

SWAN VALLEY GAS CORPORATION
SALE OF THE ASSETS OF SWAN VALLEY GAS CORPORATION TO CENTRA GAS
MANITOBA INC.

Application for Approval to Sell Swan Valley Gas Corporation
Natural Gas Distribution Assets and Franchise Rights to Centra Gas Manitoba Inc.

Introduction and Background

Swan Valley Gas Corporation (“Swan Valley”) is a business corporation and was incorporated pursuant to the Canada Business Corporation Act on February 10, 2000. On March 21, 2000, Swan Valley submitted its application to the Manitoba Public Utilities Board (the “Board”) for approval of proposed franchise agreements to provide natural gas to the Rural Municipalities of Swan River and Minitonas, and the Towns of Swan River, Minitonas, and the Village of Benito. A pre-hearing process was completed leading up to the public hearing process with respect to the said application in the Town of Swan River on May 30, 31, and June 1, 2000, in Swan River, Manitoba. The Board issued Order No. 93/00 on July 4, 2000, approving the application of Swan Valley subject to stated conditions

A funding agreement was executed with the Canada/Manitoba Infrastructure Program with respect to a portion of the funding required for the commencement of business operations of Swan Valley. Further, customer deposits were secured, along with agreements with the respective municipal school boards regarding property tax arrangements. A financial customer contribution, and associated natural gas supply agreement was secured with the anchor customer to the business of Swan Valley, namely Louisiana Pacific Corporation (“Louisiana Pacific”). Louisiana Pacific is an oriented strand board manufacturer, and was the anchor customer to the Swan Valley system from inception. The remaining equity was provided by Swan Valley.

Since Swan Valley commenced its operation, it has continuously provided residents of the aforementioned municipalities with natural gas. Unfortunately, the unexpected reduction and ultimate termination of service requirements from Louisiana Pacific has resulted in significant financial difficulties for Swan Valley to continue to sustainably provide natural gas service to its remaining customers in the franchise areas.

Swan Valley is approved to do business of natural gas service in the five communities referenced above, pursuant to its franchise agreements with the RM of Swan River, RM of Minitonas, Town of Swan River, Town of Minitonas, and Village of Benito, which are attached as Schedule A. Maps detailing the franchise areas are attached to the franchise agreements for the referenced municipalities. The franchise agreements allow Swan Valley to provide and distribute natural gas within the corporate boundaries, subject to financial feasibility of all such

development. Since the commencement of operations, Swan Valley was successful in modest expansion of the original customer base, however, it was clear from the outset that the service requirement of Louisiana Pacific was a key factor in the continued sustainability of the business of Swan Valley. The ability for Swan Valley to attract new customers to the already limited existing base became more difficult, and that reality, combined with the departure of Louisiana Pacific from the system created an unsustainable business reality for Swan Valley and its customers. The adjustments that Louisiana Pacific made to its operations, which resulted ultimately in terminating the need for natural gas supply to its facilities, was a challenge that the utility was unable to resolve.

It is apparent to Swan Valley's Board of Directors that a sale of the assets of the corporation, and a transfer of the associated franchise rights is necessary to ensure the continuous supply of natural gas energy to the existing customers, now and in the future. Swan Valley contacted officials at Centra to discuss the potential purchase of Swan Valley's assets in 2012. It was apparent to Swan Valley that ownership by Centra was the optimal solution to the business challenge that Swan Valley was facing as a standalone utility. The opportunity for the customers of Swan Valley to become customers of the larger and integrated system of Centra would provide a very acceptable transition from both the customer and business perspective. In November 2012, Swan Valley and Centra entered into a term sheet with respect to the general principles that would govern such a transaction, on a confidential basis. Subsequent to those discussions, and in accordance with the term sheet, the parties negotiated the definitive terms of an agreement for the purchase and sale of the assets (the "Asset Purchase Agreement"), which was ultimately completed and executed by the parties on July 31, 2013. The Asset Purchase Agreement contains the expected conditions precedent to the completion of the transaction, including required consents from the associated municipalities to the assignment of the existing franchise rights of Swan Valley, and regulatory approval from the Board with respect to the sale by Swan Valley, and the corresponding purchase action by Centra. Copies of the consents of the respective municipal entities holding franchise agreements with Swan Valley are enclosed with this application. Currently the consents to assignment of the respective franchise agreements are in the name of Manitoba Hydro, the parent company of Centra, and clarification will be provided to the Board with respect to the consents including Centra as a separate entity.

The proposed transaction is an asset sale by Swan Valley. Upon the conclusion of the transaction, and any post-closing requirements and deliverables, the corporation will be wound up.

Purpose of the Application and Nature of the Order and Relief Sought

Swan Valley is making this Application to The Public Utilities Board of Manitoba, pursuant to section 82(1) (h) of *The Public Utilities Board Act*, to approve the sale of its assets to Centra as its projections for its ability to continue to operate on a sustainable basis is in doubt for the

reasons mentioned above. Due to Centra's considerably larger size, Centra will be able to provide natural gas to consumers in the franchised areas at rates better than Swan Valley is able to offer, given the circumstances outlined above.

