SASKENERGY INCORPORATED

THIRD QUARTER REPORT
September 30, 2015

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CORPORATE PROFILE

SaskEnergy Incorporated (SaskEnergy or the Corporation) is a Saskatchewan Crown corporation governed by *The SaskEnergy Act*. It is a designated subsidiary of Crown Investments Corporation of Saskatchewan (CIC). CIC is also a Crown corporation and effectively operates as the Province's holding company for commercial Crown corporations (such as SaskEnergy, SaskPower, SaskTel and SGI) and various commercial investments.

SaskEnergy's main business is the natural gas Distribution Utility. SaskEnergy owns and operates the Distribution Utility, which has the exclusive legislated franchise to distribute natural gas within the Province of Saskatchewan. The Provincial Cabinet regulates SaskEnergy's delivery and commodity rates. All rate changes are subject to review by the Saskatchewan Rate Review Panel, an independent body, prior to receiving Provincial Cabinet approval.

SaskEnergy's corporate structure includes four wholly owned and two indirect wholly owned operating subsidiaries as follows:

> **Bayhurst Gas Limited (Bayhurst)** owns, produces, and sells natural gas from its storage facilities in the western area of Saskatchewan. Bayhurst also owns a gross overriding royalty on several properties in Saskatchewan and Alberta. Bayhurst has two wholly owned subsidiaries as follows:
>
> > **Bayhurst Energy Services Corporation (BESCO)** is an energy services company. BESCO owns a 50 per cent interest in a natural gas processing plant in southeastern Saskatchewan, which is operated through a joint arrangement with ATCO Energy Solutions. BESCO is also the sole owner and operator of a gathering and processing facility in Coleville as well as a bulk compressed natural gas fueling facility in Weyburn.
> >
> > **BG Storage Inc. (BGSI)** owns a 50 per cent interest in a natural gas storage business, which is operated through a joint arrangement with Faro Energy Ventures Ltd.
>
> **Many Islands Pipe Lines (Canada) Limited (MIPL)** is a transmission company that owns nine natural gas transmission pipeline interconnections into Alberta, two into the United States, and one into Manitoba, all of which connect to the TransGas Limited pipeline system. MIPL is regulated by the National Energy Board.
>
> **Saskatchewan First Call Corporation (*Sask 1st Call*)** provides a centralized "Call Before You Dig" underground facility screening and notification service. *Sask 1st Call* was established primarily for safety reasons to maintain a database of oil, natural gas, and other underground infrastructures. *Sask 1st Call* provides a service whereby landowners and other stakeholders can contact *Sask 1st Call* to request the location of pipeline- and non-pipeline-related facilities of its subscribers. *Sask 1st Call's* rate structure is intended to operate on a break-even basis.
>
> **TransGas Limited (TransGas)** owns and operates the Transmission Utility and has the exclusive legislated franchise to transport natural gas within the Province of Saskatchewan. It also owns and operates a non-regulated natural gas storage business which is integrated with the transmission pipeline system. TransGas' transportation and storage rates are subject to Provincial Cabinet approval. TransGas has a Customer Dialogue process where business, operational and rate matters are openly discussed with a representative group of customers.

As a Crown corporation, SaskEnergy is committed to ensuring that all corporate activities are in strategic alignment with the Government of Saskatchewan's Crown Sector Priorities. Providing safe, reliable, high quality service to its customers is critically important to the Corporation – as is the provision of infrastructure necessary for the Province to grow and prosper.

VISION, MISSION AND VALUES

VISION

To create a competitive advantage for Saskatchewan through safe, innovative energy solutions.

MISSION

Our team of engaged employees and business partners develops and delivers safe, reliable natural gas solutions that benefit our customers and Saskatchewan.

