



Buying Your Primary Gas from Manitoba Hydro or a Broker

WHAT'S THE DIFFERENCE?

The Primary Gas Picture

Some of our residential and commercial customers have asked us about the difference between buying their Primary Gas from Manitoba Hydro or from a natural gas broker. We are happy to answer that question here to help you make an informed decision.

Manitoba Hydro's Rate vs a Broker's Rate

Primary Gas represents the largest component of your natural gas bill. It is the only component of your natural gas sales service that a broker can supply.

If you buy your Primary Gas from Manitoba Hydro, you pay a regulated rate based on the market price of natural gas.

If you buy your Primary Gas from a broker, you pay an unregulated rate that is negotiated between you and your broker.

Manitoba Hydro's Price: What We Pay Is What You Pay

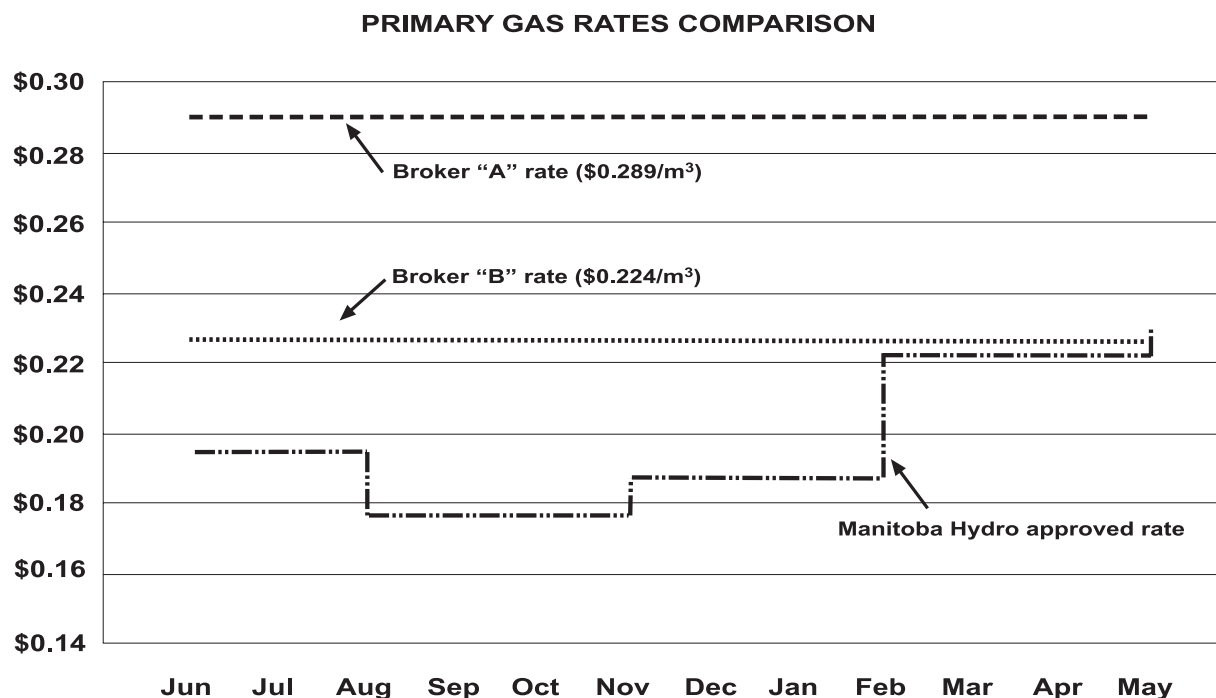
We buy Primary Gas in the marketplace and pass the cost on to you. We do not mark up the cost; it's a straight pass-through. Our rates are based on the market price of gas.

In other words, our rates rise and fall with changes in the market price.

Additionally, Manitoba Hydro engages in hedging activities to mitigate volatility in natural gas market prices. Our rates are reviewed and regulated by the Public Utilities Board of Manitoba.

Check the Difference

For reference, we have drawn up the following chart to show the range of Primary Gas rates offered by brokers vs. Hydro's rates between June 2002 and May 2003. Manitoba Hydro's rates are based on the Primary Gas rates approved by the Public Utilities Board during that interval.



June 2002 to May 2003

Summary of Differences

	MANITOBA HYDRO	BROKER
Rate	Regulated by the Public Utilities Board	Negotiated between you and the broker
Term	Three months (under normal circumstances)	Negotiated between you and the broker
Contracts	No contract required	Contractual commitment required
Ability to switch	Able to switch with reasonable notice (usually 60 days)	Limited to terms and conditions of contract
Advantages	Ability to switch, no premium paid for longer-term (> one-year) fixed rate, regulated rate	Less price volatility, ability to pre-determine Primary Gas rate for term of contract
Disadvantages	More rate volatility	Unregulated rate, additional administration

Broker's Rate:

Between You and Your Broker

When you deal with a broker, you pay the broker's rate for Primary Gas. The rate is not regulated by the Public Utilities Board of Manitoba but is negotiated between you and your broker. The rate is often fixed, generally for three or five years.

What's the Difference?

Loan vs a Line of Credit

A broker's rate is like taking out a fixed-interest rate loan rather than borrowing on a line of credit that tracks the prime interest rate.

If market prices increase **above** what you agreed to pay the broker (the equivalent of rising interest rates), you are protected from the increase.

If market prices fall **below** what you agreed to pay the broker (the equivalent of falling interest rates), you continue to pay higher-than-market prices.

As well, it should be noted that there is generally a premium to be paid for fixing rates over a longer period of time.

The difference between what you would pay Manitoba Hydro or a broker also depends, of course, on the amount of natural gas you consume.

Helping You Plan Ahead

We regularly publish a chart on our Web site at www.hydro.mb.ca to keep customers informed of the price of Primary Gas. It compares Manitoba Hydro's monthly market price of natural gas to the cost of Primary Gas embedded in rates.

As is always the case, wholesale natural gas prices are volatile and subject to change. Unforeseen market shocks could drive prices higher or lower than is indicated in the chart.

If you are thinking of making arrangements to buy Primary Gas through a broker, keep the following questions in mind:

- What rates and length of contract best suit your needs?
- Is there an automatic renewal? How does it work?
- What are the conditions for changing your rate or for cancelling the arrangement? Is there a financial penalty?
- Is the broker licensed to do business in Manitoba? Is the broker registered with the Manitoba Public Utilities Board?
- Are the broker's fees or administration charges included in the offered rate, or do you have to pay an additional amount?
- Can the broker assign your contract to another broker?
- Does the contract accurately reflect the details of the broker's offer?

Did You Know...?

- Primary Gas is transported from western Canada to Manitoba on the TransCanada Pipeline.
- If you use a broker under the Western Transportation Service, the broker buys the gas and delivers it to us at the Alberta/Saskatchewan border.
- We move the gas on behalf of the broker under our contract for capacity on TransCanada Pipeline and deliver it to you through our distribution pipeline system.
- If your broker is unable to supply your Primary Gas, we will make every effort to provide you with the gas you need. However, you may be responsible for any additional costs we incur to provide that gas to you.

Need More Information?

Call us at 1-800-862-6306 or visit our Web site at www.hydro.mb.ca