It is expected that upon the conclusion of the sale transition period, Swan Valley customers will pay the same rates as other comparable Centra customers, and the rate reduction is an obvious benefit to the customers in the franchised areas, let alone that fact that continuous service will be available.

Swan Valley's ability to continue to operate on a sustainable basis in respect of customer rates has been at issue for a period of time in advance of this filing, given the loss of the anchor customer, the limited remaining customer base, and the unlikelihood of expansion.

While the Board approval of the sale of Swan Valley's assets to Centra will result in one less distributor in the natural gas industry in Manitoba, it is Swan Valley's respectful submission that Swan Valley was never a competitor with Centra in the franchised areas and accordingly, there would be no effect on competition in the Province of Manitoba. Swan Valley was originally conceived because Centra was not operating or intending to operate in the franchised areas, and a large number of residents of these municipalities highly desired to use natural gas as an alternative energy source. As there was no true competition between the parties in the past in the franchise areas, there should be no real impact on competition in the Province.

Since its inception, Swan Valley has offered safe and reliable service to its customers, and Centra, given its familiarity and long history in the natural gas industry, is an appropriate party to consider to continue the operation of Swan Valley's services in the manner and to the standard required by the Board.

Accordingly, Swan Valley is seeking an Order from the Board approving the sale of the assets of Swan Valley to Centra.

Given the nature of this application, Centra will file with the Board a corresponding application to purchase the assets of Swan Valley, under separate cover, which will outline further information from Centra, as purchaser, concerning rates and impact upon the consumers in the franchised areas as well as throughout the Province.

SaskEnergy Incorporated, the parent company of Swan Valley, has agreed to provide Centra with emergency response services for the utility and its customers, in a manner consistent with the experience of those services currently provided by Swan Valley, from the effective date of the proposed transaction. The terms and conditions of the proposed emergency services agreement can be found in Schedule I attached hereto. An executed copy of the agreement will be provided under separate cover.

Swan Valley also intends to communicate with its customer base in respect of the proposed transaction, and a draft customer notice, as part of that communication strategy is included with

this application. The content of the customer communication has been reviewed by Centra in order to coordinate messaging with the customers upon transition of service.

Upon approval of the proposed transaction, one of the transitional issues to be addressed by Swan Valley is the rebate to those customers affected in respect of the natural gas variance account. A proposed process with respect to this is attached as Schedule F hereto.

Swan Valley hereby requests Board approval of the enclosed draft public notice with respect to the proposed sale of the Swan Valley assets to Centra. Swan Valley proposes to serve its Application and Public Notice on intervenors of past record on Swan Valley's last rate application, all franchise granting municipalities of Swan Valley, and all registered brokers of natural gas in Manitoba. Given the small size of the proposed transaction and the number of customers impacted, Swan Valley requests that it not be required to publish the Public Notice in daily and weekly newspapers, in order to reduce costs.

In support of its application, Swan Valley provides the following schedules of materials:

Schedule A	Letter of Application
Schedule B	Asset Purchase Agreement
Schedule C	Franchise Agreements with Municipal Entities (5)
Schedule D	Franchise Agreement Assignment Consents of Municipal Entities(5)
Schedule E	Swan Valley Financial Statements 2012
Schedule F	Purchase Gas Variance Account Clearing Process
Schedule G	Draft Customer Notice from Swan Valley
Schedule H	Draft Public Notice of MPUB Proceeding
Schedule I	Emergency Services Agreement

S4P 4K5

Ms. Marilyn P. Wappel
Telephone No. 306-777-9415
Fax No. 306-777-9877
E-Mail mwappel@saskenergy.com

DATED at Regina, Saskatchewan this 31st day of October, 2013.

SWAN VALLEY GAS CORPORATION

Per: _____"MPW"_____ Marilyn P. Wappel

SCHEDULE "B"

Asset Purchase Agreement
(separate attachment)

SCHEDULE "C"

Franchise Agreements with Municipal Entities
(separate attachment)

SCHEDULE "D"

Franchise Agreement Assignment Consents of Municipal Entities
(separate attachment)

SCHEDULE "E"

Swan Valley Gas Corporation Financial Statements 2012
(separate attachment)

SCHEDULE "F"

Purchase Gas Variance Account Clearing Process and Final Billing Process

Background

Pursuant to the terms and conditions of the PSA, Swan Valley retains responsibility for all its accounts payable and receivable on its books at the closing of the transaction. There are two customer related balance sheet items:

- (a) the clearing of the Purchase Gas Variance Account (PGVA); and
- (b) issuing and receiving payment of the final SVGC customer bill.

The purpose of the following proposal is to establish a process to clear these accounts in a fair and equitable manner for both the customers and Swan Valley.