VALUES

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
	2015	**2014**	**2015**	**2014**
FINANCIAL HIGHLIGHTS ($ millions)				
Total revenue	**141**	214	**561**	803
Total expenses	**161**	221	**527**	764
Consolidated net (loss) income	**(20)**	(7)	**34**	39
Market value adjustments	**(7)**	6	**3**	19
(Loss) income before unrealized market value adjustments	**(13)**	(13)	**31**	20
Dividends	**10**	5	**30**	14
Cash provided by operating activities	**34**	23	**203**	196
Capital expenditures	**56**	104	**130**	189
Total assets			**2,375**	2,287
Total net debt			**1,146**	1,098
Debt ratio			**62.1%**	58.8%
OPERATING HIGHLIGHTS				
Distribution				
Volumes distributed (petajoules)	**34**	27	**131**	128
Weather (compared to last 30 years)	**2% warmer**	10% warmer	**2% warmer**	16% colder
Transmission				
Volumes transported (petajoules)	**65**	98	**217**	199
Peak day natural gas flows (petajoules)			**1.34**	1.37
Date of peak flow			**January 4**	February 6

INTRODUCTION

The Management's Discussion and Analysis (MD&A) highlights the primary factors that affected SaskEnergy's consolidated financial condition and performance for the nine month period ended September 30, 2015. Using financial and operating results as its basis, the MD&A describes the Corporation's past performance and future prospects, enabling readers to view SaskEnergy from the perspective of management. This MD&A is presented as at November 20, 2015 and should be read in conjunction with the Corporation's condensed consolidated financial statements, which have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS). For additional information related to the Corporation, refer to SaskEnergy's 2014 Annual Report.

The following discussion contains certain forward-looking statements that are subject to inherent uncertainties and risks, which are described in the Risk Management and Disclosure section of SaskEnergy's 2014 Annual Report. All forward-looking statements reflect the Corporation's best estimates and assumptions based on information available at the time the statements were made. However, actual results and events may vary significantly from those included in, contemplated by, or implied by such statements.

The volume of natural gas distributed is sensitive to variations in the weather, particularly through the prime heating season of November to March. Additionally, changes in market value adjustments may cause significant fluctuations in net income due to the volatility of natural gas prices. Therefore, the condensed consolidated financial results for the first nine months of 2015 should not be taken as indicative of the performance to be expected for the full year.

In order to compare financial performance from period to period, the Corporation uses the following measures: income before unrealized market value adjustments, realized margin on commodity sales, and realized margin on gas marketing sales. Each measure removes the impact of fair value adjustments on financial and derivative instruments and the revaluation of natural gas in storage to the lower of cost and net realizable value. These unrealized market value adjustments vary considerably with the market prices of natural gas, drive significant changes in the Corporation's consolidated net income, and may obscure other business factors that are also important to understanding the Corporation's financial results. The measures referred to above are non-IFRS measures, in that there is no standardized definition, and may not be comparable to similar measures presented by other entities.

CONSOLIDATED FINANCIAL RESULTS

Consolidated Net Income

	Three months ended September 30			Nine months ended September 30		
(millions)	**2015**	2014	Change	**2015**	2014	Change
(Loss) income before unrealized market value adjustments	**$ (13)**	$ (13)	$ -	**$ 31**	$ 20	$ 11
Impact of fair value adjustments	**(6)**	6	(12)	**3**	8	(5)
Revaluation of natural gas in storage	**(1)**	-	(1)	**-**	11	(11)
Consolidated net (loss) income	**$ (20)**	$ (7)	$ (13)	**$ 34**	$ 39	$ (5)

Income before unrealized market value adjustments of $31 million for the first nine months of 2015 was $11 million higher than the first nine months of 2014. Low natural gas prices and a commodity rate increase effective July 1, 2014 have contributed to higher realized commodity margins in the first nine months of 2015 compared to 2014. Transportation revenue also increased, a result of higher contracted demand volumes and a rate increase effective January 1, 2015. Delivery revenue declined due to lower volumes consumed, a result of the winter heating season of 2015 being significantly warmer than 2014 combined with higher heating values in 2015, which means that customers need to consume less gas by volume to heat their homes. In recent years, increasing imports of natural gas from Alberta, which has a higher heating value than conventional Saskatchewan production, increased the average heating value of gas sold. Additionally, new production within Saskatchewan is increasingly sourced from gas associated with oil production, which has higher heat values than conventional production. Operating and maintenance expenses have increased over 2014, due to transportation expenses related to the provision of additional transportation services which have increased transportation revenues.

