	35	34	33	33	32	29	33
Net Capital Construction Expenditures	48	65	51	36	35	38	40	42	45	43
Capital Coverage	**0.52**	**0.94**	**0.74**	**0.96**	**0.98**	**0.87**	**0.82**	**0.76**	**0.66**	**0.76**

Centra Gas Manitoba Inc.

Attachment 4
February 12, 2015

GAS OPERATIONS (CGM13)
PROJECTED OPERATING STATEMENT
(In Millions of Dollars)

For the year ended March 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
General Consumers										
at approved rates	367	360	374	375	375	376	377	378	380	381
additional revenue requirement*	0	0	2	3	5	7	7	7	9	9
	367	360	376	378	380	383	384	386	389	390
Cost of Gas Sold	213	213	228	224	224	224	225	225	226	226
Gross Margin	153	147	149	154	156	159	159	160	163	164
Other	2	2	2	2	2	2	2	2	2	2
	155	149	150	156	158	160	161	162	164	165
EXPENSES										
Operating and Administrative	67	69	67	68	68	69	70	71	71	73
Finance Expense	16	17	19	21	23	23	24	24	24	25
Depreciation and Amortization	28	31	29	30	31	32	32	31	32	31
Capital and Other Taxes	19	19	20	20	20	20	21	21	21	21
Corporate Allocation	12	12	12	12	12	12	12	12	12	12
	143	148	147	152	155	157	158	159	161	163
Net Income	12	1	4	4	3	3	3	3	4	3
* Additional Revenue Requirement										
Percent Increase		0.00%	0.50%	0.50%	0.50%	0.50%	0.00%	0.00%	0.50%	0.00%
Cumulative Percent Increase		0.00%	0.50%	1.00%	1.51%	2.02%	2.02%	2.02%	2.53%	2.53%
Financial Ratios										
Equity Ratio (PUB Methodology)	34%	34%	32%	32%	31%	32%	32%	32%	32%	32%
Interest Coverage	1.72	1.06	1.19	1.19	1.13	1.15	1.13	1.13	1.15	1.10
Capital Coverage	0.81	0.41	0.57	0.64	0.93	1.01	0.92	0.86	0.85	0.75

GAS OPERATIONS (CGM13)
PROJECTED BALANCE SHEET
(In Millions of Dollars)

For the year ended March 31	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
ASSETS										
Plant in Service	690	722	764	795	813	830	849	870	893	918
Accumulated Depreciation	(238)	(246)	(248)	(255)	(261)	(269)	(277)	(285)	(294)	(303)
Net Plant in Service	452	476	516	540	552	561	572	585	599	615
Construction in Progress	2	2	2	2	2	3	4	5	5	6
Current and Other Assets	84	84	84	84	84	84	84	84	84	84
Goodwill and Intangible Assets	8	7	5	5	4	4	3	3	3	3
Regulated Assets	79	77	74	70	64	58	50	44	38	34
	625	646	682	702	707	710	715	722	731	743
LIABILITIES AND EQUITY										
Long-Term Debt	290	350	380	390	400	400	400	410	400	420
Current and Other Liabilities	117	77	79	86	77	74	75	70	86	76
Contributions in Aid of Construction	43	43	42	42	43	44	46	45	44	43
Share Capital	121	121	121	121	121	121	121	121	121	121
Retained Earnings	54	55	59	63	66	70	73	76	80	82
	625	646	682	702	707	710	715	722	731	743

Centra Gas Manitoba Inc.

Attachment 4
February 12, 2015

GAS OPERATIONS (CGM13)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
OPERATING ACTIVITIES										
Cash Receipts from Customers	403	396	412	410	412	415	417	418	421	423
Cash Paid to Suppliers and Employees	(345)	(358)	(357)	(358)	(359)	(360)	(362)	(364)	(366)	(369)
Interest Paid	(18)	(18)	(20)	(22)	(23)	(24)	(24)	(24)	(25)	(25)
	40	20	35	30	30	31	30	30	30	29
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	30	60	30	10	10	-	-	10	10	30
Retirement of Long-Term Debt	-	(35)	-	-	-	-	-	-	-	(20)
Other	-	-	-	-	-	-	-	-	-	-
	30	25	30	10	10	-	-	10	10	10
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(51)	(49)	(62)	(48)	(33)	(31)	(33)	(36)	(37)	(40)
Other	(1)	(0)	(0)	(0)	(0)	(1)	(1)	(0)	(0)	(0)
	(51)	(49)	(62)	(48)	(33)	(32)	(34)	(36)	(37)	(40)
Net Increase (Decrease) in Cash	19	(4)	3	(8)	7	(2)	(4)	4	4	(1)
Cash at Beginning of Year	(26)	(7)	(11)	(8)	(16)	(9)	(11)	(14)	(10)	(7)
Cash at End of Year	(7)	(11)	(8)	(16)	(9)	(11)	(14)	(10)	(7)	(8)

Centra Gas Manitoba Inc.

Attachment 4
February 12, 2015

GAS OPERATIONS (CGM13)
PUB METHODOLOGY DEBT TO EQUITY RATIO

For the year ended March 31

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average Gas Long-Term Debt	310	338	365	385	395	400	400	405	415	425
Average Gas Due to Parent	16	9	10	12	13	10	12	12	8	7
	326	347	375	397	408	410	412	417	423	432
Average CG Capital Stock	121	121	121	121	121	121	121	121	121	121
Average Retained Earnings	48	55	57	61	65	68	71	74	78	81
	169	176	178	183	186	189	193	196	199	202
Total Debt and Equity (PUB Methodology)	496	522	553	580	594	599	605	613	623	634
Equity Ratio	**34%**	**34%**	**32%**	**32%**	**31%**	**32%**	**32%**	**32%**	**32%**	**32%**

GAS OPERATIONS (CG13)
PROJECTED FINANCIAL RATIOS

For the year ended March 31

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
INTEREST COVERAGE										
Net Income	12	1	4	4	3	3	3	3	4	3
Finance Expense	16	17	19	21	23	23	24	24	24	25
Capitalized Interest	0	0	0	0	0	0	0	0	0	0
	28	18	23	26	26	27	27	27	28	28
Finance Expense	16	17	19	21	23	23	24	24	24	25
Capitalized Interest	0	0	0	0	0	0	0	0	0	0
	17	17	19	21	23	23	24	24	25	25
Interest Coverage	**1.72**	**1.06**	**1.19**	**1.19**	**1.13**	**1.15**	**1.13**	**1.13**	**1.15**	**1.10**
CAPITAL COVERAGE										
Internally Generated Funds	40	20	35	30	30	31	30	30	30	29
Net Capital Construction Expenditures	49	48	61	47	32	31	33	35	36	39
Capital Coverage	**0.81**	**0.41**	**0.57**	**0.64**	**0.93**	**1.01**	**0.92**	**0.86**	**0.85**	**0.75**

Manitoba Hydro

PO Box 815 • Winnipeg, Manitoba Canada • R3C 2P4
Street Location for DELIVERY: 22nd floor 360 Portage Ave
Telephone / N° de téléphone : (204) 360-3257 • Fax / N° de télécopieur : (204) 360-6147 • baczarnecki@hydro.mb.ca

December 10, 2015

Mr. D. Christle
Secretary and Executive Director
Public Utilities Board
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Christle:

RE: CENTRA MANITOBA INC. ("Centra")
DIRECTIVE 11 OF ORDER 108/15 – UPDATED FINANCIAL FORECAST

On October 29, 2015, the Public Utilities Board of Manitoba ("PUB") issued Order 108/15 with respect to Centra's 2015/16 Cost of Gas Application ("Application"). In its Order, the PUB directed Centra to file an updated financial forecast for the 2015/16 fiscal year and an analysis of the changes in the forecast compared to the forecast provided in the Application (CGM14).

Enclosed please find Centra's 2015 Financial Forecast for the natural gas operations (CGM15) (Attachment 1) and a comparison of CGM15 to CGM14 for the 2015/16 and 2016/17 (Attachment 2) fiscal years.

Centra is requesting the PUB's confirmation that Directive 11 of Order 108/15 has now been satisfied. Should you have any questions with respect to this submission, please contact the writer at 204-360-3527 or Greg Barnlund at 204-360-5243.

Yours truly,

MANITOBA HYDRO LAW DIVISION

Per:

BRENT A. CZARNECKI
Barrister & Solicitor

Att.

20.0 GAS OPERATIONS FINANCIAL FORECAST (CGM15)

GAS OPERATIONS (CGM15)
PROJECTED OPERATING STATEMENT
(In Millions of Dollars)

For the year ended March 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REVENUES										
General Consumers										
at approved rates	411	395	361	386	387	388	389	389	389	389
additional revenue requirement*	-	-	4	4	7	8	11	12	16	20
	411	395	364	390	394	395	400	400	404	409
Cost of Gas Sold	260	242	208	228	228	228	229	228	228	227
Gross Margin	152	153	157	161	166	167	172	172	177	181
Other	1	1	1	2	2	2	2	2	2	2
	153	154	158	163	167	169	173	174	178	183
EXPENSES										
Operating and Administrative	67	68	69	69	70	71	71	73	74	76
Finance Expense	18	18	20	22	23	24	24	25	26	26
Depreciation and Amortization	29	31	34	36	38	38	39	40	41	42
Capital and Other Taxes	20	20	21	21	21	21	21	22	22	22
Other Expenses	0	0	0	0	0	0	0	0	0	0
Corporate Allocation	12	12	12	12	12	12	12	12	12	12
	145	149	155	161	164	166	168	171	175	178
Net Income	8	5	3	2	3	3	5	3	3	5
* Additional Revenue Requirement										
Percent Increase	0.00%	0.00%	1.00%	0.00%	1.00%	0.00%	1.00%	0.00%	1.00%	1.00%
Cumulative Percent Increase	0.00%	0.00%	1.00%	1.00%	2.01%	2.01%	3.03%	3.03%	4.06%	5.10%

GAS OPERATIONS (CGM15)
PROJECTED BALANCE SHEET
(In Millions of Dollars)

For the year ended March 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
ASSETS										
Plant in Service	522	598	635	661	691	723	756	791	825	864
Accumulated Depreciation	(27)	(43)	(61)	(80)	(99)	(120)	(141)	(163)	(186)	(210)
Net Plant in Service	496	555	574	582	592	603	615	628	639	654
Construction in Progress	17	3	3	3	3	3	4	4	4	4
Current and Other Assets	96	96	96	96	96	96	96	96	96	96
Goodwill and Intangible Assets	7	7	6	6	6	6	6	6	7	7
Regulated Assets	80	71	93	91	88	87	84	81	78	75
	696	732	773	778	786	795	805	815	824	836
LIABILITIES AND EQUITY										
Long-Term Debt	360	390	420	420	430	440	420	430	450	425
Current and Other Liabilities	61	61	67	70	65	61	86	85	71	106
Provisions	26	28	30	28	26	24	23	21	20	18
Deferred Revenue	45	44	45	47	48	51	52	52	53	53
Share Capital	121	121	121	121	121	121	121	121	121	121
Retained Earnings	82	87	90	92	95	98	103	105	108	113
	696	732	773	778	786	795	805	815	824	836

GAS OPERATIONS (CGM15)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
OPERATING ACTIVITIES										
Cash Receipts from Customers	446	430	400	421	426	427	433	433	437	442
Cash Paid to Suppliers and Employees	(346)	(361)	(361)	(363)	(364)	(366)	(367)	(369)	(370)	(372)
Interest Paid	(19)	(19)	(21)	(23)	(24)	(24)	(25)	(25)	(26)	(26)
	81	50	17	35	38	37	40	39	41	43
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	55	30	30	-	10	10	-	20	20	10
Retirement of Long-Term Debt	-	-	-	-	-	-	-	(20)	(10)	-
Other	-	-	-	-	-	-	-	-	-	-
	55	30	30	-	10	10	-	-	10	10
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(67)	(77)	(51)	(37)	(41)	(43)	(43)	(46)	(44)	(50)
Other	(3)	(3)	(3)	(3)	(3)	(4)	(3)	(2)	(3)	(3)
	(70)	(80)	(54)	(40)	(43)	(47)	(46)	(48)	(47)	(52)
Net Increase (Decrease) in Cash	66	1	(6)	(5)	5	1	(6)	(9)	4	1
Cash at Beginning of Year	(81)	(15)	(15)	(21)	(26)	(21)	(21)	(26)	(36)	(32)
Cash at End of Year	(15)	(15)	(21)	(26)	(21)	(21)	(26)	(36)	(32)	(31)

	CGM14 2015/16 Forecast [1]	CGM15 2015/16 Forecast [2]	Variance [3] = [2] - [1]	Explanation [4]
Cost of Gas	276,845	259,568	(17,277)	Lower due to projected decreased natural gas prices.
Other Income	(1,554)	(1,463)	91	
Operating & Administrative	66,691	66,691	-	
Depreciation & Amortization	29,373	29,131	(242)	
Capital & Other Taxes	19,383	19,700	317	
Finance Expense	16,887	17,539	652	Higher due to a combination of lower PGVA carrying costs resulting from a lower opening balance at April 1, 2015; and higher interest on common assets from higher than anticipated purchases of common assets related to motor vehicles, computer equipment, and general equipment.
Other Expenses	-	100	100	
Furnace Replacement Program	3,800	3,800	-	
Corporate Allocation	12,000	12,000	-	
Net Income (Loss)	3,813	7,834	4,021	[redacted] 1d
Total Cost of Service	427,238	414,900	(12,338)	

	CGM14 2016/17 Forecast [1]	CGM15 2016/17 Forecast [2]	Variance [3] = [2] - [1]	Explanation [4]
Cost of Gas	246,969	242,382	(4,587)	Lower due to projected decreased natural gas prices.
Other Income	(1,545)	(1,471)	74	The reclassification of deferred revenue amortization from Depreciation & Amortization is largely offset by the reclassification of late payment charges and broker revenue to General Consumers Revenue under IFRS.
Operating & Administrative	67,818	67,818	-	
Depreciation & Amortization	29,249	31,475	2,226	Higher primarily due to the reclassification of deferred revenue amortization to Other Income under IFRS and a depreciation rate revision to reflect the ten year cycle time for meter testing and compliance.
Capital & Other Taxes	19,692	20,110	418	
Finance Expense	18,952	17,690	(1,262)	Lower due to lower interest rates in CGM15 and increased capitalized interest associated with higher capital expenditures forecast in CGM15 with the largest contributor being the Winnipeg North West (NW) Upgrade - Phase 2. These decreases in finance expense are partially offset by the routine term rebalancing of Centra's debt portfolio whereby short term debt (which had been temporarily funding long term capital expenditures) was converted to long term debt; lower PGVA carrying costs resulting from a lower opening balance at April 1, 2015; and higher interest on common assets from higher than anticipated purchases of common assets related to motor vehicles, computer equipment, and general equipment.
Other Expenses	-	100	100	
Furnace Replacement Program	3,800	3,800	-	
Corporate Allocation	12,000	12,000	-	
Net Income (Loss)	168	4,826	4,658	[redacted] 1d
Total Cost of Service	397,103	398,730	1,627	

Manitoba Hydro

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June 1, 2017

Mr. D. Christle
Secretary and Executive Director
Public Utilities Board
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Christle:

**RE: CENTRA GAS MANITOBA INC. ("CENTRA")
RESPONSE TO PUB'S REQUEST FOR ADDITIONAL INFORMATION DATED APRIL 12, 2017**

On January 19, 2017, Centra advised the Public Utilities Board of Manitoba ("PUB") that it was not in a position to file a Gas General Rate Application by January 20, 2017 as per Directive 12 of Order 108/15. On April 12, 2017, the PUB directed Centra to file revised rate schedules that reflect the reversion of the non-gas components of Centra's rates back to the levels approved on an interim basis in Order 66/11 and subsequently approved as final in Order 85/13. The revised schedules can be found as Attachment 1 to this letter.