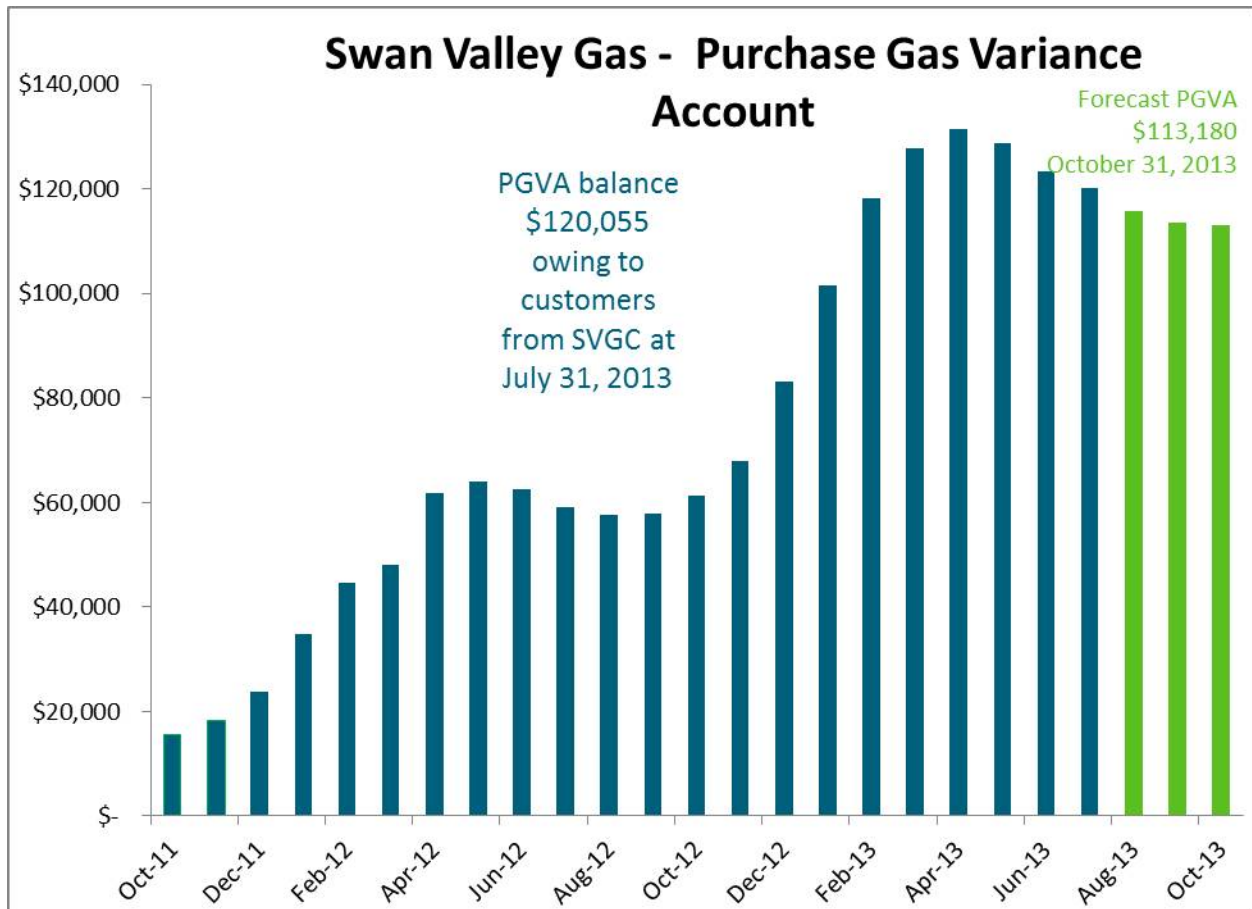
PGVA

MPUB Board Order No. 93/00 approved the establishment of a PGVA at Swan Valley. In this account, Swan Valley records the variance of actual customers revenues received from its Gas Consumption Charge (commodity rate), and actual costs incurred for the commodity. Included in the commodity costs are the following:

- i. The raw cost of gas at the TransGas Energy Pool (TEP);
- ii. Natural gas price hedging cash flows;
- iii. A gas management fee paid to SaskEnergy Incorporated in the amount of \$0.065/GJ; and
- iv. Downstream transportation charges from TransGas Limited and Many Islands Pipe Lines (Canada) Limited.

Swan Valley accrues interest on PGVA balances at Swan Valley's short-term borrowing rate.

At July 31, 2013 there is a balance owing to customers in the PGVA of \$120,055. This balance is projected to decline to \$113,180 at October 31, 2013. Swan Valley reviews its commodity rate annually for November 1 each year. In the summer of 2012, Swan Valley did not take a commodity rate application forward as natural gas prices were beginning to show signs of strengthening. However, through the winter, prices stayed fairly stable and the PGVA balance owing to customers continued to grow.



Swan Valley is proposing the PGVA balance owing to customers is refunded to individual customers upon the closing of the sale of Swan Valley to Centra, through the final billing process. On transaction closing date, all customer meters will be read to ensure the accuracy of the final bills. A final bill from Swan Valley will then be calculated based on this information. PGVA refunds will be applied against the customer's final bill as a separate line item on the bill. If the PGVA refund is greater than the customer's final bill, a cheque refunding the difference will be included with the final bill.