Natural gas market prices have been low through the first nine months of 2015 and are expected to remain low for the remainder of the year. Low prices together with small differentials between current and forward prices create limited gas marketing opportunities compared to prior years. While the decline in natural gas prices generates unfavourable unrealized market value adjustments on natural gas purchase contracts and natural gas in storage, over the first nine months the settlement of existing contracts has resulted in favourable market value adjustments. Natural gas liquid prices have also declined from the low levels experienced in 2014, resulting in an impairment of gas processing assets being recognized in 2015.

The third quarter of 2015 reported a $13 million loss before unrealized market value adjustments and equaled the loss for the third quarter of 2014. A higher realized margin on commodity sales and higher transportation revenue, both results of rate increases, were partially offset by a decline in delivery revenue, a result of 2015 weather being closer to normal and higher heating value of natural gas sold, which have reduced the volume of natural gas delivered.

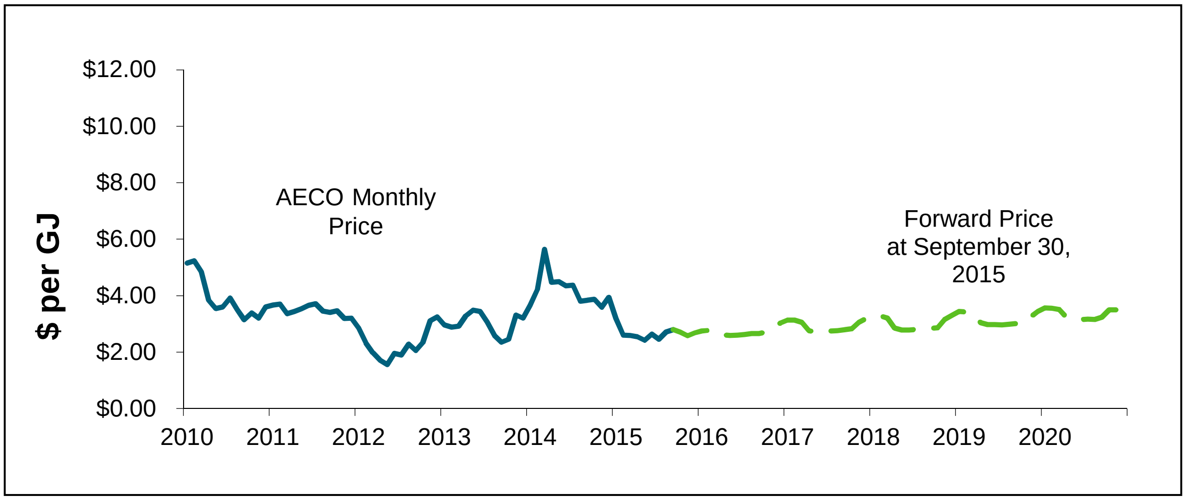
Natural Gas Prices

Natural gas prices are set in an open market and are influenced by a number of variables including production, demand, natural gas storage levels and economic conditions. Given the high demand for natural gas to heat homes and businesses during the cold winter months and the demand for natural gas to generate incremental electricity for air conditioning in the summer, weather has the greatest impact on natural gas prices in the near term. Due to the high degree of uncertainty associated with weather, natural gas prices can be very volatile.

Prices remained low in the first three quarters of 2015 as a result of continued record levels of production and unseasonable warm winter weather in the west. Natural gas storage filled at above average rates throughout the injection season. Storage is expected to end the injection season at the highest level on record.

The AECO monthly index, the benchmark price for natural gas in western Canada, averaged $2.66/GJ in the first three quarters of 2015, down from an average of $4.31/GJ during the same time period in 2014.

The following chart presents AECO natural gas prices. Most natural gas in Saskatchewan is priced at a differential to the AECO price and is typically between $0.05 per gigajoule (GJ) and $0.20 per GJ higher than AECO.



