

Spring 2008 Natural Gas Market Comment

As the bulk of the winter heating season is now behind us, and in order to place information in the hands of customers in a timely manner, the following discussion points are worthy of note relative to natural gas markets in the broad North American context as well as closer to home in Manitoba.

Colder Winter to Result in Changes to Billing Percentages

Manitoba weather for the winter months of November 2007 through March 2008 was approximately 12% colder than normal. The corresponding increase in customers' natural gas consumption has resulted in significant volumes of primary and supplemental natural gas supplies being withdrawn from Manitoba Hydro's Michigan storage facility. In order to balance natural gas purchases with natural gas sales by October 31, 2008 (the end of the current Gas Year) Manitoba Hydro will be adjusting billing percentages on May 1, 2008 (see Table 1).

North American Storage Levels Down

Manitoba was not alone in experiencing colder weather over the winter of 2007/08 in comparison to the mild winter of 2006/07. As a result of the increased demand in key North American natural gas consumption regions, storage levels have been significantly impacted. Working gas in U.S. storage facilities is approximately 20% lower than the previous year at the same time.

In addition to consumption and storage levels, developments in other commodity sectors can also influence natural gas markets. The price of crude oil has continued its march upwards and has traded as high as \$110 a barrel, while the price of gasoline has reached \$1.20 per litre at retail stations.

These factors have contributed to some

upward pressure on natural gas prices over the winter of 2007/08.

Natural Gas Prices on the Rise

As reported in the CGA's (Canadian Gas Association) Spring 2008 Post-Heating Season Update, "(natural gas) prices are expected to see modest increases in the near future" and natural gas consumer's here in Manitoba may see a similar impact. Manitoba Hydro is currently in the process of developing the May 1, 2008 Primary Gas Rate. Additionally, the CGA reported that "(residential) natural gas prices in Canada... for 2007 averaged 29 cents per cubic metre. Manitoba Hydro's Primary Gas Rates for the twelve-month period of May 1, 2007 through April 30, 2008 also averaged 29 cents per cubic metre. Manitoba Hydro's current Supplemental Gas Rate equates to \$0.2686 per cubic metre.

Weather Remains Key Variable

Weather remains the single biggest factor influencing natural gas demand. In the short-term, forecasts for the upcoming summer cooling season vary, with the CGA forecasting "relatively warm temperatures for the summer months in most of North America" while the U.S. Energy Information Association (EIA) is projecting "milder summer temperatures". Regardless of the outcome, electric power sector demand has a significant influence on natural gas prices, as this sector accounts for approximately 30% of total natural gas consumption in North America.

In the longer-term, Mother Nature continues to remain very tight-lipped concerning what she has in store for the winter of 2008/09, and as such prognostications are best left "on the bench" at this point. Additionally, consideration should be given to the macro-economic impacts,

and the associated influence on natural gas consumption, of a potential recession in the United States of America.

On the natural gas supply side of the picture, the EIA is anticipating modest 2008 production increases both offshore, in the Gulf of Mexico, and onshore in the Lower-48, while LNG (liquefied natural gas) imports are anticipated to remain relatively flat. In Canada, the Alberta government's introduction of a revised royalty framework for natural gas and oil may place a dampening effect on drilling activity; however, relatively strong commodity prices should act as a counter-balance relative to drilling and production.

Regardless of what happens to the near and long term price of natural gas, rest assured that **Manitoba Hydro's Rate Volatility Management Program (RVMP)** will function to protect customers from unforeseen market events and corresponding price shocks. ■

Power Smart Introduces New Commercial Kitchen Appliance Program

Did you know 30% of energy in food service facilities is consumed by the appliances used in food preparation? Save on your food preparation costs by installing high efficiency appliances in your commercial kitchen.

Manitoba Hydro recently launched the Power Smart Commercial Kitchen Appliance Program to encourage the installation of energy efficient appliances in foodservice facilities. Appliances eligible for rebates are **ENERGY STAR qualified open deep-fat fryers** (gas only) and **steamers** (electric and gas). Customers will be offered rebates of \$1,250 per fryer and \$2,500 per steamer. Pre-approval is not required for this program. Check the website for eligibility criteria.

For more information on this program contact your Account Advisor at (204) 474-4698 or visit the [Commercial Kitchen Appliance Program webpage](#). ■

TABLE 1: PROJECTED CHANGES TO BILLING PERCENTAGES

	FEBRUARY 1, 2008		MAY 1, 2008*	
	Primary Gas	Supplemental Gas	Primary Gas	Supplemental Gas
Firm Customers	99%	1%	79%	21%
Interruptible Customers	97%	3%	59%	41%

* Projections based upon actual results through March 2008. Further adjustments to Commodity Billing Percentages may be required for implementation on August 1, 2008 should spring and summer 2008 weather deviate from normal.

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For more information, please contact Veronica Walls at 477-7229 or vwalls@hydro.mb.ca. You can also find more information on our [Energy Seminars and Workshops webpage](#).



Quick Links:

- [Current Natural Gas Rates](#)
- [Monthly Alberta Natural Gas Market Price](#)
- [Current Electricity Rates](#)
- [Power Smart Incentives](#)



Due to popular demand, another High Voltage Awareness Seminar has been added: May 29–30, 2008.

For more information and to register see the [Energy Seminars and Workshops webpage](#) or contact us at 474-4698 or ics@hydro.mb.ca

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