In addition to the schedules, the PUB requested additional financial and other information from Centra. This information is provided below:

1. *2016 Corporate Strategic Plan*

With the appointment of a new Manitoba Hydro-Electric Board, a new President & CEO and a new Chief Finance & Strategy Officer, 2016/17 was a transitional year with respect to the Corporate Strategic Plan ("CSP") for Manitoba Hydro and Centra. A new strategic framework was introduced including Manitoba Hydro's Mission, Strategic Priorities and Foundational Principles. Further development of the new CSP will continue in 2017, including performance metrics.

Manitoba Hydro's new strategic framework and Centra's Performance Dashboard is provided as Attachment 2.

2. *Identification of all material changes in Centra's operations since the 2013 GRA and the corresponding revenue requirement impacts.*

Centra continues to manage its operations proactively, so that its customers can continue to enjoy safe, reliable and cost-effective service. The following is a summary of material changes/developments with respect to Centra's operations since 2013:

- Capacity Upgrades haven been required to support new residential, commercial, and industrial customers and will continue to be required as the province grows. The Winnipeg system, which serves approximately 80% of Centra's natural gas customers, currently has a load growth forecast rate of 1.1% per year over the next 20 years. Rural Manitoba's forecast gas load growth ranges between 1.0% to 2.5% per year, depending on the area and community.

- Centra has been undertaking monitoring system replacements to improve the data input from the distribution system, which will permit the timing of distribution system upgrades to better match the actual need. Upgrades related to natural gas controls are intended to improve operations through technological advancements. Primary concerns relate to system isolation, monitoring and high-pressure control. The ability to effectively isolate portions of the system can ultimately impact the speed of response and reduce the size and duration of a gas outage. System monitoring provides a means to observe the health and performance of the natural gas system. For example, monitoring pressures in the system allows staff to identify and pin-point problems as they occur. Data collected by the monitoring systems allows engineers and designers to observe and analyze the static and dynamic performance under various operating conditions so it can be designed properly for the future. Winnipeg high pressure controls are fixed pressure (mechanical regulators) required to control over-pressurization of the piping system.

- Centra has been undertaking an analysis of ice formation at pressure regulation stations. The analysis identified the need for ice mitigation at various pressure regulating facilities to maintain reliable gas service. Centra has implemented different methods of ice mitigation to suit specific sites and a risk ranking system has been used to prioritize installation locations at an approximate rate of two to three line heaters per year.

- As part of its pipeline integrity program, Centra has continued to identify key types of threats to the natural gas system which includes encroachment, pipe degradation, aging infrastructure, insufficient cover, and corrosion. For each threat, Centra assesses the risk and develops integrity activities to mitigate these threats. For example, to address integrity risks Centra has installed granular material and concrete mats to provide mechanical protection for the pipeline crossing at the Red River south of Selkirk and installed a new pressure regulation facility to limit the downstream pressure on a section of the transmission main that is in close proximity to a residential development in Transcona.

- Reliability of the natural gas system in Manitoba is very high, however, many of the natural gas systems in Manitoba rely on a single supply feed. These areas are vulnerable to a wide-spread outage for several days should the gas supply be interrupted. Therefore, a focus exists to provide a secure gas supply to vulnerable networks and communities that have only a single gas supply. Centra has undertaken upgrades to its natural gas distribution system to address the constraint on the natural gas system due to load growth; these projects include the LaSalle Primary Gate Station Regulation Updates, Winnipeg Northwest Upgrade, and Brandon Primary Gate Station Re-Construction. In addition, Centra has undertaken the development of a compressed natural gas ("CNG") trailer filling facility. The CNG trailers are proposed for use to support customer operation due to a planned or unplanned outage. Previous unplanned outages resulting in multiple hour winter time outages to an extensive customer base included Otterburne (2014) and Stonewall (2003). The provision of this back-up system will mitigate loss of supply risk to critical customer groups such as hospitals and care facilities.

- Centra has continued to evaluate its work practices to improve its safety record and mitigate risks to the public related to its natural gas infrastructure. This has been accomplished through damage prevention programs and services, and enhancements to Centra's safety and loss management system in the past few years.

- Centra has participated in a "Manitoba Click/Call Before You Dig" notification service through the Alberta One Call Corporation (AOC) since 2016. The service has resulted in improved damage prevention performance with hits to its buried plant reduced by 30% and locate requests increasing by 25%. Customers now have the opportunity to communicate their intent to excavate via a single point of contact.

3. *Audited financial statements for the year ending March 31, 2016.*

Please see Attachment 3 for Centra's audited financial statements for the year ending March 31, 2016.

4. *CGM16 with financial ratios. The capital structure should be presented using the Board's methodology. One version of CGM16 is to reflect the reversion of non-gas rates to those approved as final in Order 85/13 (Order 108/15 Directive 5); another version is to reflect no reversion of non-gas rates.*

Please see Attachment 4 for Centra's CGM16 with reversion of non-gas rates (pages 1-3) and CGM16 with no reversion of non-gas rates (pages 4-6).

Centra's financial forecast (CGM16) reflects the implementation of International Financial Reporting Standards ("IFRS"), as well as the accounting directives on the electric side of the business that Centra has assumed would also apply to natural gas operations for rate-setting purposes . The main assumptions embedded in the forecast include:

- Manitoba Hydro currently capitalizes the internal labour costs associated with meter exchange activities for electric operations, while these costs are expensed in O&A for natural gas operations. IFRS requires harmonized accounting policies for a parent and its subsidiaries. As such, CGM16 assumes capitalization of Centra's meter compliance program costs beginning in 2018/19, consistent with Manitoba Hydro's capitalization policies.

- Depreciation expense for rate-setting purposes currently reflects Average Service Life depreciation rates based on the 2010 depreciation study. For financial reporting purposes, Centra implemented revised CGAAP ASL depreciation rates for fiscal 2014/15 based on the 2014 depreciation study. In addition, for 2015/16 the service life for the "meters" account was updated to 20 years from 25 years. Centra has established a regulatory deferral account to capture the differences between depreciation expense calculated using the current-approved depreciation rates and depreciation expense using the ASL rates based on the 2014 depreciation study and the change to the meters account. CGM16 currently assumes additions to this regulatory deferral account to the end of 2017/18, with amortization of the combined cumulative balance assumed to commence midway through 2018/19 over a five-year period.

- For financial reporting purposes and since the transition to IFRS, Centra is using Equal Life Group ("ELG") depreciation rates (excluding an amount for the recovery of net salvage) and expensing an additional $0.7 million in annual overhead in O&A. Similar to the approach followed on the electric side of the business, Centra has established regulatory deferral accounts to capture the differences between depreciation expense (using IFRS-compliant ELG methodology) and O&A for financial reporting purposes, and depreciation expense and O&A for rate-setting purposes. Depreciation expense for rate-setting purposes reflects ASL depreciation rates based on the 2010 depreciation study and O&A reflects the continued capitalization of $0.7 million of overhead ineligible for capitalization under IFRS, consistent with the directives in Order 73/15. CGM16 mirrors the assumption of the electric forecast in that amortization of these regulatory deferral accounts is assumed to commence midway through 2017/18 over a five-year period and deferrals will continue until the last unit of Keeyask is in service in 2022/23.

- Under CGAAP, gains and losses on plant asset retirements were recognized initially on the balance sheet in accumulated depreciation and factored into the calculation of new depreciation rates as determined in depreciation studies. As such, these gains and losses were included in income over time as part of future years' depreciation expense. Under IFRS, asset retirement gains and losses are required to be recognized in income in the year incurred. As such, a regulatory deferral account has been created to capture the difference between the immediate recognition in income of these gains and losses for financial reporting purposes under IFRS, and the deferral of such gains and losses for rate setting purposes (in accordance with previous CGAAP practice). CGM16 assumes amortization of these deferrals commencing midway through 2018/19 over a twenty-year period.

- Order 128/09 requires that Manitoba Hydro's Furnace Replacement Program ("FRP'") is funded with $3.8 million of domestic revenue annually with funds allocated to an FRP liability. The FRP liability is drawn down over time by applicable charges as forecast in the Power Smart Plan. The accumulated funding in the FRP liability in CGM16 is sufficient to fund all remaining standard furnaces in LICO-125 households to 2018/19 when the forecast balance will be approximately $25.8 million. As such, CGM16 assumes that contributions to the FRP liability will cease in 2018/19, and commencing in 2019/20, these funds are assumed to be utilized to cover other costs from that year forward.

5. *A schedule comparing the actual and weather normalized results, with retained earnings, since 2012/13 as well as the forecasted results for 2016/17 and 2017/18 (similar to 2015 COG PUB/Centra-I-29d). Indicate the date that the forecasts for 2016/17 and 2017/18 were prepared.*

Please see Attachment 5 for a schedule comparing Centra's actual and forecast net income and retained earnings since 2012/13, compared to weather normalized results.

6. *2016 Load Forecast*

Centra will be filing a letter with the PUB seeking confidential treatment of information within the 2016 Natural Gas Volume Forecast that is considered to be commercially sensitive, pursuant to Rule 13 of the PUB's Rules of Practice and Procedure.

7. *A schedule of O&M expense, change in O&M, O&M per customer, and CPI (similar to 2013 GRA PUB/Centra-17a). If accounting changes have been made, separately indicate the impact of these changes. Use 2012/13 as the first year of the schedule.*

Please see Attachment 6 for a schedule of Centra's O&A expense, change in O&A, O&A per customers, CPI, and adjustments for accounting changes.

8. *An explanation of how Centra has determined and is determining its revenue requirements in the absence of Board approval of its capital expenditures and rate base.*

Centra's financial forecast is prepared on an annual basis and sets forth the projected financial results and financial position of Centra for the next ten-year period. Centra has provided CGM16 in response to question #4 above, which provides the corporation's long-term financial direction and serves as the primary forecast to determine the need for rate increases.

Centra calculates its revenue requirements based on the Cost of Service Methodology. In accordance with the PUB directives in Order 135/05, Centra also files its revenue requirement calculated using the Rate Base/Rate of Return methodology as part of every GRA, which is used as a test of the maximum revenue requirement. This approach has been used consistently in all GRAs since this Order.

Since Centra is not requesting increases to its non-gas rates, revenue requirement calculations using the Rate Base/Rate of Return methodology have not been prepared, and therefore approval from the PUB of capital expenditures and rate base have not yet been sought. In its next GRA, Centra will provide revenue requirements based on the Rate Base/Rate of Return methodology for all historical years since the last GRA.

9. *CEF16 (or the most current CEF) for common plant and gas operations.*

Please see Attachment 7 for Centra's capital expenditure forecast.

10. *The balance in the Centra DSM deferral account as of March 31, 2016 and a forecast of the balance as of March 31, 2017.*

The balance in the Centra DSM deferral account as of March 31, 2016 is $5.4 million. The forecasted balance as of March 31, 2017 is projected to remain at $5.4 million.

11. *Indication of the depreciation methodology used in each year 2013/14 through 2017/18 (ASL or ELG, salvage costs included or excluded).*

For the periods 2013/14 through to 2017/18 Centra has and continues to use the ASL method for determining depreciation expense used for rate-setting purposes. For the 2013/14 and 2014/15 fiscal years, Centra used the ASL methodology (including an amount for the recovery of net salvage) for determining its depreciation expense for financial reporting and rate-setting purposes. Upon transition to IFRS in 2015/16, Centra started using the ASL method (excluding an amount for the recovery of net salvage) for determining depreciation expense used for rate-setting purposes, consistent with the depreciation directives in Order 73/15.

On its transition to IFRS in 2015/16, Centra started using the ELG method (excluding an amount for the recovery of net salvage) of depreciation for determining an IFRS-compliant depreciation expense for financial reporting purposes. As part of the transition to IFRS, Centra restated its 2014/15 depreciation expense to be consistent with the ELG method (excluding an amount for the recovery of net salvage).

Consistent with the approach being followed for electric operations, Centra has established a regulatory deferral account in accordance with IFRS 14 *Regulatory Deferral Accounts* to capture the annual differences between Depreciation Expense calculated for financial reporting purposes, based on ELG depreciation rates, and Depreciation Expense calculated for rate-setting purposes using ASL depreciation rates. In addition to the deferral account and as required by IFRS 14, Centra is also making a corresponding adjustment through the Net Movement in Regulatory Balances account in the Statement of Income such that for rate setting purposes, Centra is continuing to apply the ASL method for determining depreciation expense and net income for rate-setting purposes.

To date, no amortization of the deferral balance has been recognized in the Net Movement in Regulatory Balances line. As discussed in the response to question #4 above, CGM16 assumes amortization of the regulatory deferral account to commence midway through 2017/18, over a five-year period. CGM16 further assumes that the deferral of the difference in depreciation expense between the ELG and ASL methods continues until the last unit of Keeyask is in service in 2022/23.

12. *Finance expense details for the years 2012/13 through 2017/18 (similar to 2013 GRA PUB/Centra-42a).*

Please see Attachment 8 for a schedule of Centra's Finance Expense from 2012/13 to 2017/18.

Centra certifies, to the best of its knowledge and belief, that the information provided in this submission is accurate and correct. Should you have any questions with respect to this submission, please contact the writer at 204-360-3257 or Greg Barnlund at 204-360-5243.

Yours truly,

MANITOBA HYDRO LAW DIVISION

Per:

BRENT A. CZARNECKI
Barrister & Solicitor

Att.