Natural Gas Sales and Purchases

Included within natural gas sales and purchases are rate-regulated commodity sales to distribution customers and non-regulated gas marketing activities. Although presented together within the consolidated financial statements in accordance with IFRS, the Corporation manages these activities as distinct and separate businesses and, as such, the MD&A addresses these natural gas sales and purchases separately.

Commodity Sales to Customers

SaskEnergy sells natural gas to its distribution customers at a commodity rate approved by Provincial Cabinet based on the recommendations of the Saskatchewan Rate Review Panel. The commodity rate, which is reviewed April 1 and November 1 of each year, is determined based on rate-setting principles and is designed to recover the realized costs associated with natural gas sold to distribution customers without earning a profit or incurring a loss over the long term. For rate-setting purposes, SaskEnergy accumulates differences between the commodity revenue earned and the cost of natural gas sold in a Gas Cost Variance Account (GCVA). The balance in the GCVA, which is not recorded for financial reporting purposes, is either recovered from or refunded to customers as part of future commodity rates.

For financial reporting purposes, the Corporation prepares its financial statements on a consolidated basis while applying IFRS. Consequently, the amounts determined for rate-setting purposes are different than those reported within its consolidated financial statements. The most notable differences are the elimination of intercompany costs in the preparation of the consolidated financial statements, including transportation costs paid to TransGas, as well as the timing related to recognition of financial derivative settlements. While a gain or loss is commonly reported in the Corporation's consolidated financial statements, it should not be taken as indicative of the results recorded within the GCVA.

Commodity Margin

The commodity margin on sales to customers, as reported in the consolidated financial statements, was as follows:

	Three months ended September 30			Nine months ended September 30		
(millions)	**2015**	2014	Change	**2015**	2014	Change
Commodity sales	**$ 30**	$ 39	$ (9)	**$ 201**	$ 197	$ 4
Commodity purchases [1]	**(31)**	(38)	7	**(178)**	(200)	22
Realized margin on commodity sales	**(1)**	1	(2)	**23**	(3)	26
Impact of fair value adjustments	**(2)**	1	(3)	**16**	11	5
Margin on commodity sales	**$ (3)**	$ 2	$ (5)	**$ 39**	$ 8	$ 31

[1] Net of change in inventory

The realized margin on commodity sales excludes the impact of unrealized fair value adjustments on derivative instruments, as these adjustments can fluctuate significantly from one period to the next and do not necessarily represent the amount that will be paid upon settlement of the related natural gas contract. On a consolidated basis, the Corporation realized a $23 million margin on commodity sales, with average revenue of $4.23 per GJ and average cost of gas sold of $3.77 per GJ. This compared to an unfavourable realized margin of $3 million for the same period in 2014. The higher commodity margin in 2015 is a result of the Corporation's first commodity rate increase in six years to $4.84 per GJ effective July 1, 2014, combined with low natural gas market prices that have allowed the Corporation to reduce the average cost of commodity purchases. This was partially offset by lower volumes consumed, a result of warmer weather and higher heat values in 2015.

SaskEnergy manages the purchase price of natural gas it buys through its natural gas price risk management program with two objectives: to reduce the volatility of natural gas prices and to offer rates that are competitive to other utilities. The two objectives naturally oppose each other, and the balance between the two may change depending on existing market conditions. In order to ensure a secure supply of natural gas, SaskEnergy contracts for the physical delivery of natural gas using non-financial derivatives, referred to as forward or physical natural gas contracts. The purchase price contained in these forward contracts may be fixed, or it may be based on a variable index price. While fixed price contracts reduce the impact of natural gas price volatility, variable or market prices can assist in offering competitive rates depending on the pricing environment. SaskEnergy uses financial derivatives and physical swaps to manage the future purchase price of natural gas.