Determination of Amounts owing to Individual Customers

The amount paid to individual customers will be determined by the following criteria:

1. Only active customer accounts on transaction closing date will be issued a refund. Customers that were previously SVGC customers, but have moved or are no longer customers for other reasons, will not be included in the calculation of the refund, considering the challenges with attempting to locate former customers.
2. Customers are defined as whose name appears on the customer bill. In some instances, another party may have paid the natural gas bill (e.g. tenant/landlord

relationship); however it is unreasonable for Swan Valley to know these instances. It is assumed that the customer is financially responsible for the bill, and will receive credit for the PGVA refund.

3. The PGVA refund to individual customers will be calculated based on each active customer's actual natural gas consumption from November 01, 2011 to the closing date of the transaction.
4. The PGVA refund per cubic metre will be determined by dividing the final PGVA balance by the total active customer usage in cubic metres from November 01, 2011 to transaction closing date.
5. Individual customer refunds will equal the PGVA refund amount per cubic metre, multiplied by their actual usage from November 01, 2011 to transaction closing date.
6. The PGVA refund will appear on the final bill and net final accounts receivable.
7. If an active customer lived in multiple dwelling between November 01, 2011 and transaction closing date, the refund will be calculated based on its current dwelling only.
8. If there is a credit remaining on the final bill, a refund cheque will be mailed to the customer with the final bill.

The recommended criteria balances simplicity with fairness between the customers. If the refund were applied to inactive customers, additional investigation such as forwarding address information and details regarding uncollectable accounts would be required. Basing the refund on each customer's actual consumption is fair in that the PGVA is calculated based on their actual consumption. Actual consumption will be calculated beginning November 01, 2011, as this is the point in the past two years that the PGVA is closest to zero. The PGVA balance owing to customers on October 31, 2011 was \$15,558. SVGC's billing system does not readily allow for historical customer information beyond two years.

Average Size of PGVA Refunds

The following chart quantifies the average customer refund based on historical customer usage and an estimate of the PGVA balance being \$113,000 at the time the transaction closes:

Customer Class	Estimated Average Refund
Residential - Heating	\$104
Residential – Heating & Other	\$125
Residential – non heating use	\$43
Commercial	\$265
General Service	\$1,443

Institutional (3 customers)	\$9,560
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Actual customer refunds will vary depending on usage. The refund will appear on the final bill. If there is a credit remaining on the customer's final bill, a cheque for the amount owing will be mailed to the customer with the final bill.

Communication Strategy

A draft bill insert and Frequently Asked Questions are enclosed. The bill insert will be enclosed in the final bill. The FAQs will be available to Swan Valley Customer Service Centre as well as the Board to answer customer inquiries regarding the PGVA refund.

Swan Valley is seeking approval from the Board for the proposed process, as outlined, for clearing the balance in the PGVA and preparing the final customer bills, as well as the enclosed proposed bill insert and FAQ content.

SCHEDULE "G"

Draft Customer Notice of Swan Valley

IMPORTANT NOTICE TO CUSTOMERS

Centra Gas Manitoba Inc. to Purchase Swan Valley Gas Corporation from SaskEnergy Incorporated

Centra Gas Manitoba Inc. ("Centra Gas") and Swan Valley Gas Corporation ("Swan Valley Gas") have entered into an agreement, pending regulatory approval, for the sale of Swan Valley Gas assets to Centra Gas. Centra Gas is a wholly owned subsidiary of Manitoba Hydro. Swan Valley Gas is a wholly owned subsidiary of SaskEnergy Incorporated ("SaskEnergy"), and is currently your natural gas service provider.

Under the proposed sale, Swan Valley Gas' distribution assets and responsibility for approximately 240 customers will be transferred to Centra Gas. The proposed sale is subject to approval by the Manitoba Public Utilities Board (MPUB). Consent of the local municipalities is also required, as part of the MPUB review process.

Swan Valley Gas has been proud to serve the people and businesses of the Swan Valley area, and we look forward to working with Centra Gas to facilitate a smooth transition. Swan Valley Gas, as an independent utility outside of SaskEnergy's Saskatchewan customer base, would have been unable to offer competitive rates on a go forward basis due to significant changes in industrial customer demand in the Swan River area. As part of Centra Gas, customers will benefit from being a part of a much larger customer base. Centra Gas is a major distributor of natural gas in Manitoba, serving over 267,000 natural gas customers in nearly 100 communities.

When will the sale be final?

The transaction requires approval from the Manitoba Public Utilities Board (MPUB), which also requires the consent of local municipalities as part of the review process. Swan Valley Gas and Centra Gas are now in the process of making application to the MPUB for the required approvals. Customers will be notified of the outcome of the review process.

Why is Swan Valley Gas making this change?

Swan Valley Gas's major industrial customer was the Louisiana Pacific ("LP") oriented strand board plant near Minitonas. The LP plant was the "anchor" customer, as its need for natural gas provided the industrial load which allowed Swan Valley Gas to be able to offer service to homes and other businesses in the region.

The LP plant has changed its manufacturing process and no longer requires natural gas service. As this customer provided more than 70 per cent of the revenue to Swan Valley Gas, the utility could no longer operate as a small independent utility and needs to be part of a larger customer rate base.