CENTRA GAS MANITOBA INC.
Appendix A- Schedule of Sales and Transportation Services and Rates **Page 1 of 4**
Rates Effective Aug 1, 2017 (reversion of Non-Gas Rates reflecting PUB Order 108/15, directive 5)

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES ONLY - NO RIDERS)

Territory: Entire natural gas service area of Company, including all zones

Availability:

SGC:	For gas supplied through one domestic-sized meter.
LGC:	For gas delivered through one meter at annual volumes less than 680,000 m^3
HVF:	For gas delivered through one meter at annual volumes greater than 680,000 m^3
CO-OP:	For gas delivered to natural gas distribution cooperatives
MLC:	For gas delivered through one meter to customers served from the Transmission system
Special Contract:	For gas delivered under the terms of a Special Contract with the Company
Power Station:	For gas delivered under the terms of a Special Contract with the Company

Rates:

		Distribution to Customers			
	Transportation to Centra	Sales Service	T-Service	Primary Gas Supply	Supplemental Gas Supply[1]
Basic Monthly Charge: ($/month)					
Small General Class (SGC)	N/A	$14.00	N/A	N/A	N/A
Large General Class (LGC)	N/A	$77.00	$77.00	N/A	N/A
High Volume Firm (HVF)	N/A	$1,118.31	$1,118.31	N/A	N/A
Cooperative (CO-OP)	N/A	$274.06	$274.06	N/A	N/A
Main Line Class (MLC)	N/A	$2,353.33	$2,353.33	N/A	N/A
Special Contract	N/A	N/A	$135,362.20	N/A	N/A
Power Station	N/A	N/A	$11,565.60	N/A	N/A
Monthly Demand Charge ($/$m^3$/month)					
High Volume Firm Class (HVF)	$0.3074	$0.1503	$0.1503	N/A	N/A
Cooperative (CO-OP)	$0.4681	$0.1298	$0.1298	N/A	N/A
Main Line Class (MLC)	$0.5456	$0.1576	$0.1576	N/A	N/A
Special Contract	N/A	N/A	N/A	N/A	N/A
Power Station	N/A	N/A	$0.0283	N/A	N/A
Commodity Volumetric Charge: ($/$m^3$)					
Small General Class (SGC)	$0.0538	$0.0866	N/A	$0.1108	$0.1559
Large General Class (LGC)	$0.0516	$0.0357	N/A	$0.1108	$0.1559
High Volume Firm (HVF)	$0.0196	$0.0073	$0.0073	$0.1108	$0.1559
Cooperative (CO-OP)	$0.0057	$0.0001	$0.0001	$0.1108	$0.1559
Main Line Class (MLC)	$0.0060	$0.0012	$0.0012	$0.1108	$0.1559
Special Contract	N/A	N/A	$0.0001	N/A	N/A
Power Station	N/A	N/A	$0.0084	N/A	N/A

[1] Supplemental Gas is mandatory for all Sales and Western T-Service Customers.

Minimum Monthly Bill: Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

Effective: Rates to be charged for all billings based on gas consumed on and after Aug 1, 2017.

Approved by Board Order:
Effective from: Aug 1, 2017
Date Implemented: Aug 1, 2017

Supersedes Board Order: 44/17
Supersedes: May 1, 2017 Rates

CENTRA GAS MANITOBA INC.
Appendix A- Schedule of Sales and Transportation Services and Rates **Page 2 of 4**
Rates Effective Aug 1, 2017 (reversion of Non-Gas Rates PUB Order 108/15, directive 5)

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES ONLY - NO RIDERS)

Territory: Entire natural gas service area of Company, including all zones

Availability: For any consumer at one location whose annual natural gas requirements equal or exceed 680,000 m^3 and who contracts for such service for a minimum of one year, or who received Interruptible Service continuously since December 31, 1996. Service under this rate shall be limited to the extent that the Company considers it has available natural gas supplies and/or capacity to provide delivery service.

Rates:

	Transportation to Centra	Distribution to Customers: Sales Service	Distribution to Customers: T-Service	Primary Gas Supply	Supplemental Gas Supply[1]
Basic Monthly Charge: ($/month)					
Interruptible Service	N/A	$1,042.72	$1,042.72	N/A	N/A
Mainline Interruptible (with firm delivery)	N/A	$2,353.33	$2,353.33	N/A	N/A
Monthly Demand Charge ($/m³/month)					
Interruptible Service	$0.1429	$0.0772	$0.0772	N/A	N/A
Mainline Interruptible (with firm delivery)	$0.2199	$0.1576	$0.1576	N/A	N/A
Commodity Volumetric Charge: ($/m³)					
Interruptible Service	$0.0115	$0.0066	$0.0066	$0.1108	$0.1560
Mainline Interruptible (with firm delivery)	$0.0061	$0.0012	$0.0012	$0.1108	$0.1560
Alternate Supply Service:			Negotiated		
Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
Delivery - Interruptible Class			$0.0092		
Delivery - Mainline Interruptible Class			$0.0064		

[1] Supplemental Gas is mandatory for all Sales and Western T-Service Customers.

Minimum Monthly Bill: Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.

Effective: Rates to be charged for all billings based on gas consumed on and after Aug 1, 2017.

CENTRA GAS MANITOBA INC.
Appendix A- Schedule of Sales and Transportation Services and Rates

Rates Effective Aug 1, 2017 (reversion of Non-Gas Rates PUB Order 108/15, directive 5)

CENTRA GAS MANITOBA INC.
FIRM SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES PLUS RIDERS)

Territory: Entire natural gas service area of Company, including all zones

Availability:

SGC:	For gas supplied through one domestic-sized meter.
LGC:	For gas delivered through one meter at annual volumes less than 680,000 m³
HVF:	For gas delivered to natural gas distribution cooperatives
CO-OP:	For gas delivered through one meter at annual volumes greater than 680,000 m³
MLC:	For gas delivered through one meter to customers served from the Transmission system
Special Contract:	For gas delivered under the terms of a Special Contract with the Company
Power Station:	For gas delivered under the terms of a Special Contract with the Company

Rates:

		Distribution to Customers			
	Transportation to Centra	Sales Service	T-Service	Primary Gas Supply	Supplemental Gas Supply[1]
Basic Monthly Charge: ($/month)					
Small General Class (SGC)	N/A	$14.00	N/A	N/A	N/A
Large General Class (LGC)	N/A	$77.00	$77.00	N/A	N/A
High Volume Firm (HVF)	N/A	$1,118.31	$1,118.31	N/A	N/A
Cooperative (CO-OP)	N/A	$274.06	$274.06	N/A	N/A
Main Line Class (MLC)	N/A	$2,353.33	$2,353.33	N/A	N/A
Special Contract	N/A	N/A	$135,362.20	N/A	N/A
Power Station	N/A	N/A	$11,565.60	N/A	N/A
Monthly Demand Charge ($/m³/month)					
High Volume Firm Class (HVF)	$0.3074	$0.1503	$0.1503	N/A	N/A
Cooperative (CO-OP)	$0.4681	$0.1298	$0.1298	N/A	N/A
Main Line Class (MLC)	$0.5456	$0.1576	$0.1576	N/A	N/A
Special Contract	N/A	N/A	N/A	N/A	N/A
Power Station	N/A	N/A	$0.0283	N/A	N/A
Commodity Volumetric Charge: ($/m³)					
Small General Class (SGC)	$0.0538	$0.0866	N/A	$0.1024	$0.1559
Large General Class (LGC)	$0.0516	$0.0357	N/A	$0.1024	$0.1559
High Volume Firm (HVF)	$0.0196	$0.0073	$0.0073	$0.1024	$0.1559
Cooperative (CO-OP)	$0.0057	$0.0001	$0.0001	$0.1024	$0.1559
Main Line Class (MLC)	$0.0060	$0.0012	$0.0012	$0.1024	$0.1559
Special Contract	N/A	N/A	$0.0001	N/A	N/A
Power Station	N/A	N/A	$0.0084	N/A	N/A

[1] Supplemental Gas is mandatory for all Sales and Western T-Service Customers

Minimum Monthly Bill: Equal to the Basic Monthly Charge as described above, plus Demand Charge as appropriate.

Effective: Rates to be charged for all billings based on gas consumed on and after Aug 1, 2017.

Approved by Board Order:
Effective from: Aug 1, 2017
Date Implemented: Aug 1, 2017

Supersedes Board Order: 44/17
Supersedes: May 1, 2017 Rates

CENTRA GAS MANITOBA INC.
Appendix A- Schedule of Sales and Transportation Services and Rates **Page 4 of 4**
Rates Effective Aug 1, 2017 (reversion of Non-Gas Rates PUB Order 108/15, directive 5)

CENTRA GAS MANITOBA INC.
INTERRUPTIBLE SALES AND DELIVERY SERVICES
RATES SCHEDULES (BASE RATES PLUS RIDERS)

1 *Territory:* Entire natural gas service area of Company, including all zones
2
3 *Availability:* For any consumer at one location whose annual natural gas requirements equal or
4 exceed 680,000 m³ and who contracts for such service for a minimum of one year, or
5 who received Interruptible Service continuously since December 31, 1996. Service
6 under this rate shall be limited to the extent that the Company considers it has available
7 natural gas supplies and/or capacity to provide delivery service.
8

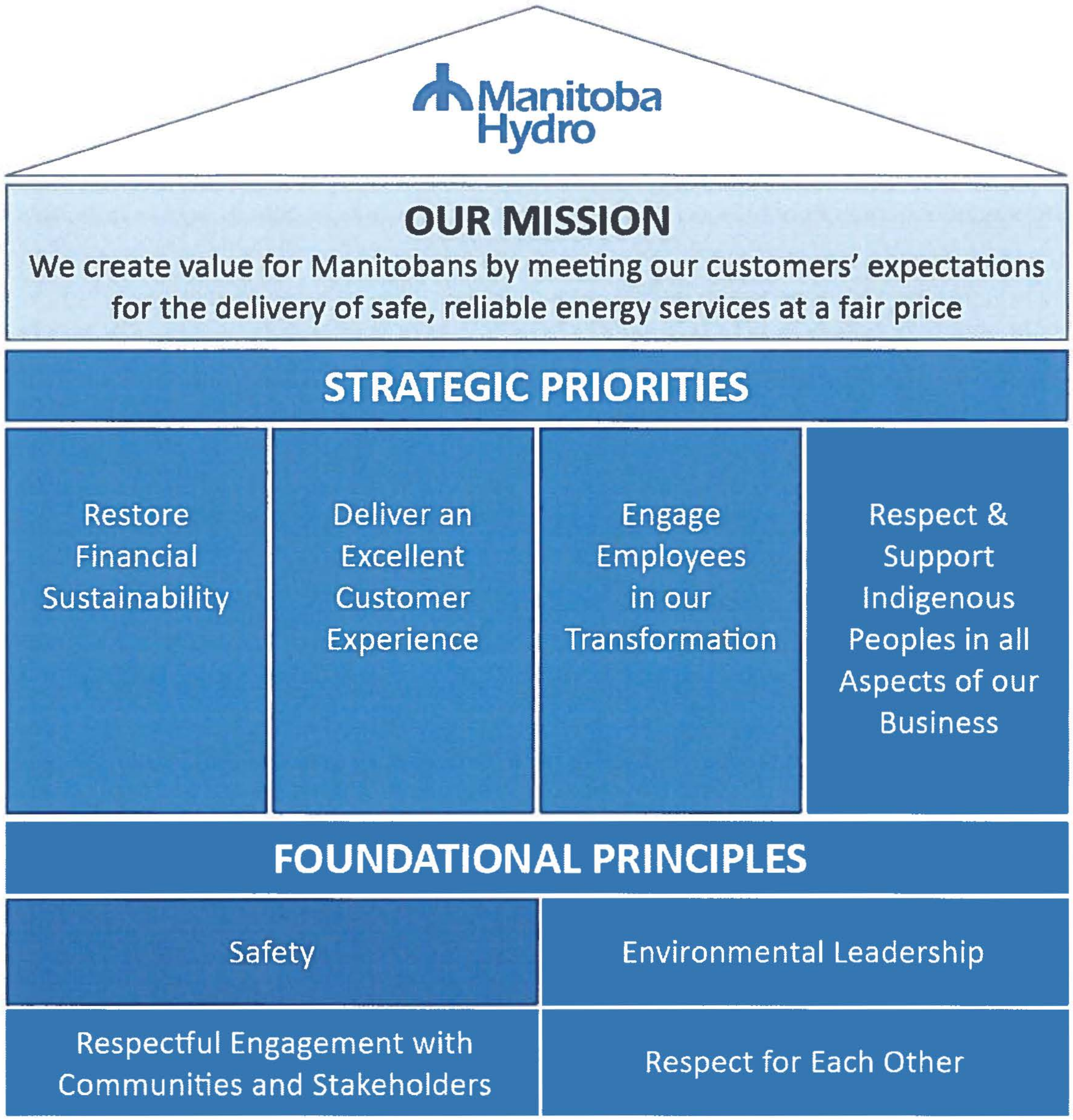
			Distribution to Customers			
9	*Rates:*					
10		Transportation to Centra	Sales Service	T-Service	Primary Gas Supply	Supplemental Gas Supply[1]
11	***Basic Monthly Charge: ($/month)***					
12	Interruptible Service	N/A	$1,042.72	$1,042.72	N/A	N/A
13	Mainline Interruptible (with firm delivery)	N/A	$2,353.33	$2,353.33	N/A	N/A
14						
15	***Monthly Demand Charge ($/m³/month)***					
16	Interruptible Service	$0.1429	$0.0772	$0.0772	N/A	N/A
17	Mainline Interruptible (with firm delivery)	$0.2199	$0.1576	$0.1576	N/A	N/A
18						
19	***Commodity Volumetric Charge: ($/m³)***					
20	Interruptible Service	$0.0115	$0.0066	$0.0066	$0.1024	$0.1560
21	Mainline Interruptible (with firm delivery)	$0.0061	$0.0012	$0.0012	$0.1024	$0.1560
22						
22	***Alternate Supply Service:***			Negotiated		
23	Gas Supply (Interruptible Sales and Mainline Interruptible)			Cost of Gas		
23	Delivery - Interruptible Class			$0.0092		
24	Delivery - Mainline Interruptible Class			$0.0064		
24						
25	[1] Supplemental Gas is mandatory for all Sales and Western T-Service Customers.					

25
26 ***Minimum Monthly Bill:*** Equal to Basic Monthly Charge as described above, plus Demand charges as appropriate.
26
27 ***Effective:*** Rates to be charged for all billings based on gas consumed on and after Aug 1, 2017.
27

Approved by Board Order:
Effective from: Aug 1, 2017
Date Implemented: Aug 1, 2017

Supersedes Board Order: 44/17
Supersedes: May 1, 2017 Rates

Corporate Strategic Framework



Centra Gas Manitoba Inc.
Attachment 2

Centra Corporate Performance Dashboard as of March 31, 2017

CENTRA GAS PERFORMANCE DASHBOARD as at March 31, 2017

	Measure	Target	Actual
Safety in the Workplace	Accident severity rate *(consolidated elec&gas)*	<12 days per 200,000 hours worked	10.06
	Accident frequency rate *(consolidated elec&gas)*	<.60 accidents per 200,000 hours worked	0.82
	Serious incidents *(consolidated elec&gas)*	0	6
Indigenous Relations	Indigenous employment *(consolidated elec&gas)*	18% overall	18.3%
Demand Side Management	Natural gas energy saved	8.8 million cubic meters	10.4 million cubic meters
Customer Value	Natural Gas Average Response Time to Outages	<60 minutes	24.30 minutes
	Natural Gas System Reliability	< 777 customer hours	897 customer hrs
	Average Unplanned Natural Gas Outage Duration Time	< 4.39 hours	4.23 hours
	Number of Customers Affected by Unplanned Natural Gas Outages	< 177 customers	127 customers

	Measure	2016/17 Forecast (In Millions of Dollars)
Financial Strength (CGM16)	Net income	($0.486)
	O&A costs	$68
	Capital Expenditures - Business Operations	$51

Financial statements

Centra Gas Manitoba Inc.

March 31, 2016

EY

Building a better working world

Independent auditors' report

To the Shareholder of
Centra Gas Manitoba Inc.