As derivative instruments, natural gas contracts are recorded at fair value until the settlement date. Changes in the fair value of the derivative instruments, driven by changes in future natural gas prices, are recorded in either commodity sales or commodity purchases depending on the specific contract. Upon settlement of the contract, the amount paid or received by SaskEnergy becomes realized and is recorded in commodity sales or purchases.

For the first nine months of 2015, fair value adjustments increased the margin on commodity sales by $16 million as the $104 million unfavourable fair value position at the end of 2014 improved to an $88 million unfavourable position at the end of September 2015. The settlement of contracts during the first nine months of 2015 contributed to a lower volume of contracts outstanding at September 30, 2015. Additionally, the remaining contracts have a lower average contract price, which improves the fair value.

Due to the seasonality of the weather in the Province, the volume of commodity sales to customers declines significantly in the second and third quarters. However, some of the costs associated with the Corporation's price risk management strategy do not decline with the decreasing sales volumes. As such, declining margins on commodity sales are not unusual during the second and third quarters. For the third quarter of 2015, the Corporation realized a $1 million unfavourable margin on commodity sales which was comparable to the margin in the same period of 2014. An unfavourable fair value adjustment of $2 million for the third quarter of 2015 was the result of the natural gas market prices declining in September 2015.

Gas Marketing Sales

(millions)	Three months ended September 30 2015	2014	Change	Nine months ended September 30 2015	2014	Change
Gas marketing sales	**$ 40**	$ 97	$ (57)	**$ 109**	$ 348	$ (239)
Gas marketing purchases [1]	**(36)**	(97)	61	**(97)**	(338)	241
Realized margin on gas marketing sales	**4**	-	4	**12**	10	2
Impact of fair value adjustments	**(3)**	4	(7)	**(9)**	(8)	(1)
Revaluation of natural gas in storage	**(1)**	-	(1)	**-**	11	(11)
Margin on gas marketing sales	**$ -**	$ 4	$ (4)	**$ 3**	$ 13	$ (10)

[1] Net of change in inventory

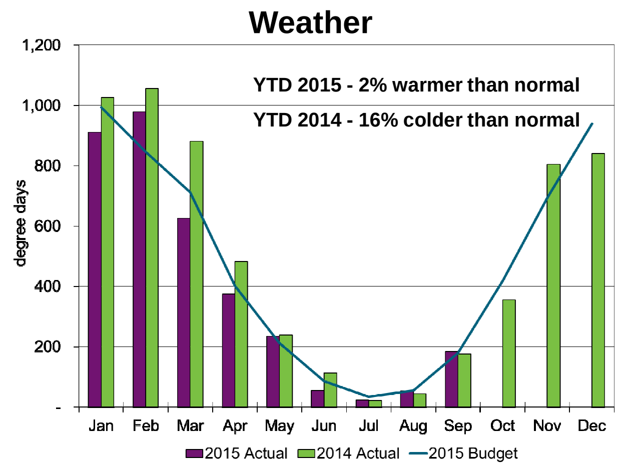
SaskEnergy's gas marketing activity employs several different strategies, all of which attempt to optimize storage and transportation capacity available to the Corporation to earn a positive margin. The most significant gas marketing activity is focused on utilizing the storage capabilities of a depleted gas field in west-central Saskatchewan. The primary strategy involves the purchase of natural gas accompanied by a forward sales contract that essentially locks in a future profit margin. Low natural gas market prices in the past few years created opportunities for the Corporation to purchase relatively low-priced natural gas which has been injected into storage facilities to be sold in the future when prices are higher. The Corporation also optimizes transmission and storage capacity during off peak periods, by purchasing and selling natural gas in the open market to generate additional margins. The margins earned on this activity benefit customers by reducing pressure on transmission and distribution rates. Lastly, SaskEnergy provides natural gas supply options to larger end-use customers in Saskatchewan through non-regulated contract sales.

The realized margin on gas marketing sales, which removes fair value adjustments on derivative instruments and the revaluation of natural gas in storage, was $12 million. This was an increase of $2 million from the same period last year as higher margins were partially offset by low market prices for natural gas and forward market pricing limited the opportunities for the Corporation to transact significant volumes of purchases and sales. There were 34 PJ of natural gas sold in the first nine months of 2015 compared to 80 PJ in the same period of 2014. On a third quarter basis, the Corporation realized a $4 million margin in 2015 which was a result of a higher realized margin, partially offset by lower volumes.