Why couldn't SaskEnergy take Swan Valley Gas Customers into its Saskatchewan rate base?

Swan Valley Gas is a subsidiary of SaskEnergy, and was established and registered for the purpose of operating the independent utility in Manitoba, regulated by the Manitoba Public Utilities Board, since its inception in 2000. SaskEnergy is registered and licensed to carry out its business activities in the Province of Saskatchewan, and not the jurisdiction of the Province of Manitoba.

How will this change impact the natural gas rates I now pay with Swan Valley Gas Customers?

If this sale is approved by the MPUB, Swan Valley Gas customers will then pay existing natural gas rates charged by Manitoba Hydro, Centra Gas' parent company. Centra Gas is applying to MPUB for a temporary surcharge of \$0.03/m³ to end after 48 months. This charge will cover the costs of the acquisition.

How do my current rates compare to Manitoba Hydro rates?

Even with the proposed temporary surcharge, it is expected that most customers will have a total bill that will be lower than what it is now.

Please see the enclosed Attachment that illustrates the bill comparison in each rate class. The comparison is based on a typical customer's annual usage, and your savings will depend on how much natural gas you consume.

What are the current rates charged by Manitoba Hydro?

Manitoba Hydro natural gas rates can be found on their website at http://www.hydro.mb.ca/regulatory_affairs/energy_rates. Manitoba Hydro current overall rates are lower than the overall rates currently charged by Swan Valley Gas

Are there other benefits to becoming a Centra Gas customer?

Centra Gas has indicated that all former Swan Valley Gas customers will be eligible for all natural gas programs, including Power Smart programs for natural gas, Equalized Payment Plan (EPP), and other initiatives offered from time to time by Centra Gas, and its parent, Manitoba Hydro.

How will any outstanding surpluses or arrears be dealt with by Swan Valley Gas?

If the sale to Centra Gas receives regulatory approval, Swan Valley Gas will issue you a final bill along with a self-addressed envelope to facilitate easy payment. If your account is in a surplus situation, a refund cheque will be included in your final bill.

How much is this transaction worth to SaskEnergy?

Under the terms of the sale of Swan Valley Gas assets to Centra Gas, SaskEnergy will receive \$200,000.

Will SaskEnergy continue to be involved with customers in the Swan Valley area?

SaskEnergy, under contract to Centra Gas, will only provide safety and emergency response services to Centra Gas customers in the Swan Valley area, through its offices in Kamsack and Canora. Centra Gas will provide all other services.

What phone number do I call for customer inquiries, emergencies or if I want to request a line locate during this transition period?

You can continue to contact Swan Valley Gas during this period at 1-800-667-1516.

How can I get more information?

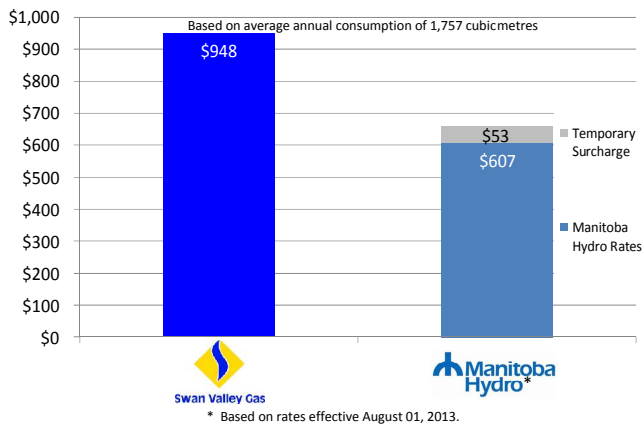
Once the application is filed with the MPUB if you would like a copy of our application, please call Swan Valley Gas at 1-800-667-1516.

As a customer, you have the right to make your views known to the Manitoba Public Utilities Board. Anyone wishing to do so should provide their comments in writing to the Manitoba Public Utilities Board by **(date to be determined by MPUB)**. The Manitoba Public Utilities Board can be contacted as follows:

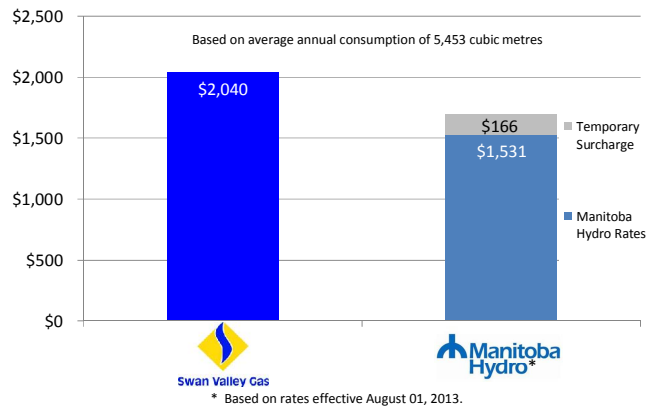
Manitoba Public Utilities Board	Phone:	(204) 945-2638
400 – 330 Portage Avenue	or Toll Free:	1-866-854-3698
Winnipeg, Manitoba	Fax:	(204) 945-2643
R3C 0C4	Email:	publicutilities@gov.mb.ca