We have audited the accompanying financial statements of **Centra Gas Manitoba Inc.**, which comprise the balance sheets as at March 31, 2016 and 2015, and April 1, 2014, and the statements of income (loss), retained earnings and cash flows for the years ended March 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Centra Gas Manitoba Inc.** as at March 31, 2016 and 2015, and April 1, 2014, and the results of its operations and its cash flows for the years ended March 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Winnipeg, Canada
July 6, 2016

Chartered Professional Accountants

CENTRA GAS MANITOBA INC.
STATEMENT OF INCOME
For the year ended March 31
millions of Canadian dollars

	Notes	2016	2015
Revenues			
Commodity		**215**	274
Distribution		**139**	154
Other		**2**	1
		356	429
Expenses			
Cost of gas sold		**181**	266
Finance expense	7	**20**	19
Operating and administrative	8	**67**	70
Depreciation and amortization	9	**23**	22
Capital and other taxes	10	**16**	16
Corporate allocation	11	**12**	12
Other expenses	12	**10**	10
		329	415
Net income before net movement in regulatory balances		**27**	14
Net movement in regulatory balances	17	**(28)**	(3)
Net Income (Loss)		**(1)**	11

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.
STATEMENT OF FINANCIAL POSITION
millions of Canadian dollars

As at	Notes	March 31, 2016	March 31, 2015	April 1, 2014
Assets				
Current Assets				
Accounts receivable and accrued revenue	13	**53**	83	109
Natural gas inventory	14	**33**	17	-
		86	100	109
Property, Plant and Equipment	15	**488**	463	448
Non-Current Assets				
Intangible assets	16	**7**	7	8
Total assets before regulatory deferral balance		**581**	570	565
Regulatory deferral balance	17	**96**	122	124
Total assets and regulatory deferral balance		**677**	692	689
Liabilities and Equity				
Current Liabilities				
Current portion of long-term debt	18	**-**	-	35
Due to parent	19	**40**	87	41
Accounts payable and accrued liabilities	20	**45**	50	107
		85	137	183
Long-Term Debt	18	**340**	305	270
Non-Current Liabilities				
Refundable advances from customers		**12**	14	12
Deferred revenue	21	**45**	42	42
		57	56	54
Total liabilities		**482**	498	507
Equity				
Share capital	23	**121**	121	121
Retained earnings		**65**	66	55
Total equity		**186**	187	176
Total liabilities and equity before regulatory deferral balance		**668**	685	683
Regulatory deferral balance	17	**9**	7	6
Total liabilities, equity and regulatory deferral balance		**677**	692	689

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors:

H. Sanford Riley
Chair of the Board

Michael C. Pyle, MBA
Chair of the Audit Committee

CENTRA GAS MANITOBA INC.
STATEMENT OF CASH FLOWS
For the year ended March 31
millions of Canadian dollars

	Notes	2016	2015
Operating Activities			
Cash receipts from customers		**403**	473
Cash paid to suppliers and employees		**(306)**	(447)
Interest paid		**(22)**	(22)
Cash provided by operating activities		**75**	4
Investing Activities			
Additions to property, plant and equipment	15	**(52)**	(40)
Contributions received	21	**1**	2
Other		**(12)**	(12)
Cash used for investing activities		**(63)**	(50)
Financing Activities			
Long-term advances from parent	18	**35**	35
Long-term debt repayments to parent	18	**-**	(35)
Cash provided by financing activities		**35**	-
Net increase (decrease) in cash		**47**	(46)
Advances from parent, beginning of year		**(87)**	(41)
Advances from parent, end of year		**(40)**	**(87)**

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.
STATEMENT OF CHANGES IN EQUITY
For the year ended
millions of Canadian dollars

	Note	Retained earnings	Share capital	Total equity
Balance as at April 1, 2014	23	55	121	176
Net income		11	-	11
Balance as at March 31, 2015	23	66	121	187
Net loss		(1)	-	(1)
Balance as at March 31, 2016	23	**65**	**121**	**186**

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

NOTE 1 REPORTING ENTITY

Centra Gas Manitoba Inc. (Centra) distributes natural gas to more than 276,000 residential, commercial and industrial customers throughout Manitoba. Centra delivers natural gas to its customers through a network of transmission pipelines and distribution mains totaling approximately 10,000 kilometres in length. Centra is a wholly owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and is regulated by the Public Utilities Board of Manitoba (PUB). Centra's head office is located at 360 Portage Avenue, Winnipeg, Manitoba.

NOTE 2 BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS 1 *First-time Adoption of IFRS* has been applied as at April 1, 2014, Centra's transition date to IFRS. For all periods up to and including the year ended March 31, 2015, Centra prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). These financial statements for the year ended March 31, 2016 are the first Centra has prepared in accordance with IFRS.

An explanation of the application of IFRS 1 is included in Note 5 – Transition to IFRS and an explanation of how the transition to IFRS from CGAAP affected Centra's previously reported financial position, financial performance and cash flows is included in Note 6 – Reconciliations of CGAAP to IFRS.

These financial statements were approved for issue by the Board of Directors on July 6, 2016.

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- Financial instruments accounted for in accordance with the financial instruments categories defined in Note 3(j)

(c) Functional and presentation currency

The financial statements are presented in millions of Canadian dollars, Centra's functional currency.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

(d) Use of estimates and judgment

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported as assets, liabilities, revenues and expenses.

Areas of significant management estimates are outlined in the following summary and significant accounting policies included in Note 3:

- Accrued revenue for natural gas deliveries not yet billed at year-end and allowance for doubtful accounts (Note 3(b))
- Useful life estimates for depreciable assets (Notes 3(f), 15 and 16)
- Measurement of accrued liabilities (Note 20)
- Fair value measurement of financial instruments (Notes 3(j) and 22)

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

(a) Regulatory deferral accounts

In January 2014 the International Accounting Standards Board (IASB) issued an interim standard, IFRS 14 *Regulatory Deferral Accounts,* which provides guidance on accounting for the effects of rate regulation under IFRS. This guidance allows entities that conduct rate-regulated activities to continue to recognize regulatory deferral accounts. This interim standard is effective for financial reporting periods beginning on or after January 1, 2016, and is available to first-time adopters only. As early adoption is permitted, Centra has elected to adopt IFRS 14 in its first financial statements under IFRS. The interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on rate-regulated activities. IFRS 14 remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB.

Regulatory deferral account balances usually represent timing differences between the recognition of items of income or expenses for regulatory purposes and the recognition of those items for financial reporting purposes. Regulatory deferral account balances arising from rate-regulated activities are recognized and measured separately if they do not meet the criteria to be recognized as an asset or liability in accordance with other standards. The balances recorded as regulatory deferral balances will be recovered or refunded in future rates, based on approvals by the PUB. These amounts would otherwise have been included in the determination of net income in the year they are incurred.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

Under rate regulation, the prices charged for the sale of natural gas within Manitoba are subject to review and approval by the PUB. The rate-setting process is designed such that rates charged to natural gas customers recover costs incurred by Centra in providing natural gas service plus a sufficient contribution to retained earnings.

The following regulatory deferral account balances are initially recorded at cost and amortized on a straight-line basis using the specified periods:

Power Smart programs	10	Years*
Site restoration costs	15	years
Deferred taxes	30	years
Regulatory costs	up to 5	years

*The Power Smart regulatory deferral debit balance includes the differences between actual and planned spending on gas demand side management (DSM) for the 2013 to 2016 fiscal years with a corresponding regulatory deferral credit balance. The disposition of these balances will be determined by the PUB at a future regulatory proceeding.

The purchased gas variance account (PGVA) is recovered or refunded through customer rates over a period determined by the PUB.

The amortization of the loss on disposal of assets, change in depreciation methodologies from average service life (ASL) to equal life group (ELG), deferred ineligible overhead and the impact of the 2014 depreciation study will be determined by the PUB at a future regulatory proceeding.

(b) Revenue recognition

Natural gas revenue is recognized upon delivery to the customer and charged in accordance with rates approved by the PUB. Unbilled revenues are recorded based on an estimated amount of natural gas delivered and not yet billed at year end.

Deferred revenue related to customer contributions is recognized over the life of the related asset for which the contribution was received.

(c) Cost of gas

Natural gas is recorded at purchased cost upon delivery to gas customers.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

(d) Finance expense

Finance expense includes interest on short and long term borrowings and the Provincial Debt Guarantee Fee paid to the Province of Manitoba, foreign exchange gains and losses, offset by interest capitalized for those qualifying assets under construction. All borrowing costs are recognized using the effective interest rate method.

(e) Inventory

Natural gas inventory is valued at average cost.

Natural gas is charged to inventory when purchased and not immediately required for use. This inventory is expensed when used.

(f) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, contracted services, direct labour and interest applied at the weighted average cost of debt outstanding during the period. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

Depreciation is calculated on a straight-line remaining life basis using the ELG procedure.

Distribution systems	10 – 75 years
Other	5 – 100 years

The estimated service lives of the assets are based upon depreciation studies conducted periodically by Centra. A depreciation study was last completed in 2015.

The net gain or loss on retirement of these assets is charged to depreciation in the period incurred and then removed through net movement in regulatory deferral balances to a regulatory debit balance. When the costs of removing an asset from service are incurred to facilitate the installation of a new asset, the costs to remove the asset from service are added to the costs of the new asset. When an asset is retired from service and not replaced with a similar asset, the costs of removing the asset from service are treated similarly to the net gain or loss on retirement of assets.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

(g) Intangible assets

Intangible assets include computer application development costs and land easements. Intangible assets are recorded at cost less accumulated amortization. The cost of computer application development includes software, direct charges for labour, materials, contracted services and interest during development applied at the weighted average cost of debt outstanding during the period. Centra's intangible assets have finite useful lives and are amortized over their useful lives on a straight-line basis with the amortization included in depreciation and amortization expense. The expected useful lives are as follows:

Computer application development	5 - 11 years
Land easements	75 years

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by Centra. A depreciation study was last completed in 2015.

(h) Impairment of non-financial assets

Non-financial assets subject to impairment testing include intangible assets and property, plant and equipment. Centra tests material intangible assets under construction at least annually for impairment. Assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment test is performed by comparing the carrying amount of the asset or cash generating unit (CGU) to its recoverable amount. The recoverable amount is calculated as the higher of the fair value less costs to sell and the present value of the future cash flows from an asset or CGU. Centra has determined its CGU to be at the reporting unit level. This is the lowest level for which there are separately identifiable cash flows as rates for natural gas revenue are set by the PUB at the reporting unit level. An impairment would be recognized as a charge against operations in the year of impairment if the carrying amount exceeded the recoverable amount.

(i) Government grants

Government grants are recognized when there is reasonable assurance they will be received and Centra will comply with the conditions associated with the grant. Government grants that compensate Centra for expenses incurred are recognized in profit or loss in the same period in which the expenses are recognized. Grants that compensate Centra for the cost of an asset are recognized as deferred revenue and are recognized over the service life of the related asset in other revenue.

(j) Financial instruments

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments (other than financial instruments measured at fair value through profit or loss). Transaction costs directly attributable to the acquisition of financial instruments classified as fair value through profit or loss are expensed as incurred. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into loans and receivables or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method of amortization.

Financial assets classified as loans and receivables are subject to impairment testing at the end of each reporting period. Impairment losses are recorded when there is objective evidence that impairment has occurred due to one or more events such as default or delinquency in interest or principal payments, or significant financial difficulty experienced by the counterparty. Trade receivables that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes Centra's past historical loss rates applied to groups for which the historical loss rates were observed.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced with substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability is recorded at fair value. The differences in the respective carrying amounts are recognized as gains or losses in net income.

(k) Foreign currency translation

Revenues and expenses resulting from transactions in foreign currencies are translated to Canadian dollar equivalents at exchange rates approximating those in effect at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Translation gains and losses are credited or charged to finance expense in the current year.

(l) Derivatives

Centra does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the statement of financial position with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with Centra's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

(m) Comprehensive income

Comprehensive income consists of net income and other comprehensive income (OCI). As Centra has no items related to OCI, comprehensive income for the year is equivalent to net income.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

NOTE 4 FUTURE ACCOUNTING PRONOUNCEMENTS

The following new standards and amendments are not yet effective for the year ended March 31, 2016, and have not been applied in preparing these financial statements. Centra does not have any plans to early adopt the new or amended standards and the extent of the impact on adoption of the following standards is not known at this time:

IFRS 9 – *Financial Instruments*

IFRS 9 *Financial Instruments* was finalized in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance for the classification and measurement of financial assets and liabilities, a new expected credit loss model to measure impairment of financial assets and significant improvements in hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and replaces IAS 18 *Revenue* and IFRS Interpretation Committee (IFRIC) 18 *Transfers of Assets from Customers*. The standard provides a single five step model to be applied to all contracts with customers to determine when to recognize revenue and at what amount. The underlying principle of IFRS 15 is that an entity recognizes revenue that shows the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 – *Leases*

IFRS 16 *Leases* was issued in January 2016 and replaces current lease accounting requirements under IFRS. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

Disclosure Initiative

In December 2014, the IASB issued *Disclosure Initiative* (Amendments to IAS 1 *Presentation of Financial Statements*). These amendments improve the existing presentation and disclosure requirements and encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

NOTE 5 TRANSITION TO IFRS

IFRS Exemptions under IFRS 1 First-time Adoption of IFRS

Centra adopted IFRS on April 1, 2015 and applied IFRS 1 for the preparation of these first annual IFRS financial statements. As IFRS requires comparative financial information, Centra has applied IFRS 1 on the transition date of April 1, 2014.

IFRS 1 provides mandatory and optional exemptions to the requirement for full retrospective application of IFRS. Centra has applied the following relevant mandatory and optional exemptions in the opening IFRS statement of financial position:

IFRS mandatory exemption:

Significant estimates

IFRS 1 stipulates that estimates made in accordance with IFRS at the date of transition should be consistent with those estimates under previous generally accepted accounting principles (GAAP). As such, the estimates made under CGAAP were not revised at the transition date except where necessary to reflect differences in accounting policies.

IFRS optional exemptions:

(a) Deemed cost

IFRS 1 provides entities with rate-regulated activities the option to use the carrying amount of property, plant and equipment and intangible asset balances from their previous GAAP as deemed cost upon transition. Carrying amounts under CGAAP were based on cost. Centra has applied this exemption.

(b) Borrowing costs

IFRS 1 provides first-time adopters the option of applying the requirements of IAS 23 *Borrowing Costs* prospectively from the transition date or from an earlier date. IAS 23 requires the interest capitalization rate to be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period. Centra applied the requirements of IAS 23 effective April 1, 2010.

(c) Transfers of assets from customers

Under IFRS 1, entities have the option to apply the requirements of IFRIC 18 *Transfers of Assets from Customers* prospectively from the transition date or from an earlier date. Centra applied these requirements at the transition date. As a result, contributions in aid of construction were reclassified to deferred revenue and are subsequently recognized in other revenue over the lives of the related assets.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

Adjustments to Equity upon Adoption of IFRS

The transition to IFRS generally requires retrospective application of changes in accounting policies resulting from differences from existing GAAP. The following table summarizes the comparative adjustments at April 1, 2014:

	Note	Retained earnings
CGAAP at April 1, 2014		62
Restatement of employee pensions	(a)	(4)
Restatement of employee benefits	(b)	(3)
Total IFRS adjustments		(7)
IFRS at April 1, 2014		55

Employee benefit assets and liabilities are reported on the consolidated statement of financial position of the parent company, Manitoba Hydro, with a portion of the related benefit costs allocated annually to Centra. The following paragraphs summarize the transition adjustments related to employee benefits that were made by Manitoba Hydro as at April 1, 2014.