Transactions undertaken through the Corporation's gas marketing strategies create risk, especially given the volatility of natural gas market prices. The Corporation enters into various natural gas contracts in its gas marketing activities. These contracts are derivative instruments and, as such, are recorded at fair value until the date of settlement. Changes in fair value positions are recorded in either gas marketing sales or gas marketing purchases, depending on the specific natural gas contract. Once settled, the amount paid or received for the contract is recorded in gas marketing sales or gas marketing purchases, as appropriate. During the first nine months of 2015, fair value adjustments on derivative instruments reduced the margin on gas marketing sales by $9 million. The fair value position slightly declined from $8 million unfavourable at the end of September 2014 to $9 million unfavourable at the end of September 2015. The results are comparable and reflect the Corporation's lower volume of outstanding contracts at the end of the period due to contracts settling in the first nine months of 2015, which has been offset by the impact of declining natural gas market prices in September 2015.

At each reporting period, the Corporation measures the net realizable value of gas marketing natural gas in storage based on forward market prices and anticipated delivery dates. The carrying amount of natural gas in storage is adjusted to reflect the lower of weighted average cost and net realizable value. In recent years, low natural gas prices have translated to reduced prices on the forward price curve. AECO's price decreased to $2.60/GJ at the end of September, down $0.10/GJ from the end of 2014 and down $0.17/GJ from the end of August. As forward contracts settle, their market value adjustments become realized in net income leaving a lower volume of natural gas contracts outstanding compared to the end of 2014. The result is improved market value adjustments despite declining market prices. Consequently, the net realizable value of gas marketing natural gas in storage was $23 million below cost as at September 30, 2015, which is unchanged from the revaluation adjustment required at December 31, 2014.

Delivery Revenue



The Corporation earns delivery revenue based on the volume of natural gas delivered to distribution customers plus a basic monthly charge.

Delivery revenue is highly dependent on weather as natural gas is primarily used as heating fuel by residential and commercial customers during the cold winter months. Delivery revenue of $151 million was $12 million below 2014 as the first three quarters of 2015 were 2% warmer than normal, based on weather data for the past 30 years, compared to 16% colder than the same period in 2014. The warmer weather decreased customer consumption compared to 2014 resulting in lower delivery revenue. Additionally, the natural gas SaskEnergy is selling to customers has a much higher heating value in 2015, compared to 2014 which means that customers need to consume less gas by volume to heat their homes. Lower consumption due to weather and heating value has reduced revenue, however this has been partially offset by a delivery rate increase effective September 1, 2014 and increased customer growth. A delivery rate increase planned for September 1, 2015, needed to meet SaskEnergy's revenue requirements, has been deferred to January 1, 2016.

During the third quarter of 2015, delivery revenue of $32 million was $3 million below the third quarter of 2014. There was a decrease in the volume of natural gas delivered to customers in 2015, slightly offset by the prior year's third quarter rate increase.

Transportation and Storage Revenue

The Corporation's subsidiary, TransGas, provides receipt and delivery transportation through the use of the TransGas Energy Pool (TEP), a notional point where producers, marketers and end-users can match supplies to demand. On the receipt side, the Corporation offers both firm and interruptible transportation from points of receipt to TEP. On the delivery side, the Corporation offers firm and interruptible service for gas delivered from TEP to consumers within Saskatchewan or for export. Integral to the Corporation's transmission system are several strategically located natural gas storage sites with the capacity to provide operational flexibility along with a reliable and competitive natural gas storage service.