Attachment – Bill Comparison

Residential

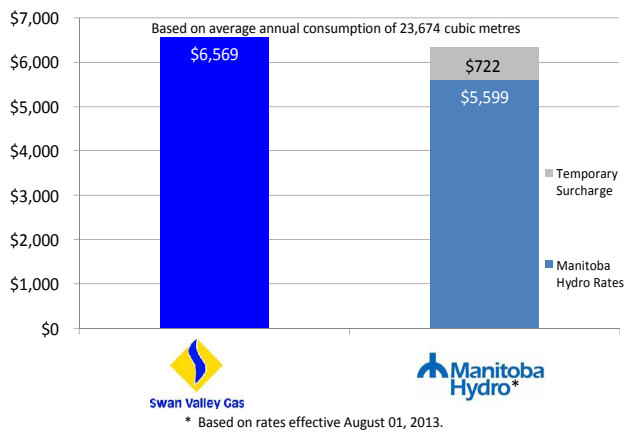


Commercial

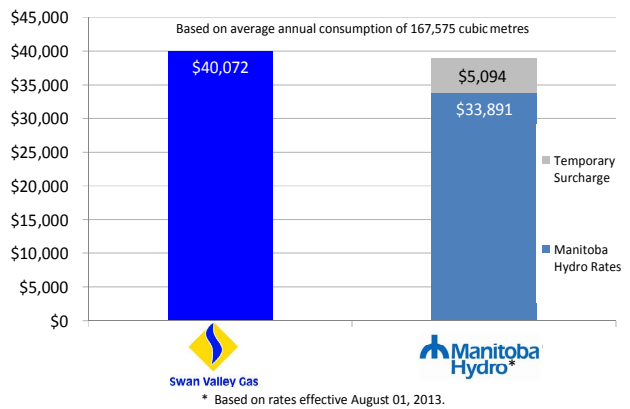


(separate attachment)

General Service



Institutional



SCHEDULE "H"

Draft Public Notice of MPUB Proceeding

(separate attachment)

SCHEDULE "I"

Emergency Services Agreement

EMERGENCY SERVICES AGREEMENT

BETWEEN:

CENTRA GAS MANITOBA INC.

(hereinafter referred to as "Centra")

OF THE FIRST PART

and

SASKENERGY INCORPORATED

(hereinafter referred to as "SaskEnergy")

OF THE SECOND PART

WHEREAS Centra wishes to retain SaskEnergy to provide certain emergency response to over or under pressurization at the gate/regulation stations and safety services (the "Services") as required related to the natural gas transmission and distribution assets owned by Centra in the Swan Valley area, specifically, in the Town of Swan River, RM of Swan River, Village of Benito, and RM of Minitonas (hereinafter the "Assets").

NOW THEREFORE in consideration of the premises and the mutual covenants and agreements herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Centra and SaskEnergy agree as follows:

ARTICLE 1- SERVICES

- 1.01 SaskEnergy agrees to provide the Services which includes, but is not limited to:
- (a) Initial response to over or under pressurization at the gate/regulation stations to prevent the loss of natural gas supply or to reduce the amount of natural gas released to the atmosphere and isolate the malfunctioning equipment;
 - (b) Initial response to transmission system leaks or damages to make safe;
 - (c) Initial response to distribution system leaks or damages to make safe;
 - (d) Field repairs of the distribution system that can be performed including those repairs that require mechanical fittings;
 - (e) Initial response to inside and outside natural gas odor calls to make safe and determine the cause of issue;
 - (f) Initial response to natural gas related customer safety issues located downstream of the connection of Centra's distribution system and the customer's facilities;
 - (g) Initial response to carbon monoxide calls to make safe and to coordinate with a natural gas inspector and local fire department; and
 - (h) Initial response to structure fires where there is a need to shut off the natural gas and confirm the integrity of the distribution facilities.
- 1.02 Where repair options are available, and where practicable, SaskEnergy will discuss the options with Centra's Field Representative to determine Centra's remedy preference, prior to commencing any remedial work.
- 1.03 SaskEnergy agrees to provide the Services on an immediate priority basis, and associated with that maintain an initial response time commensurate with the dispatch of a technician from Canora, Saskatchewan during regular working hours, or either of Canora, Saskatchewan or Kamsack, Saskatchewan after regular working hours.