(a) Restatement of employee pensions

In accordance with IAS 19 *Employee Benefits*, opening retained earnings recognizes the retrospective re-measurement of the interest on the pension assets by applying the discount rate used to measure the pension obligation, in addition to the elimination of the corridor amortization and amortization of plan amendments.

(b) Restatement of employee benefits

Under CGAAP, only legally vested obligations were recorded whereas under IAS 19, employee service gives rise to an obligation regardless of whether the benefits are vested or unvested. As a result, upon transition to IFRS the sick leave vesting and severance obligations require re-measurement. These adjustments have been reflected in retained earnings.

Under IAS 19, re-measurements for employee benefits can no longer be deferred and amortized. Deferrals related to other employee future benefits were adjusted to retained earnings on transition to IFRS.

At April 1, 2014, Centra was allocated its share of the transition adjustments related to employee benefits resulting in an adjustment to retained earnings of $4 million for employee pensions and $3 million for employee benefits.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

NOTE 6 RECONCILIATIONS OF CGAAP TO IFRS

STATEMENT OF FINANCIAL POSITION

As at April 1, 2014	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Assets					
Current Assets					
Accounts receivable and accrued revenue		109	-	-	**109**
Inventory		-	-	-	**-**
		109	-	-	**109**
Property, Plant and Equipment		448		-	**448**
Non-Current Assets					
Intangible assets		8	-	-	**8**
Regulated assets	(i)	124	-	(124)	**-**
		132	-	(124)	**8**
Total assets before regulatory deferral balance		689	-	(124)	**565**
Regulatory deferral balance	(i)	-	-	124	**124**
		689	-	-	**689**
Liabilities and Equity					
Current Liabilities					
Current portion of long-term debt		35	-	-	**35**
Due to parent	A	34	7	-	**41**
Accounts payable and accrued liabilities		107	-	-	**107**
		176	7	-	**183**
Long-Term Debt		270	-	-	**270**
Non-Current Liabilities					
Regulated liabilities	(i)	6	-	(6)	**-**
Refundable advances from customers		12	-	-	**12**
Deferred revenue		42	-	-	**42**
		60	-	(6)	**54**
Total liabilities		506	7	(6)	**507**
Equity					
Share capital		121	-	-	**121**
Retained earnings	A	62	(7)	-	**55**
		183	(7)	-	**176**
Total liabilities and equity before regulatory deferral balance		689	-	(6)	**683**
Regulatory deferral balance	(i)	-	-	6	**6**
		689	-	-	**689**

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

STATEMENT OF FINANCIAL POSITION

As at March 31, 2015	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Assets					
Current Assets					
Accounts receivable and accrued revenue		83	-	-	**83**
Inventory		17	-	-	**17**
		100	-	-	**100**
Property, Plant and Equipment	B, C, D	466	(3)	-	**463**
Non-Current Assets					
Intangible assets		7	-	-	**7**
Regulated assets	(i)	116	-	(116)	**-**
		123	-	(116)	**7**
Total assets before regulatory deferral balance		689	(3)	(116)	**570**
Regulatory deferral balance	(i), D	-	6	116	**122**
		689	3	-	**692**
Liabilities and Equity					
Current Liabilities					
Due to parent	A	79	8	-	**87**
Accounts payable and accrued liabilities		50	-	-	**50**
		129	8	-	**137**
Long-Term Debt		305	-	-	**305**
Non-Current Liabilities					
Regulated liabilities	(i)	6	-	(6)	**-**
Refundable advances from customers		14	-	-	**14**
Deferred revenue		42	-	-	**42**
		62	-	(6)	**56**
Total liabilities		496	8	(6)	**498**
Equity					
Share capital		121	-	-	**121**
Retained earnings	A	72	(6)	-	**66**
		193	(6)	-	**187**
Total liabilities and equity before regulatory deferral balance		689	2	(6)	**685**
Regulatory deferral balance	D, (i)	-	1	6	**7**
		689	3	-	**692**

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
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STATEMENT OF INCOME

For the year ended March 31, 2015	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Revenues					
Domestic		426	-	2	**428**
Other	(ii)	2	-	(1)	**1**
		428	-	1	**429**
Expenses					
Cost of gas sold	D	274	(8)	-	**266**
Finance expense	D	16	3	-	**19**
Operating and administrative	A, C	67	3	-	**70**
Depreciation and amortization	(ii), B, D	29	(8)	1	**22**
Capital and other taxes	D	20	(4)	-	**16**
Corporate allocation		12	-	-	**12**
Other expenses	D	-	10	-	**10**
		418	(4)	1	**415**
Net income before net movement in regulatory balances		10	4	-	**14**
Net movement in regulatory balances	D	-	(3)	-	**(3)**
Net Income		10	1	-	**11**

Adjustments

A. Pensions and benefits

Pension adjustment

Under IFRS the expected return on plan assets is replaced by interest income calculated using the fair value of plan assets with the same discount rate used to measure the pension obligation. Under CGAAP market-related values were used to estimate the expected return on plan assets. This adjustment is reflected in retained earnings.

Under IAS 19, past service costs arise when an entity introduces a new defined benefit plan or change to the benefits payable. These improvements are recognized immediately in profit or loss whereas under CGAAP these costs were deferred and amortized. The requirements of IAS 19 were applied retrospectively with the adjustment reflected in retained earnings.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
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The impacts at April 1, 2014 and March 31, 2015 from this change were as follows:

Impact to statement of financial position:

	March 31, 2015	April 1, 2014
Increase to due to parent	$3 million	$4 million
Decrease to retained earnings	$4 million	$4 million

Impact to statement of income:

	March 31, 2015	April 1, 2014
Decrease to operating and administrative expense	$1 million	-

Benefits adjustment

There are some measurement differences for some of the post-employment benefit liabilities. Under IAS 19, employee service gives rise to an obligation regardless of whether the benefits are vested or unvested for the sick leave vesting and severance liabilities whereas under CGAAP only legally vested liabilities are recorded. For the retiree health spending and long-term disability liabilities, actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are deferred and amortized under CGAAP whereas under IFRS they are expensed as they occur. The impacts at April 1, 2014 and March 31, 2015 from this change were as follows:

Impact to statement of financial position:

	March 31, 2015	April 1, 2014
Increase to due to parent	$4 million	$3 million
Decrease to retained earnings	$3 million	$3 million

Impact to statement of income:

	March 31, 2015	April 1, 2014
Increase to operating and administrative expense	$1 million	-

B. Depreciation valuation

IFRS is more specific than CGAAP with respect to the level of componentization by which assets can be grouped for determining depreciation. In order to comply with the componentization requirements of IAS 16 *Property, Plant and Equipment*, Centra changed from the ASL method of depreciation to the ELG method. The ELG method calculates depreciation with consideration of the different service lives for each of the assets within a component group. In addition to the change to the ELG method, Centra also eliminated the provision for asset decommissioning costs (negative salvage) that was previously included in depreciation rates under CGAAP. The provision represented a high level estimate of the costs to decommission an asset and was utilized to promote intergenerational equity in customer rate setting. The inclusion of this provision in

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
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depreciation rates is not permitted under IFRS. For the year ended March 31, 2015, these changes had the following impacts:

Decrease to depreciation and amortization for the following:

Removal of negative salvage value	($4) million
Depreciation valuation from ASL to ELG	$2 million*
Increase to property, plant and equipment	$2 million

* This impact to depreciation and amortization expense has been deferred as a regulatory debit balance (Note 6, section D).

C. Overhead not eligible for capitalization (ineligible overhead)

IFRS is more explicit than CGAAP with respect to the costs that may be included in the cost of a capital project. IAS 16 and IAS 38 *Intangible Assets* do not permit the capitalization of overhead and administrative costs that are not directly attributable to a capital project. Consequently, Centra no longer capitalizes these costs.

For the year ended March 31, 2015, these changes had the following impacts:

Decrease to property, plant and equipment	$ 2 million
Increase to operating and administrative expense	$ 3 million**

** $1 million of this increase to operating and administrative expense has been deferred as a regulatory debit balance (Note 6, section D).

D. Regulatory deferral account balances

IFRS 14 *Regulatory Deferral Accounts* specifies the financial reporting requirements for regulatory deferral account balances that arise from rate-regulation. This standard requires the statement of income above net movement in regulatory balances to be presented in a manner that does not include the impacts of rate-regulation. As a result, additions to regulatory deferral balances have been expensed in the line items above net movement in regulatory balances and amortization has been removed. Consequently, the additions are ultimately deferred and amortization is recognized through net movement in regulatory balances. This presentation is intended to isolate the movement of regulatory deferral accounts to allow comparability with those entities not applying IFRS 14.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
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The following adjustments were made to the statement of income and statement of financial position:

Additions

Additions to regulatory deferral balances relating to carrying costs have been presented in finance expense. These impacts resulted in an increase to finance expense under IFRS of $2 million for the year ended March 31, 2015.

Additions to regulatory deferral debit balances relating to deferred ineligible overhead resulted in an increase to the regulatory deferral debit balances of $1 million at March 31, 2015.

Additions to regulatory deferral debit balances relating to the change in depreciation method resulted in an increase to the regulatory deferral debit balances of $2 million at March 31, 2015.

Additions to regulatory deferral debit balances relating to the loss on disposal of assets resulted in an increase to regulatory deferral debit balances and a decrease in property, plant and equipment of $3 million at March 31, 2015 with a corresponding increase to depreciation and amortization expense.

Additions to Power Smart programs, site restoration and regulatory costs have been presented in other expenses resulting in an increase to other expenses of $10 million for the year ended March 31, 2015.

Additions to regulatory deferral credit balances relating to the impact of the 2014 depreciation study have been presented in depreciation and amortization resulting in a decrease in depreciation and amortization expense and an increase in regulatory deferral credit balances of $1 million at March 31, 2015.

Amortization

Amortization of regulatory deferral balances have been removed from depreciation and amortization under IFRS resulting in a decrease of $9 million for the year ended March 31, 2015.

Amortization of deferred taxes has been removed from capital and other taxes under IFRS resulting in a decrease of $4 million for the year ended March 31, 2015.

Recovery or reversal of the PGVA

Cost of gas sold under CGAAP was calculated based on rates approved by the PUB. IFRS 14 requires the regulatory impacts on cost of gas sold to be removed to reflect actual commodity costs. The March 31, 2015 impact of removing regulatory impacts from cost of gas sold is a reduction in cost of gas sold of $8 million. Carrying costs have been presented in finance expense resulting in an increase to finance expense under IFRS of $1 million for the year ended March 31, 2015.

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Net movement in regulatory deferral balances was impacted by these required changes for the year ended March 31, 2015 as follows:

Additions	
Finance expense	2
Operating and administrative expense	1
Depreciation and amortization expense	4
Other expenses	10
	17
Amortization	
Depreciation and amortization	(9)
Capital and other taxes	(4)
	(13)
Recovery or reversal of the PGVA	
Cost of gas sold	(8)
Finance expense	1
	(7)
Net impact to net movement in regulatory balances	(3)

Reclassifications

i. Presentation of Regulatory Deferral Accounts

IFRS 14 requires separate disclosure in the statement of financial position for the total of all regulatory deferral debit balances and the total of all regulatory deferral credit balances. As such, amounts presented as regulated assets and regulated liabilities under CGAAP have been reclassified to regulatory deferral debit and regulatory deferral credit balances on the statement of financial position. This resulted in decreases in the regulated assets balance by $124 million and $116 million at April 1, 2014 and March 31, 2015, respectively with corresponding increases to the regulatory deferral debit balance. Regulated liabilities also decreased by $6 million and $6 million at April 1, 2014 and March 31, 2015, respectively with a corresponding increase to the regulatory deferral credit balance.

ii. Deferred revenue

Under IFRIC 18 contributions in aid of construction are initially recorded as deferred revenue and subsequently recognized in revenue over the life of the related asset. Under CGAAP, amortization of contributions was recognized in depreciation and amortization. This reclassification resulted in an increase in other revenue of $1 million for the year ended March 31, 2015 with a corresponding increase to depreciation and amortization.

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The following table provides the impact on the statement of cash flows:

STATEMENT OF CASH FLOWS

For the year ended March 31, 2015	CGAAP	Effect of Transition	**IFRS**
Cash provided by (used for) operating activities	2	(5)	**(3)**
Cash used for investing activities	(47)	5	**(42)**

The changes in classification of cash flows under IFRS are primarily due to the reclassification of adjustments relating to regulatory balances within operating activities and investing activities related to ineligible overhead, change in depreciation method from ASL to ELG, meter exchanges and loss on disposal of assets.

NOTE 7 FINANCE EXPENSE

	2016	2015
Interest on debt	**14**	14
Provincial Guarantee Fee	**4**	3
Other	**2**	2
	20	19

The Provincial Guarantee Fee during the year was equivalent to 1.0% of Centra's total outstanding debt (2015 – 1%).

NOTE 8 OPERATING AND ADMINISTRATIVE

	2016	2015
Salaries and benefits	**50**	52
External services	**10**	11
Materials, motor vehicles and supplies	**5**	5
Other	**2**	2
	67	70

Additional salaries and benefits are included in other expenses (Note 12) in the amount of $3 million (2015 - $2 million).

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NOTE 9 DEPRECIATION AND AMORTIZATION

	2016	2015
Depreciation of property, plant and equipment (Note 15)	**17**	16
Amortization of intangible assets (Note 16)	**3**	3
Loss on disposal of property, plant and equipment	**3**	3
	23	22

Included in the expense above is depreciation and amortization on common infrastructure assets which are allocated to Centra. These common infrastructure assets are not carried on Centra's financial statements as these assets reside on the financial statements of the parent company, Manitoba Hydro.

NOTE 10 CAPITAL AND OTHER TAXES

	2016	2015
Property tax and grants in lieu of tax	**12**	12
Corporate capital tax	**3**	3
Payroll tax	**1**	1
	16	16

NOTE 11 CORPORATE ALLOCATION

Financing costs related to the acquisition of Centra are allocated between Manitoba Hydro natural gas and electricity operations in accordance with the synergies and benefits derived by each Manitoba Hydro segment at the time of acquisition.

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NOTE 12 OTHER EXPENSES

	2016	2015
Power Smart programs	**10**	9
Miscellaneous	-	1
	10	10

Of the total other expenses, $10 million (2015 – $10 million) are subsequently deferred in regulatory deferral balances through net movement in regulatory balances (Note 17).

NOTE 13 ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

	March 31, 2016	March 31, 2015	April 1, 2014
Trade accounts receivable	**40**	64	80
Accrued revenue	**15**	20	29
Taxes receivable	**1**	1	2
Allowance for doubtful accounts	**(3)**	(2)	(2)
	53	83	109

NOTE 14 NATURAL GAS INVENTORY

Natural gas inventory recognized as an expense during the year was $22 million (2015 - $51 million). The write-down of inventory during 2016 was nil (2015 – nil). No reversals of write-downs occurred during the year (2015 – nil).