Year-to-date, transportation and storage revenue of $89 million was $18 million above the same period in 2014. On a quarter-over-quarter basis, transportation and storage revenue of $31 million was also $7 million above the third quarter of 2014. This was primarily due to higher contracted demand volumes combined with a rate increase effective January 1, 2015, resulting in higher direct and receipt revenue, and increased recoveries for its service to import natural gas from Alberta. The higher direct and receipt revenue is a result of a number of customers moving from interruptible service to firm delivery contracts during the second quarter of 2014. When customers transfer from interruptible to firm contracts it increases demand revenue for TransGas and also improves revenue certainty which is more supportive of required pipeline expansions. Conversely, storage revenue was down slightly from the same period last year due to customer preference to buy/sell at the market rather than use storage, a result of the low natural gas price environment.

Customer Capital Contribution Revenue

The Corporation receives capital contributions from customers in exchange for the construction of new, customer-specific service connections. These contributions, less potential refunds, are recognized as revenue once the related property, plant, and equipment is available for use. The volume and magnitude of these contributions can vary significantly period over period as varying factors influence their receipt. Generally, customer capital contributions mirror the projects themselves – those related to the transmission system tend to be larger but less frequent than contributions related to the distribution system. Customer capital contribution revenue of $14 million, driven by the year-to-date distribution system customer connections, was $3 million below the same period last year due to a decline in customer connection activity. The third quarter customer capital contribution revenue of $9 million was $1 million higher than 2014, related to an increase in distribution system customer connections for the three month period ending September 2015.

Other Revenue

Other revenue primarily consists of revenues from natural gas processing operations and royalty revenues. The Corporation's natural gas processing operations include gas processing at two separate gas plants and the sale of natural gas liquids from the processing operations. Royalty revenue is generated from a gross overriding royalty on several natural gas-producing properties in Saskatchewan and Alberta. Other revenue of $8 million for the first nine months of 2015 is $5 million lower than 2014 as a result of lower natural gas liquid prices. The $2 million for the third quarter of 2015 was $2 million lower than 2014, also due to the decline in natural gas liquid prices.

Other Expenses

Other expenses consist of employee benefits, operating and maintenance, depreciation and amortization, and Saskatchewan taxes. With strong growth in the provincial economy in recent years, the Corporation has experienced significant growth in its customer base and pipeline facilities. The increasing investment in facilities directly affects depreciation and amortization and corporate capital taxes. Other expenses of $228 million for the first nine months in 2015 represent a slight increase of $6 million over the same period in 2014. For the third quarter of 2015, other expenses of $76 million were $1 million above 2014 with the primary driver for both being cost increases to transport additional gas into Saskatchewan to meet growing demand combined with an increase in depreciation and amortization resulting from increases to the capital asset base.

Net Finance Expenses

Net finance expenses, before the impact of fair value adjustments, were $33 million in 2015 and equaled 2014. Increased earnings on debt retirement funds were fully offset by the higher debt financing needed to fund the Corporation's growing capital expenditure requirements. There was also a $4 million unfavourable fair value adjustment on debt retirement funds during 2015, an outcome of increased interest rates on fixed-rate investments. On a quarterly basis, net finance expenses of $12 million, before the impact of fair value adjustments, were slightly above 2014 due to increased levels of debt.

Other (Losses) Gains

Recent changes in the oil and gas market have led to declining natural gas and natural gas liquid prices, which have adversely affected cash flows generated from gas processing plant assets. An impairment on gas processing plant assets of $3 million was recorded in the first quarter of 2015 to recognize the impact of a decline in natural gas liquid prices on their value in use. In addition, a customer specific transmission pipeline was sold in the third quarter, which resulted in a loss on the retirement of the pipeline assets that is recorded in other losses and gains. Upon sale of the pipeline, SaskEnergy recognized a customer contribution related to the pipeline that was no longer refundable, resulting in no impact to the financial results on the sale of the pipeline. These two losses contrast the $3 million gain recorded in the second quarter of 2014 for the sale of storage and distribution assets.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended September 30			Nine months ended September 30		
(millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Cash provided by operating activities	**$ 34**	$ 23	$ 11	**$ 203**	$ 196	$ 7
Cash used in investing activities	**(57)**	(105)	48	**(132)**	(185)	53
Cash used in financing activities	**23**	72	(49)	**(75)**	(7)	(68)
(Decrease) increase in cash and cash equivalents	**$ -**	$ (10)	$ 10	**$ (4)**	$ 4	$ (8)