- 1.04 In the event of a high risk event that occurs in close proximity to the Assets, including without limitation, a building explosion, building evacuation related to natural gas or carbon monoxide related issue, delayed response (more than one hour) to a safety service call, an underground leak, line hit, unplanned outage for more than one customer, and any call where other first responders or media are on site, SaskEnergy shall immediately escalate the situation to the attention of Centra's Field Representative for direction.
- 1.05 For notification purposes, all responses to call outs required in the performance of the Services shall be communicated by SaskEnergy to Centra's Field Representative. Steps shall include providing notification by telephone or email upon arrival at the site with an initial assessment of the issue, problem or emergency and shall include all known related causes, public injuries and/or damages. Upon completion of any repairs, a final notification by telephone or email shall be provided that outlines the response time, repair or restoration time and all remedial work or steps that were taken.
- 1.06 A finalized written summary shall be provided by email to Centra's Field Representative within twenty-four (24) hours for all responses required in the performance of the Services, that will include, but not be limited to, the notification criteria outlined in Article 1.05.
- 1.07 Only Qualified Workers shall perform the Services. Qualified Workers are workers who are competent with reference to certification, licensing, training and education, experience, and familiarity with applicable safety rules, industry standards and codes, procedures and hazards associated with natural gas transmission and distribution systems. All Services and related work shall be performed in accordance with Centra procedures and established practices, in accordance with 1.08(g) .
- 1.08 SaskEnergy shall perform the Services:
- (a) in a timely manner;
 - (b) in a good, workmanlike and professional manner;
 - (c) using due care in an effort to ensure that no person is injured or killed, no property is damaged or lost, and no rights are infringed;
 - (d) using only tools, equipment and instrumentation that are properly calibrated and that are in good working order;
 - (e) complying with all reasonable instructions and requests made by Centra concerning the Services and this Agreement;

- (f) complying with all applicable federal, provincial, municipal, or other laws, regulations, and governing industry standards and codes including without limitation, CSA Z662; and
- (g) complying with any Centra corporate policies and operating procedures which have been provided by Centra to SaskEnergy concerning the Services and this Agreement, on a reasonable basis.

ARTICLE 2 – PAYMENTS

- 2.01 Centra shall pay SaskEnergy for all costs and expenses reasonably incurred by SaskEnergy in performing the Services herein including, without limitation, travel time. Such costs and expenses shall be billed in accordance with SaskEnergy's accounting practices using SaskEnergy's hourly rates for equipment and labour together with all incidental or additional charges, disbursements and expenses, in connection with or in relation to the performance of the Services, including, without limitation, the cost of materials provided by SaskEnergy, if any.
- 2.02 In addition to the payment obligation contained in Article 2.01, Centra shall pay SaskEnergy a yearly retainer fee of \$1,000.00 (One Thousand Dollars) on the effective date of this Agreement, and on each anniversary of that effective date thereafter. SaskEnergy will invoice Centra for the yearly retainer fee thirty (30) days prior to the effective date of this Agreement.
- 2.03 On a quarterly basis, SaskEnergy shall furnish Centra with a detailed invoice for all costs and expenses paid or incurred by SaskEnergy in performing the Services, including, without limitation, the amount of hours worked, the hourly rate, the name(s) of the employee performing the work, and the specific work performed by the employee(s), the type of equipment used and the duration of such use, and any additional details or written documentation that Centra may request from SaskEnergy, acting reasonably. Centra agrees to pay such invoices within thirty (30) days after receipt. All undisputed invoices that are past due shall be subject to interest at a rate equal to 1.17% per month, compounded monthly, or 15% per annum.
- 2.04 In addition to the aforementioned costs and payments, Centra shall pay to SaskEnergy any GST or other tax that SaskEnergy is required to collect from time to time, if any, in connection with this Agreement.

ARTICLE 3 – CONFIDENTIALITY AND PRIVACY

- 3.01 SaskEnergy and Centra agree that they and their agents and employees shall not use or disclose confidential information obtained in the course of performing this Agreement outside of those who need to know to perform the Agreement, without the prior consent of the other party, except where such information is publicly available or disclosure is required in accordance with

any legal or regulatory proceeding, law, regulation, order or directive of a court or government. Confidential information includes personal information.

- 3.02 Each party agrees to allow the other party to store contact information, such as names, phone numbers, and email addresses for its business representatives, and to use such information internally and to communicate with the other party for the purposes of their business relationship. Each party shall, to the extent required by applicable law, give notice to, and obtain consent from, each of its employees, contractors and other representatives affected hereunder.
- 3.03 SaskEnergy shall not attempt to nor gain access to confidential information unless such access is necessary to the provision of the Services and is specifically authorized by Centra. SaskEnergy agrees to handle any personal information that it may gain access to through this Agreement in accordance with the requirements of applicable privacy laws.

ARTICLE 4 – INDEMNITY

- 4.01 SaskEnergy shall indemnify and save harmless Centra against all actions, proceeding, claims, demands, and costs, including legal fees on a solicitor client basis, which may be brought against or suffered by Centra or which it may sustain, pay or incur, by reason of any matter or thing arising out of or attributable to any act or omission of, its servants, agents, contractors or employees, by reason of non-fulfillment of any covenant of this Agreement, willful misconduct or any negligence by SaskEnergy, its servants, agents, contractors or employees.
- 4.02 Centra shall indemnify and save harmless SaskEnergy against all actions, proceeding, claims, demands, and costs, including legal fees on a solicitor client basis, which may be brought against or suffered by SaskEnergy or which it may sustain, pay or incur, by reason of any matter or thing arising out of or attributable to any act or omission of Centra, its servants, agents, contractors or employees, by reason of non-fulfillment of any covenant of this Agreement, willful misconduct or any negligence by Centra, its servants, agents, contractors or employees.