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NOTE 15 PROPERTY, PLANT AND EQUIPMENT

	Distribution systems	Other	Construction in progress	Total
Cost or deemed cost				
Balance, April 1, 2014	441	3	4	448
Additions	25	-	4	29
Disposals and/or retirements	(2)	-	-	(2)
Assets placed in service*	2	-	(2)	-
Balance, March 31, 2015	466	3	6	475
Additions	31	-	10	41
Disposals and/or retirements	(3)	-	-	(3)
Assets placed in service*	4	-	(4)	-
Balance, March 31, 2016	**498**	**3**	**12**	**513**
Accumulated depreciation				
Balance, April 1, 2014	-	-	-	-
Depreciation expense	14	-	-	14
Disposals and/or retirements	(2)	-	-	(2)
Balance, March 31, 2015	12	-	-	12
Depreciation expense	15	-	-	15
Disposals and/or retirements	(2)	-	-	(2)
Balance, March 31, 2016	**25**	**-**	**-**	**25**
Net book value				
Balance, April 1, 2014	441	3	4	448
Balance, March 31, 2015	454	3	6	463
Balance, March 31, 2016	**473**	**3**	**12**	**488**

*Represents projects that were in "Construction in progress" at the beginning of the year.

As at April 1, 2014, Centra applied the deemed cost exemption that is available under IFRS 1. This exemption allows rate-regulated entities that are first-time adopters of IFRS the option to use the carrying amount of property, plant and equipment from their previous GAAP as deemed cost upon transition. The application of this exemption to these balances resulted in an opening accumulated depreciation balance of zero for property, plant and equipment as at April 1, 2014.

Included in additions is interest capitalized during construction of $0.3 million.

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NOTE 16 INTANGIBLE ASSETS

	Computer application development	Land easements	Under development	Total
Cost or deemed cost				
Balance, April 1, 2014	4	4	-	8
Additions	-	-	-	-
Disposals and/or retirements	-	-	-	-
Assets placed in service	-	-	-	-
Balance, March 31, 2015	4	4	-	8
Additions	-	1	-	1
Disposals and/or retirements	(1)	-	-	(1)
Assets placed in service	-	-	-	-
Balance, March 31, 2016	**3**	**5**	**-**	**8**
Accumulated amortization				
Balance, April 1, 2014	-	-	-	-
Amortization	1	-	-	1
Disposals and/or retirements	-	-	-	-
Balance, March 31, 2015	1	-	-	1
Amortization	1	-	-	1
Disposals and/or retirements	(1)	-	-	(1)
Balance, March 31, 2016	**1**	**-**	**-**	**1**
Net book value				
Balance, April 1, 2014	4	4	-	8
Balance, March 31, 2015	3	4	-	7
Balance, March 31, 2016	**2**	**5**	**-**	**7**

Centra applied the deemed cost exemption available under IFRS 1 as at April 1, 2014 which allows first-time adopters of IFRS subject to rate regulation the option to use the carrying amount of intangible asset balances from their previous GAAP as deemed cost upon transition. Applying this exemption resulted in an opening accumulated amortization balance of zero for intangible assets as at April 1, 2014.

Computer application development is a combination of internally generated and externally acquired intangible assets.

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NOTE 17 REGULATORY DEFERRAL BALANCES

	March 31, 2015	Balances arising in the year	Recovery / reversal	**March 31, 2016**	Remaining recovery / reversal period
					(years)
Regulatory deferral debit balances					
Power Smart programs[1]	55	10	(8)	**57**	1 - 10
PGVA	32	181	(213)	**-**	*
Deferred taxes	25	2	(4)	**23**	1 - 30
Site restoration	3	-	-	**3**	1 - 15
Loss on disposal of assets	3	3	-	**6**	**
Change in depreciation method	2	2	-	**4**	**
Regulatory costs	1	1	(1)	**1**	1 - 5
Deferred ineligible overhead	1	1	-	**2**	**
	122	200	(226)	**96**	
Regulatory deferral credit balances					
DSM deferral	6	-	-	**6**	**
PGVA	-	-	1	**1**	*
Impact of 2014 depreciation study	1	1	-	**2**	**
	7	1	1	**9**	
Net movement in regulatory balances		199	(227)	**(28)**	

[1] Included in Power Smart programs is the difference between actual and planned expenditures for gas DSM programs.

* The PGVA is recovered or refunded in future rates.

** The amortization periods for these accounts will be determined by the PUB as part of a future regulatory proceeding.

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	April 1, 2014	Balances arising in the year	Recovery / reversal	March 31, 2015	Remaining recovery / reversal period *(years)*
Regulatory deferral debit balances					
Power Smart programs[1]	54	9	(8)	55	1 - 10
PGVA	39	266	(273)	32	*
Deferred taxes	27	2	(4)	25	1 - 30
Site restoration	3	-	-	3	1 - 15
Loss on disposal of assets	-	3	-	3	**
Change in depreciation method	-	2	-	2	**
Regulatory costs	1	1	(1)	1	1 - 5
Deferred ineligible overhead	-	1	-	1	**
	124	284	(286)	122	
Regulatory deferral credit balances					
DSM deferral	6	-	-	6	**
Impact of 2014 depreciation study	-	1	-	1	**
	6	1	-	7	
Net movement in regulatory balances		283	(286)	(3)	

[1] Included in Power Smart programs is the difference between actual and planned expenditures for gas DSM programs.

* The PGVA is recovered or refunded in future rates.

** The amortization periods for these accounts will be determined by the PUB as part of a future regulatory proceeding.

The balances arising in the year consist of additions to regulatory deferral balances. The recovery/reversal consists of amounts recovered from customers through the amortization of existing regulatory balances or rate riders. The net impact of these transactions results in the net movement of regulatory deferral balances on the statement of income.

Balances arising in the year include $2 million (2015 - $3 million) for carrying costs on deferred taxes and the PGVA.

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The regulatory deferral debit balances of Centra consist of the following:

Power Smart program expenditures are incurred for energy conservation programs to encourage residential, commercial and industrial customers to use energy more efficiently.

Deferred taxes are the taxes paid by Centra (July 1999) as a result of its change to non-taxable status upon acquisition by Manitoba Hydro.

Site restoration expenditures are incurred for the remediation of contaminated Centra facilities.

Loss on disposal of assets is the net asset retirement losses for those assets retired prior to or subsequent to reaching their expected service life as determined under the ELG method of depreciation.

Change in depreciation method represents the cumulative annual difference in depreciation expense between the ASL method of depreciation as applied by Centra prior to its transition to IFRS and the ELG method as applied by Centra under IFRS.

Regulatory costs are incurred as a result of gas regulatory hearings.

Consistent with its parent company Manitoba Hydro, Centra is deferring the annual difference in overhead capitalized for financial reporting purposes under IFRS and overhead capitalized for rate setting purposes.

The regulatory deferral credit balances of Centra consist of the following:

Demand side management (DSM) deferral - In Order 85/13, the PUB directed that the differences between actual and planned spending on gas Power Smart programs for the 2012-13 and 2013-14 fiscal years be recognized as a liability. There were no differences in fiscal 2014-15 and 2015-16 spending to be added to this deferral. The cumulative differences have been recorded as a regulatory deferral account credit balance with an offsetting balance recorded as a regulatory deferral debit balance. The disposition of these balances will be determined by the PUB at a future regulatory proceeding.

Purchased gas variance accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. Purchased gas variance accounts are reflected as regulatory debit or credits depending if the amounts represent a recovery from or a refund to the customers, respectively.

Impact of 2014 depreciation study represents the cumulative unamortized difference in depreciation between the ASL method based on the 2010 depreciation study and the ASL method based on the 2014 depreciation study. The PUB requires the use of 2010 ASL depreciation rates for Centra for rate setting purposes pending review at the next gas regulatory proceeding.

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NOTE 18 LONG-TERM DEBT

Balance, April 1, 2014	270
Issues	35
Maturities	-
Amortization of transaction costs	-
Balance, March 31, 2015	305
Issues	35
Maturities	-
Amortization of transaction costs	-
	340
Less: current portion	-
Balance, March 31, 2016	**340**

Long-term debt is comprised of long-term advances from Centra's parent company, Manitoba Hydro. During the year, Centra arranged long-term financing of $35 million (2015 - $35 million).

Debt principal repayment amounts and related yields are summarized by fiscal years of maturity in the following table:

Years of maturity	Principal	Weighted average yield rate	**2016 Total**	2015 Total
2017	-		-	-
2018	-		-	-
2019	-		-	-
2020	-		-	-
	-		-	-
2021-2025	30	3.26%	**30**	30
2026-2030	65	3.78%	**65**	30
2031-2035	80	4.88%	**80**	80
2036-2040	110	4.74%	**110**	110
2041-2045	20	3.41%	**20**	20
2046-2050	35	2.90%	**35**	35
	340	4.20%	**340**	305

NOTE 19 DUE TO PARENT

Centra's short-term funding is provided by Manitoba Hydro with interest calculated at the three-month T-Bill rate plus a 1% allocation related to the Provincial Debt Guarantee Fee. The effective rate for the year was 0.49% (2015 – 0.84%). There are no fixed repayment terms.

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NOTE 20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2016	March 31, 2015	April 1, 2014
Trade and other payables	**37**	40	96
Taxes payable	**7**	9	10
Employee payroll and benefit accruals	**1**	1	1
	45	50	107

Included in accounts payable and accrued liabilities are accruals based on an estimated amount of services completed or goods and materials received but not invoiced.

NOTE 21 DEFERRED REVENUE

Deferred revenue is comprised of contributions in aid of construction which are required from customers whenever the costs of extending service exceed specified construction allowances. These contributions include government grants. Contributions are initially recorded as deferred revenue and are subsequently recognized as revenue over the lives of the related assets.

NOTE 22 FINANCIAL INSTRUMENTS

The carrying values and fair values of Centra's non-derivative financial instruments were as follows:

		March 31, 2016		March 31, 2015		April 1, 2014	
	Level	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Loans and receivables							
Accounts receivable and accrued revenue	*	**53**	**53**	83	83	109	109
Other financial liabilities							
Accounts payable and accrued liabilities	*	**25**	**25**	31	31	89	89
Due to parent	*	**40**	**40**	87	87	41	41
Long-term debt (including current portion)	2	**340**	**394**	305	378	305	334

* carried at values that approximate fair value

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The fair value measurement of financial instruments is classified in accordance with a three-level hierarchy, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Fair value Level 2 measurements are derived from quoted market yields at the close of business on the statement of financial position date for similar instruments available in the capital market. The carrying values of all other financial assets and liabilities approximate their fair values.

Financial Risks

During the normal course of business, Centra is exposed to a number of financial risks including credit and liquidity risks and market risk resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by Centra to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed and reviewed by the Audit Committee of the Centra Board to ensure the adequacy of the risk management framework in relation to the risks faced by Centra. The nature of the financial risks and Centra's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Centra is exposed to credit risk related to domestic energy sales. Credit risk related to domestic sales is mitigated by the large and diversified gas customer base. The maximum exposure to credit risk related to domestic energy sales is its fair value.

The values of Centra's aged accounts receivable and related allowance for doubtful accounts are presented in the following table:

	March 31, 2016	March 31, 2015	April 1, 2014
Under 30 days	**34**	56	72
31 to 60 days	**3**	4	4
61 to 90 days	**1**	2	2
Over 90 days	**2**	2	2
	40	64	80
Allowance for doubtful accounts	**(3)**	(2)	(2)
Total accounts receivable	**37**	62	78

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The allowance for doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible.

b) Liquidity Risk

Liquidity risk refers to the risk that Centra will not be able to meet its financial obligations as they come due. Centra meets its financial obligations when due through cash generated from operations as well as short-term borrowings and long-term borrowings advanced from Manitoba Hydro.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities as at the statement of financial position date:

	Carrying value	2017	2018	2019	2020	2021	2022 and thereafter
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	45	45	-	-	-	-	-
Due to parent	40	40	-	-	-	-	-
Long-term debt (including current portion)	340	14	14	14	14	14	532
		99	14	14	14	14	532

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Centra is exposed to interest rate risk and commodity price risk associated with the price of natural gas.

(i) Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Centra is exposed to interest rate risk associated with amounts due to the parent company, floating rate long-term debt, fixed rate long-term debt maturing within 12 months, and the purchased gas variance accounts, offset by the change in interest capitalization. As at March 31, 2016, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively by $0.3 million (2015 - $0.4 million).

(ii) Commodity Price Risk

Centra is exposed to commodity price risk through its purchase of natural gas for delivery to customers throughout Manitoba. Centra mitigates commodity price risk for its fixed rate service with the limited use of natural gas price swaps. At March 31, 2016, there was an immaterial unrealized fair value of natural gas derivative contracts (2015 – nil).

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NOTE 23 SHARE CAPITAL

	March 31, 2016	March 31, 2015	April 1, 2014
Share capital			
Authorized			
Unlimited number of common shares			
Issued			
1 505 common shares	**121**	121	121

NOTE 24 CAPITAL MANAGEMENT

Centra manages its capital structure to ensure that there is sufficient retained earnings to absorb the financial effects of adverse circumstances. Centra's capital requirements are met through cash generated from operations as well as short-term funding and long-term advances from its parent company, Manitoba Hydro.

NOTE 25 RELATED PARTIES

Centra is a wholly owned subsidiary of Manitoba Hydro, a Crown corporation controlled by the Province of Manitoba. As a result, Centra has a related party relationship with its parent, Manitoba Hydro, other subsidiaries of Manitoba Hydro, and all entities that are controlled, jointly controlled or significantly influenced by the Province of Manitoba.

As Centra's operations are significantly integrated with the operations of Manitoba Hydro, substantially all of Centra's cash receipts and disbursements are received or issued through Manitoba Hydro with the exception of transactions directly related to the purchase of natural gas. Related party transactions with its parent include operating and administrative costs, interest on advances and depreciation and amortization on common infrastructure assets.

Key management personnel compensation

Key management personnel services are provided to Centra by the Board of Directors and senior officers of Manitoba Hydro. Amounts incurred by Centra during the year for the provision of key management personnel services provided by Manitoba Hydro are immaterial (2015 – immaterial).

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NOTE 26 COMMITMENTS AND CONTINGENCIES

Centra has energy purchase commitments of $181 million (2015 - $199 million) that relate to future purchases of natural gas (including transportation and storage contracts), which expire in 2020.

Due to the size, complexity and nature of Centra's operations, various legal and operational matters are pending. Management believes that any settlements related to these matters will not have an adverse effect on Centra's financial position or results of operations.

GAS OPERATIONS (CGM16)
PROJECTED OPERATING STATEMENT
CGM16 with Reversion of Non-Gas Rates
(In Millions of Dollars)

For the year ended March 31	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
REVENUES											
Domestic Revenue	346	363	387	380	380	381	380	380	379	378	378
Furnace Replacement Program	(4)	(4)	(4)	0	0	0	0	0	0	0	0
at approved rates	342	360	383	380	380	381	380	380	379	378	378
additional revenue requirement*	0	0	0	0	3	4	8	13	17	18	23
	342	360	383	380	384	385	389	393	396	396	401
Cost of Gas Sold	192	228	228	228	228	228	227	226	226	225	224
Gross Margin	150	131	155	152	155	157	161	166	171	171	177
Other	2	2	2	2	2	2	2	2	2	2	2
	152	133	157	153	157	158	163	168	172	173	179
EXPENSES											
Operating and Administrative	68	67	60	61	62	63	64	65	66	68	69
Finance Expense	19	20	21	22	23	24	25	26	26	27	28
Depreciation and Amortization	22	23	24	25	26	27	28	29	30	31	33
Capital and Other Taxes	16	16	17	17	18	18	18	19	19	19	20
Other Expenses	11	16	13	13	14	12	12	12	12	12	12
Corporate Allocation	12	12	12	12	12	12	12	12	12	12	12
	147	154	147	151	154	155	158	162	165	169	173
Net Income before Net Movement in Reg. Deferral	4	(21)	9	3	3	3	5	6	7	4	6
Net Movement in Regulatory Deferral	(5)	20	(6)	1	0	(1)	(2)	(3)	(4)	(3)	(3)
Net Income	(0)	(1)	3	4	4	2	3	3	3	2	3
* Additional Revenue Requirement											
Percent Increase	0.00%	-1.00%	0.00%	0.00%	1.00%	0.00%	1.50%	1.25%	1.00%	0.00%	1.75%
Cumulative Percent Increase	0.00%	-1.00%	-1.00%	-1.00%	-0.01%	-0.01%	1.49%	2.76%	3.79%	3.79%	5.60%
Financial Ratios											
Equity (PUB Approved Methodology)	32%	31%	30%	30%	30%	30%	29%	29%	29%	29%	29%
EBITDA Interest Coverage	2.55	2.61	2.91	2.91	2.90	2.78	2.79	2.79	2.82	2.72	2.73
Capital Coverage	0.76	0.33	1.02	0.89	0.90	0.84	0.86	0.94	0.88	0.84	0.89

GAS OPERATIONS (CGM16)
PROJECTED BALANCE SHEET
CGM16 with Reversion of Non-Gas Rates
(In Millions of Dollars)

For the year ended March 31	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
ASSETS											
Plant in Service	559	592	626	656	688	721	757	791	830	869	908
Accumulated Depreciation	(40)	(56)	(72)	(89)	(107)	(125)	(144)	(164)	(185)	(207)	(229)
Net Plant in Service	518	536	554	567	581	596	612	626	645	662	679
Construction in Progress	5	4	4	4	4	4	4	4	4	4	4
Current and Other Assets	76	76	76	76	76	76	76	76	76	76	76
Goodwill and Intangible Assets	8	8	7	7	6	6	6	6	6	6	6
Total Assets before Regulatory Deferral	608	624	641	653	667	682	699	713	731	748	765
Regulatory Deferral Balance	100	112	106	106	106	104	101	97	93	91	88
	708	737	747	759	773	786	800	810	824	839	853
LIABILITIES AND EQUITY											
Long-Term Debt	370	400	390	420	430	420	450	460	435	485	495
Current and Other Liabilities	91	97	113	92	92	112	91	89	124	87	87
Provisions	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	44	45	47	48	48	50	52	53	53	54	54
Share Capital	121	121	121	121	121	121	121	121	121	121	121
Retained Earnings	64	64	67	70	74	76	79	82	85	87	90
Total Liabilities and Equity before Regulatory Deferral	691	727	738	751	766	779	794	804	819	834	848
Regulatory Deferral Balance	17	9	9	8	7	7	6	5	5	5	5
	708	737	747	759	773	786	800	810	824	839	853
Equity (PUB Approved Methodology)	32%	31%	30%	30%	30%	30%	29%	29%	29%	29%	29%

GAS OPERATIONS (CGM16)
PROJECTED CASH FLOW STATEMENT
CGM16 with Reversion of Non-Gas Rates
(In Millions of Dollars)

For the year ended March 31	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
OPERATING ACTIVITIES											
Cash Receipts from Customers	374	394	418	411	415	416	420	425	428	428	434
Cash Paid to Suppliers and Employees	(310)	(361)	(352)	(353)	(355)	(356)	(357)	(358)	(359)	(360)	(362)
Interest Paid	(19)	(20)	(21)	(22)	(22)	(23)	(24)	(25)	(26)	(26)	(28)
	46	14	45	36	38	37	39	41	43	42	45
FINANCING ACTIVITIES											
Proceeds from Long-Term Debt	30	30	10	30	10	10	40	10	10	50	10
Retirement of Long-Term Debt	0	0	0	(20)	0	0	(20)	(10)	0	(35)	0
Other	0	0	0	0	0	0	0	0	0	0	0
	30	30	10	10	10	10	20	-	10	15	10
INVESTING ACTIVITIES											
Property, Plant and Equipment, net of contributions	(63)	(46)	(47)	(44)	(46)	(47)	(49)	(47)	(53)	(53)	(53)
Other	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(2)	(1)	(1)	(1)
	(65)	(48)	(50)	(47)	(49)	(50)	(52)	(50)	(54)	(54)	(54)
Net Increase (Decrease) in Cash	10	(5)	5	(1)	(2)	(3)	8	(8)	(0)	3	0
Cash at Beginning of Year	(40)	(30)	(34)	(29)	(30)	(32)	(35)	(27)	(36)	(36)	(33)
Cash at End of Year	(30)	(34)	(29)	(30)	(32)	(35)	(27)	(36)	(36)	(33)	(33)

GAS OPERATIONS (CGM16)
PROJECTED OPERATING STATEMENT
CGM16 with No Reversion of Non-Gas Rates
(In Millions of Dollars)

For the year ended March 31	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
REVENUES											
Domestic Revenue	346	366	390	383	384	385	384	383	382	382	381
Furnace Replacement Program	(4)	(4)	(4)	0	0	0	0	0	0	0	0
at approved rates	342	363	386	383	384	385	384	383	382	382	381
additional revenue requirement*	0	0	0	0	0	0	5	10	14	14	19
	342	363	386	383	384	385	388	393	396	396	400
Cost of Gas Sold	192	228	228	228	228	228	227	226	226	225	224
Gross Margin	150	134	158	155	156	156	161	166	170	171	176
Other	2	2	2	2	2	2	2	2	2	2	2
	152	136	160	157	158	158	163	168	172	173	178
EXPENSES											
Operating and Administrative	68	67	60	61	62	63	64	65	66	68	69
Finance Expense	19	20	21	22	23	23	24	25	26	26	28
Depreciation and Amortization	22	23	24	25	26	27	28	29	30	31	33
Capital and Other Taxes	16	16	17	17	18	18	18	19	19	19	20
Other Expenses	11	16	13	13	14	12	12	12	12	12	12
Corporate Allocation	12	12	12	12	12	12	12	12	12	12	12
	147	154	147	150	153	155	158	162	165	169	173
Net Income before Net Movement in Reg. Deferral	4	(18)	13	7	4	3	5	6	7	4	5
Net Movement in Regulatory Deferral	(5)	20	(6)	1	0	(1)	(2)	(3)	(4)	(3)	(3)
Net Income	(0)	2	7	7	5	2	3	3	3	2	3
* Additional Revenue Requirement											
Percent Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.50%	1.25%	1.00%	0.00%	1.50%
Cumulative Percent Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.50%	2.77%	3.80%	3.80%	5.35%
Financial Ratios											
Equity (PUB Approved Methodology)	32%	31%	31%	31%	31%	31%	31%	31%	31%	31%	30%
EBITDA Interest Coverage	2.55	2.77	3.10	3.12	2.98	2.83	2.83	2.85	2.87	2.76	2.74
Capital Coverage	0.76	0.40	1.10	0.98	0.92	0.85	0.86	0.95	0.88	0.84	0.88

GAS OPERATIONS (CGM16)
PROJECTED BALANCE SHEET
CGM16 with No Reversion of Non-Gas Rates
(In Millions of Dollars)

For the year ended March 31	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
ASSETS											
Plant in Service	559	592	626	656	688	721	757	791	830	869	908
Accumulated Depreciation	(40)	(56)	(72)	(89)	(107)	(125)	(144)	(164)	(185)	(207)	(229)
Net Plant in Service	518	536	554	567	581	596	612	626	645	662	679
Construction in Progress	5	4	4	4	4	4	4	4	4	4	4
Current and Other Assets	76	76	76	76	76	76	76	76	76	76	76
Goodwill and Intangible Assets	8	8	7	7	6	6	6	6	6	6	6
Total Assets before Regulatory Deferral	608	624	641	653	667	682	699	713	731	748	765
Regulatory Deferral Balance	100	112	106	106	106	104	101	97	93	91	88
	708	737	747	759	773	786	800	810	824	839	853
LIABILITIES AND EQUITY											
Long-Term Debt	370	400	380	410	420	410	430	450	425	475	485
Current and Other Liabilities	91	94	116	91	91	110	100	87	122	84	85
Provisions	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	44	45	47	48	48	50	52	53	53	54	54
Share Capital	121	121	121	121	121	121	121	121	121	121	121
Retained Earnings	64	67	73	81	85	88	91	94	97	99	102
Total Liabilities and Equity before Regulatory Deferral	691	727	738	751	766	779	794	804	819	834	848
Regulatory Deferral Balance	17	9	9	8	7	7	6	5	5	5	5
	708	737	747	759	773	786	800	810	824	839	853
Equity (PUB Approved Methodology)	32%	31%	31%	31%	31%	31%	31%	31%	31%	31%	30%

GAS OPERATIONS (CGM16)
PROJECTED CASH FLOW STATEMENT
CGM16 with No Reversion of Non-Gas Rates
(In Millions of Dollars)

For the year ended March 31	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
OPERATING ACTIVITIES											
Cash Receipts from Customers	374	397	421	414	415	416	420	425	428	428	432
Cash Paid to Suppliers and Employees	(310)	(361)	(352)	(354)	(355)	(356)	(357)	(358)	(359)	(360)	(361)
Interest Paid	(19)	(20)	(21)	(21)	(22)	(23)	(24)	(25)	(25)	(26)	(27)
	46	17	48	39	38	37	39	42	44	42	44
FINANCING ACTIVITIES											
Proceeds from Long-Term Debt	30	30	0	30	10	10	30	20	10	50	10
Retirement of Long-Term Debt	0	0	0	(20)	0	0	(20)	(10)	0	(35)	0
Other	0	0	0	0	0	0	0	0	0	0	0
	30	30	-	10	10	10	10	10	10	15	10
INVESTING ACTIVITIES											
Property, Plant and Equipment, net of contributions	(63)	(46)	(47)	(44)	(46)	(47)	(49)	(47)	(53)	(53)	(53)
Other	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(2)	(1)	(1)	(1)
	(65)	(48)	(50)	(47)	(49)	(50)	(52)	(50)	(54)	(54)	(54)
Net Increase (Decrease) in Cash	10	(2)	(1)	3	(1)	(3)	(2)	2	(0)	3	(0)
Cash at Beginning of Year	(40)	(30)	(31)	(33)	(30)	(31)	(33)	(36)	(33)	(34)	(31)
Cash at End of Year	(30)	(31)	(33)	(30)	(31)	(33)	(36)	(33)	(34)	(31)	(31)

Centra Gas Manitoba Inc.
Attachment 5

Actual and Forecast Net Income and Retained Earnings

($000's)

	CGAAP				IFRS							
	Actual	**Weather Normalized**	**Actual**	**Weather Normalized**	**Actual**	**Weather Normalized**	**Actual**	**Weather Normalized**	**Forecast CGM16**	**Weather Normalized**	**Forecast CGM16**	
	2012/13		**2013/14**		**2014/15**		**2015/16**		**2016/17** Note 1		**2017/18**	
Revenue	327,724	327,724	412,674	412,674	427,832	427,832	353,545	353,545	342,092	342,092	359,594	
Weather Impact on Net Income	-	[redacted]	-	[redacted]	-	[redacted]	-	[redacted]	-	[redacted]	-	1d
	327,724		412,674		427,832		353,545		342,092		359,594	1e
Cost of Sales *(* Note 2 *- Purchased Gas Cost)*	181,636	181,636	251,733	251,733	265,499	265,499	181,121	181,121	191,890	191,890	228,247	
Gross Margin	146,088	[redacted]	160,941	[redacted]	162,333	[redacted]	172,424	[redacted]	150,202	[redacted]	131,347	1e
Other Income	1,296	1,296	1,598	1,598	1,485	1,485	1,510	1,510	1,621	1,621	1,631	
	147,384	[redacted]	162,539	[redacted]	163,818	[redacted]	173,934	[redacted]	151,823	[redacted]	132,978	1e
Expenses	139,574	139,574	142,746	142,746	149,687	149,687	147,877	147,877	147,468	147,468	154,321	
Net Movement in Regulatory Deferral Account					3,091	3,091	27,483	27,483	4,841	4,841	(20,481)	
Net Income (Loss)	7,810	[redacted]	19,793	[redacted]	11,040	[redacted]	(1,426)	[redacted]	(486)	[redacted]	(862)	1e
Retained Earnings	42,111		61,904		66,378		64,952		64,466		63,604	
Gross Margin *(calculated using WACOG)*					153,927	153,099	139,045	149,726	142,808	151,501	147,467	

Note 1

CGM16 was approved April 28, 2017, with actual values updated through February 2017 for 2016/17

Note 2

For 2014/15 and going forward, Cost of Sales is Purchased Gas Cost as per the requirements of IFRS. The difference between Purchased Gas Cost and WACOG is recognized through Net Movement in Regulatory Deferral Accounts and is recorded as a regulatory debit or credit on the Statement of Financial Position. See note 6 to Centra's Financial Statements for Year Ending March 31, 2016.