ARTICLE 5 – INSURANCE

- 5.01 SaskEnergy shall add Centra as an additional insured under SaskEnergy's commercial general liability insurance policy(s) in respect of the Services outlined in this Agreement and upon the request of Centra, shall cause its insurers to issue a certificate evidencing the policy endorsements required under this Agreement.

ARTICLE 6 - TERM AND TERMINATION

- 6.01 This Agreement shall become effective and commence on the effective date of the Purchase and Sale Agreement between Swan Valley Gas Corporation and Centra dated July 31, 2013 and remain in effect for a minimum period of one year (the "Initial Term"). The Agreement shall continue thereafter for successive period(s) of one year unless written notice of termination is given by either party to the other at least one year prior to the expiration of any renewal period thereof, or is otherwise terminated in accordance with the provisions contained herein.
- 6.02 In the event SaskEnergy breaches or is in default of any term or covenant to this Agreement, Centra may provide a notice of default (hereinafter referred to as the "Notice of Default") to SaskEnergy. In the event SaskEnergy has not remedied the breach or default referred to in a Notice of Default within thirty (30) days of the receipt of the same, Centra may, at its option, terminate this Agreement by providing written notice to such effect to SaskEnergy.
- 6.03 Notwithstanding anything contained in this Article 6, the provisions of Article 3 and Article 4 shall survive the expiration or early termination of this Agreement.

ARTICLE 7 – NOTICE

- 7.01 For the purposes of all operational matters relating to this Agreement including requests and the performance of all of the Services, all communications and notices should be provided to the SaskEnergy Field Representative and the Hydro Field Representative as detailed below respectively:

SaskEnergy Field Representative:

Yorkton Operations Supervisor (during business hours)

Yorkton Area Operations Supervisor (after hours)

Telephone (306) 1-888-700-0427 (regular business and after hours)

Centra Field Representative:

Parkland Gas Supervisor

Mr. Ian Delmage

telephone (204) 629 3118 or cell (204) 648 7253

email – idelmage@hydro.mb.ca

- 7.02 All non-operational notices, requests, demands and communications relating to and required pursuant to this Agreement, shall be in writing and shall be furnished to the parties at the addresses given below.

SaskEnergy: SaskEnergy Incorporated
800 – 1777 Victoria Avenue
Regina, Saskatchewan
S4P 4K5

Attention: Executive Director, Distribution Customer Service

Phone: (306) 777-9233

Alternate Phone: (306) 522-2217

Fax: (306) 527-2639

cc.: Vice President, General Counsel
and Corporate Secretary

Fax: (306) 565-3332

Centra: Manitoba Hydro
820 Taylor Avenue, PO Box 7950
Winnipeg, Manitoba
R3C 0J1

Attn: Vice President Customer Service and Distribution

Fax: (204) 360-6149

- 7.03 Either party may from time to time change its address for service by giving notice to the other party. All notices required to be given hereunder may be delivered by hand, mailed by registered mail, or sent by facsimile. If mailed, the notice shall be deemed to have been given and received seven days (Saturdays, Sundays and statutory holidays excluded) after the mailing thereof. If delivered by hand, the notice shall be deemed to have been given and received on the day on which it was delivered, or if delivered after regular business hours, it shall be deemed to have been given and received on the following business day. If sent by facsimile, the notice shall be deemed to have been given and received on the first business day following the day it was dispatched.

ARTICLE 8 – MISCELLANEOUS

- 8.01 SaskEnergy is hereby deemed an independent contractor and nothing herein shall be read or construed so as to constitute SaskEnergy an agent, representative or employee of Centra.
- 8.02 Neither party may assign this Agreement unless that party has first obtained the express written consent of the other.
- 8.03 This Agreement shall be binding on and enure to the benefit of SaskEnergy and Centra and their respective successors and permitted assigns.
- 8.04 In the interpretation of this Agreement, words in the singular shall be read and construed in the plural and vice versa, and words in the masculine shall include the feminine and neuter, where the context so requires.
- 8.05 If any provision in this Agreement or any part thereof shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision, or part thereof, shall be severable herefrom and of no force and effect without invalidating the remaining provisions hereof and this Agreement shall continue in full force and effect as if the same had not been a part hereof.
- 8.06 The waiver by either party of any default or breach of this Agreement shall not constitute a waiver of any other or subsequent default or breach.
- 8.07 This Agreement shall be governed by and construed in accordance with the laws and regulations of the Province of Manitoba.
- 8.08 This Agreement constitutes the entire agreement between the parties, and supersedes all previous agreements and representations, written or oral, with respect to the Services specified herein.

This Agreement may not be modified or amended, except in writing, and signed by a duly authorized representative of each party.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

CENTRA GAS MANITOBA INC.

Per: _____

(seal)

Per: _____

SASKENERGY INCORPORATED

Per: _____

Dean Reeve, Executive Vice President

(seal)

Per: _____

Mark H. J. Guillet, Vice President,

General Counsel and Corporate Secretary