$ in (000's) except Cost per Customer

	CGAAP 2012/13 Actual	CGAAP 2013/14 Actual	Compounded Annual Increase from 2012/13 to 2013/14 %	IFRS 2014/15 Actual	IFRS 2015/16 Actual	IFRS 2016/17 Forecast	Compounded Annual Increase from 2014/15 to 2016/17 %
Centra O&A	$ 63,735	$ 66,810	4.8	$ 70,355	$ 66,607	$ 67,818	(1.8)
Less:							
CGAAP Accounting Policy Changes	3,343	3,410					
Changes in Discount Rate on Pension & Benefits	1,887	3,458					
Centra O&A after adjusting for Changes in Accounting Policy and Changes in the Discount Rate	58,505	59,942	2.5	70,355	66,607	67,818	(1.8)
% Increase		2.46%			-5.33%	1.82%	
Number of Customers	269,786	272,228		274,817	276,858	[redacted]	
		0.91%			0.74%		
Before Adjustments for Accounting Changes:							
Cost per Customer	236	245		256	241	[redacted]	
% Increase (Decrease)		3.88%			-6.03%		
After Adjustments for Accounting Changes:							
Cost per Customer	217	220		256	241	[redacted]	
% Increase (Decrease)		1.54%			-6.03%		
Canadian CPI	2.20%	1.10%			1.20%	1.80%	

CEF16 NATURAL GAS SEGMENT (in millions of dollars)	2017 Outlook	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2017 10 Year Total	20 Year Total
CAPITAL EXPENDITURES													
Marketing & Customer Service													
Executing Projects													
Projects between $2 Million & $50 Million													
CentrePort Canada - Phase 1	0.7	-	-	-	-	-	-	-	-	-	-	-	0.7
MP Monitoring System Replacement	1.6	1.1	0.3	-	-	-	-	-	-	-	-	1.3	3.0
Natural Gas Trailer Filling Station	3.4	-	-	-	-	-	-	-	-	-	-	-	3.4
St. Pierre Transmission Pipeline Upgrade	0.7	1.4	-	-	-	-	-	-	-	-	-	1.4	2.0
Transcona Medium Pressure Natural Gas System Upgrade	1.8	0.3	-	-	-	-	-	-	-	-	-	0.3	2.1
Winnipeg North West Upgrade - Phase 2	17.1	-	-	-	-	-	-	-	-	-	-	-	17.1
	25.3	2.7	0.3	-	-	-	-	-	-	-	-	3.0	28.3
Programs													
Marketing & Customer Service Domestic	31.3	34.3	42.8	43.7	44.6	45.5	46.4	47.3	48.2	49.2	50.2	452.1	982.7
	31.3	34.3	42.8	43.7	44.6	45.5	46.4	47.3	48.2	49.2	50.2	452.1	982.7
Portfolio Adjustments	(5.7)	(6.0)	(10.7)	(14.5)	(13.5)	(12.7)	(11.2)	(13.8)	(9.2)	(10.3)	(10.6)	(112.4)	(198.6)
NATURAL GAS BUSINESS OPERATIONS CAPITAL TOTAL	50.8	31.0	32.4	29.2	31.1	32.7	35.2	33.5	39.1	38.9	39.6	342.8	812.4
Natural Gas Demand Side Management	9.7	10.3	11.7	10.8	10.8	10.9	10.4	10.6	10.4	10.6	10.3	106.8	204.3

NATURAL GAS BUSINESS OPERATIONS CAPITAL
Marketing & Customer Service

Executing Projects

CentrePort Canada – Phase 1

Description:
Install a new medium pressure supply from the existing Rosser Gate Station GS-031; install 7.5 km of 8 NPS polyethylene pipe from GS-031 along Selkirk Avenue and CentrePort Canada Way to tie-in to the existing 8 NPS at Inkster Boulevard and Pipeline Road; relocate five service connections; and abandon 935 m of 4 NPS pipe along Inkster Boulevard.

Justification:
Expansion of a major asphalt plant required the provision of additional capacity in northwest Winnipeg. The upgrade will provide capacity for current, known and forecasted load growth for the next 20 years. CentrePort Canada – Phase 1 will be sized to accommodate the Phase 2 portion which will be completed when CentrePort proceeds with developing the southern portion of CentrePort Canada Way.

In-Service Date:
October 2016

Revision:
Cost flow revision only.

	Total	2017	2018	2019	2020	2021	2022-27
Previously Approved	$ 1.4	$ 0.3	$ -	$ -	$ -	$ -	$ -
Increase (Decrease)	0.0	0.3	-	-	-	-	-
Revised Forecast	$ 1.4	$ 0.7	$ -	$ -	$ -	$ -	$ -

MP Monitoring System Replacement

Description:
Install 200 remote sensing units (RSUs) to provide pressure data collection of the medium pressure natural gas distribution system. The remote pressure monitors will utilize radio communications to a data management system connected to the gas SCADA system.

Justification:
The existing natural gas MP monitoring system, which was installed in 1995, is now obsolete. The collected pressure data is an important input into the distribution system hydraulic models and permit the model accuracy to be improved. This higher accuracy modeling permits the timing of distribution system capacity upgrades to better match the actual need.

In-Service Date:
October 2018

Revision:
Cost flow revision only. The scope remains generally the same as the approved CPJ with the exception of the data management component: pressure data collected at the RSUs will be transmitted to the Gas SCADA system using existing communication, backhaul and security protocols. The approved CPJ stated that the data would be collected and managed by a stand-alone data management system.

	Total	2017	2018	2019	2020	2021	2022-27
Previously Approved	$ 3.0	$ 2.0	$ 0.3	$ 0.3	$ -	$ -	$ -
Increase (Decrease)	0.0	(0.4)	0.8	(0.0)	-	-	-
Revised Forecast	$ 3.0	$ 1.6	$ 1.1	$ 0.3	$ -	$ -	$ -

Natural Gas Trailer Filling Station

Description:
The project included the construction of a compressed natural gas (CNG) trailer filling facility. The work included development of an existing Centra Gas facility to provide filling of tanker trailers with CNG. Facilities included CNG compression, CNG dryer, CNG truck dispensing stations and parking/storage of two trailers and a pressure reduction trailer.

Justification:
CNG has the capability to mitigate emergency natural gas outages while contributing to pipeline reliability. Due to recent natural gas outages, the implementation of this initiative is recommended to ensure reliable service. Equipping Manitoba Hydro with alternatives for maintaining natural gas supply would reduce the risk of small volume unplanned natural gas outages and minimize the customer and financial impacts of an outage.

In-Service Date:
February 2017

Revision:
Cash flow revised due to delays in engaging a consultant and resulting delays in procuring long-lead purchases in 2015/16. There are no changes to the in-service date or total project cost.

	Total	2017	2018	2019	2020	2021	2022-27
Previously Approved	$ 3.5	$ 2.6	$ -	$ -	$ -	$ -	$ -
Increase (Decrease)	(0.0)	0.9	-	-	-	-	-
Revised Forecast	$ 3.5	$ 3.4	$ -	$ -	$ -	$ -	$ -

St. Pierre Transmission Pipeline Upgrade

Description:
The upgrade consists of installing a new pipeline parallel to the existing St. Pierre pipeline (looping) in the same easement. The project consists of 4.1 km of NPS 6 (168.3 mm) and 3.6 km of NPS 4 (114 mm) steel transmission pipeline (TP) starting at the St Pierre Primary (GS-153) and extending past the community of St. Pierre-Jolys to a location approximately 5 km from Grunthal. The upgrade will provide capacity for 20 years of forecast growth in the communities of St. Pierre and Grunthal and forecast rural loads (e.g. farms) along the route.

Justification:
A capacity upgrade is recommended for the St. Pierre Transmission Pipeline. Changes in the available supply pressure were putting the reliable supply to the existing customers at risk. A pipeline supply pressure in excess of the minimum contract pressure from TransCanada PipeLines (TCPL) was needed to meet the peak system load. Historically, TCPL supply pressures have been higher than the minimum contract pressure but many changes in TCPL system operation are being seen. Load growth on the system had resulted in limited available capacity to accommodate future growth. The new pipeline will also permit a water crossing identified to have insufficient cover and located in an environmentally sensitive area to be abandoned.

In-Service Date:
September 2017

Revision:
The scope of the project has been revised to increase the pipe size from 4" to 6" for approximately 4.1 km between GS-153 and GS-154; add pig launchers/receivers at both stations; and relocate and abandon approximately 600m of 2" TP. The in-service date is deferred 11 months from October 2016.

	Total	2017	2018	2019	2020	2021	2022-27
Previously Approved	$ 2.0	$ 1.6	$ -	$ -	$ -	$ -	$ -
Increase (Decrease)	0.4	(0.9)	1.4	-	-	-	-
Revised Forecast	$ 2.4	$ 0.7	$ 1.4	$ -	$ -	$ -	$ -

Transcona Medium Pressure Natural Gas System Upgrade

Description:
De-rate the existing 12 NPS steel HP pipeline running from Transcona Station GS-003 to GS-024 on Raleigh Street to an MOP of 60 psig. Abandon and cap 1 875 m of 12 NPS steel pipeline that would no longer be required. Tie-in the existing 12 NPS pipeline to the existing distribution system at 8 locations. Install 2 300 m of 6 NPS PE along the Perimeter Highway from the existing distribution piping (from RS-003) to the 12 NPS pipeline including a new tie-in. Tie-in the 12 NPS pipeline to a 60 psig supply at RS-040. Install a new pressure regulation facility to limit the downstream pressure on an 8 km section of 406.4 mm steel transmission main in close proximity to residential development in Transcona.

Justification:
Gas load growth continues to be strong in northeast Winnipeg with plans for several new developments such as Transcona West as well as smaller but steady developments within the area. These developments include a mixture of residential, high density residential (condominium), commercial and industrial developments. The area continues to in-fill, with 230 single dwelling and 110 multi-family dwellings permits taken in northeast Winnipeg in the year 2014.

The natural gas hydraulic models indicate that the gas pressure is already below the minimum 30 psig pressure criteria, based on current (2015) gas load at winter design conditions (-38°C). Based on current network pressures, which are already below the minimum pressure criteria, and gas load that will be added in the next year, network upgrades to the northeast Winnipeg network are recommended prior to the 2017/18 heating season.

Since gas facility development in this area in 1964, recent changes to property zoning has resulted in residences backing onto the pipeline easement with examples of fences crossing directly over the pipeline. Potential pipeline damage from third parties is concerning in this area and the reduced pressure will reduce the safety consequences to the public in the event of a potential line damage. The upgraded station includes pressure regulation including electronic control that will permit remote operation and emergency shut down if necessary.

In-Service Date:
October 2017

Revision:
New item.

	Total	2017	2018	2019	2020	2021	2022-27
Previously Approved	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Increase (Decrease)	2.3	1.8	0.3	-	-	-	-
Revised Forecast	$ 2.3	$ 1.8	$ 0.3	$ -	$ -	$ -	$ -

Winnipeg North West Upgrade - Phase 2

Description:
Project includes installing 19.8 km of NPS 12 steel transmission pressure (TP) pipe extending north from the Oak Bluff pipeline at Rosser Station GS-031; 6.6 km of NPS 6 steel TP pipe extending north from new TP to tie into the existing NPS 4 TP on Hwy 67 (Stonewall branch pipeline); 20.8 km of NPS 12 steel TP extending from the new NPS 12 TP going east and northeast to the Phase 1 Liss Rd Station, located in St. Andrews; and 8.3 km of NPS 12 steel TP looping from Hwy 67 north along McPhillips Road to connect to the Ile des Chenes pipeline near regulating station GS-004 in Selkirk. Also includes installation of isolation valves as required for gas maintenance and operations and pig launchers/receivers as required for pipeline integrity monitoring.

Justification:
The requirement to correct high velocities in the Stonewall transmission branch and provide capacity in the area northwest of Winnipeg requires modifications to the transmission system to provide new supply while maintaining system reliability, combined with addressing other issues is an efficient means of improving the overall Winnipeg system. Completion of the project will provide transmission capacity to serve the growth just north of Winnipeg for the next 20 years as well as the ability to shift load from the heavily-utilized pipeline on the east side (Ile Des Chenes) of Winnipeg to the under-utilized pipeline on the west side of Winnipeg (Oak Bluff) and restores capacity in the City of Winnipeg system. The project will provide full redundant supply to the communities north of Winnipeg and a partial ability (approximately 1 000 mcfh) to back-feed the City of Winnipeg line in a loss of supply from either the Ile Des Chenes or Oak Bluff pipelines. Improvements in operational flexibility to permit planned inspection, maintenance or construction activities are added. The additional capacity provided by this project readily supports the addition of new customers in the area served.

In-Service Date:
October 2016

Revision:
Revised cash flow to reflect a decrease in the project plan due to the overall project costs coming in lower than originally estimated (materials and contractor) as a result of decreased pipe construction activity in Western Canada.

	Total	2017	2018	2019	2020	2021	2022-27
Previously Approved	$ 31.1	$ 19.0	$ -	$ -	$ -	$ -	$ -
Increase (Decrease)	(7.5)	(1.9)	-	-	-	-	-
Revised Forecast	$ 23.6	$ 17.1	$ -	$ -	$ -	$ -	$ -

Programs

Marketing & Customer Service Domestic

Description:
This program consists of projects whose individual costs are of a relatively small amount. These projects are required to extend, rebuild, upgrade, add or replace: transmission pipelines, distribution pipelines, regulating stations, customer service lines and gas meters.

Justification:
Required to provide connections of new customers to the system; replacement of existing time expired or faulty meters; and an ongoing safe and reliable supply of natural gas to customers.

In-Service Date:
Ongoing

Revision:
Lower expenditures in 2016/17 and 2017/18 primarily due to the expensing of internal labour costs associated with meter exchange activities through O&A versus the capitalization assumed in CEF15. CEF16 assumes capitalization of meter compliance program costs effective 2018/19.

The increase in 2018/19 relates to funding shifted from 2016/17 (reduction to Winnipeg North West Upgrade – Phase 2 project) to address domestic capital requirements.

The budget has increased to reflect steady growth based on 2018/19 levels (adjusted by shifting dollars from 2016/17).

	Total	2017	2018	2019	2020	2021	2022-27
Previously Approved	NA	$ 35.3	$ 36.3	$ 37.0	$ 37.7	$ 38.5	$ 247.6
Increase (Decrease)		(4.1)	(1.9)	5.8	6.0	6.1	39.2
Revised Forecast	NA	$ 31.3	$ 34.3	$ 42.8	$ 43.7	$ 44.6	$ 286.7

Natural Gas Demand Side Management

Natural Gas DSM Programs

Description:
Design, implement and deliver incentive based DSM conservation programs to reduce natural gas consumption in Manitoba

Justification:
The Natural Gas DSM plan encourages the efficient use of natural gas. The DSM plan provides customers with exceptional value through the implementation of cost-effective energy conservation programs that are designed to minimize the total cost of energy services to customers, position the Corporation as a national leader in implementing cost-effective energy conservation and alternative energy programs, protect the environment and promote sustainable energy supply and service.

In-Service Date:
Ongoing.

Revision:
Revisions to energy saving and expenditures for a number of programs to reflect current market information and changes in design to pursue cost-effective market-achievable savings. Energy savings and expenditures associated with existing programs have been refined to reflect current information and planned future outcomes. With the adoption of IFRS in 2015/16, the demand side management programs continue to be deferred, under the interim standard that continues to permit rate-regulated accounting.

	Total	2017	2018	2019	2020	2021	2022-27
Previously Approved	NA	$ 12.6	$ 10.5	$ 9.3	$ 9.3	$ 9.1	$ 53.7
Increase (Decrease)		(2.9)	(0.2)	2.4	1.5	1.7	9.5
Revised Forecast	NA	$ 9.7	$ 10.3	$ 11.7	$ 10.8	$ 10.8	$ 63.2

Finance Expense

($000's)

	CGAAP 2012/13 Actual	CGAAP 2013/14 Actual	IFRS 2014/15 Actual	IFRS 2015/16 Actual	2016/17 Outlook	2017/18 Forecast
Interest on Long Term Debt	13,440	12,567	12,810	13,942	14,191	14,471
Interest on Short Term Debt	153	267	727	218	177	244
Total Interest on Debt	13,593	12,834	13,537	14,160	14,368	14,715
Add:						
Provincial Guarantee Fee	3,048	3,143	3,327	3,776	3,756	3,929
Amortization of Debt Discounts	167	-	-	-	-	-
Interest on Common Assets	2,822	1,993	1,977	1,840	1,379	1,154
Interest on Inventory	162	168	152	130	131	134
Total Additions	6,199	5,304	5,456	5,746	5,266	5,217
Deduct:						
Capitalized Interest	(250)	(338)	(201)	(339)	(765)	(292)
Carrying Costs on Deferred Taxes	(2,412)	(2,265)	-	-	-	-
Carrying Costs on Purchased Gas Variance Account	551	285	-	-	-	-
Other	271	300	425	280	316	340
Total Deductions	(1,840)	(2,018)	224	(59)	(449)	48
Total Finance Expense	17,952	16,120	19,217	19,847	19,185	19,980