Cash from operations and debt borrowed from the Province of Saskatchewan's General Revenue Fund are the primary sources of liquidity and capital for SaskEnergy. Sources of liquidity include Order in Council authority to borrow up to $500 million in short-term loans, which was increased by $100 million in the third quarter of 2015. The Corporation holds a $35 million uncommitted line of credit with the Toronto-Dominion Bank. Over the longer term, *The SaskEnergy Act* allows the Corporation to borrow up to $1,700 million.

Cash from operating activities was $203 million in 2015, an increase of $7 million from the first nine months of 2014. This is due to a higher commodity rate in 2015 increasing cash flow compared to 2014. This was partially offset by lower volumes sold to customers and lower delivery service revenue, both due to higher heat values of natural gas sold in 2015 and the near normal weather in 2015 compared to the extreme weather in 2014. The decline in natural gas prices continues to limit the Corporation's gas marketing activities. The volume of gas marketing natural gas in storage of 25 PJ at the end of September

2015 is 9 PJ lower than September 2014 and has declined by 5 PJ from year end as existing sales contracts have been settled, contributing to cash from operating activities.

Cash used in investing activities totaled $132 million for the first nine months of 2015, $53 million below 2014. Capital investment levels have declined in 2015 due to lower system growth and customer connection levels compared to 2014. The Bayhurst-to-Rosetown pipeline project that was completed in 2014 was the Corporation's largest capital investment project in recent years, contributing to high capital investment levels in 2014. The majority of the year to date capital investment focus on $58 million of system expansion and growth initiatives, which are a result of Saskatchewan residential and industrial growth, as well as safety and integrity programming of $54 million, a sign of the Corporation's ongoing commitment to a safe, reliable system. The Corporation funds its high level of capital requirements with cash from operations and debt from the Province of Saskatchewan.

Cash used for financing activities was $75 million during the first nine months of 2015. In the first quarter of 2015, given the Corporation's relatively high short-term debt balances and attractive interest rates on long-term debt, the Corporation issued $50 million of long term debt at an effective interest rate of 2.7%, the proceeds of which were used to repay $62 million of its short-term debt. With decreased capital spending through the first nine months of 2015, long term debt requirements declined from 2014 and cash from operations has been utilized to meet current year capital spending and operating requirements. SaskEnergy's debt ratio at September 30, 2015 was 62%, slightly lower than December 31, 2014 and slightly higher than the Corporation's long-term target of 57%.

OUTLOOK

In close alignment with Saskatchewan Crown Sector Priorities and the Saskatchewan Plan for Growth, SaskEnergy's 2015 efforts will continue to focus on the four strategic mandates: Service Excellence, Achieving Growth, Our Team and Creating Value. The Corporation is financially well-positioned to achieve its business objectives in 2015 and over the five-year planning horizon.

Currently, 2015 is characterized by a forward pricing curve for natural gas that shows a very small differential between current market prices and future market prices, which is good for customers and large consumers of natural gas who value stability and low prices. The $4.84 per GJ commodity rate approved on July 1, 2014, combined with a lower average cost of gas, due to declines in market prices, will continue to provide favourable margins on commodity sales in 2015 and reduce the Gas Cost Variance Account owing from customers. On October 21, 2015, Cabinet approved a $0.54 per GJ reduction to the commodity rate to $4.30 per GJ, based on the recommendations of the Saskatchewan Rate Review Panel. The commodity rate reduction will take effect January 1, 2016 together with an average 4.5% increase to the delivery rate.

The Corporation's gas marketing activities are not expected to provide the margins that were typical prior to 2014 when traditionally volatile natural gas prices allowed for price arbitrage transactions to be undertaken at relatively high margins. Based on current market conditions, the forecasted gas marketing margin for 2015 is only slightly higher than the 2014 margin. In line with expectations, the volume of gas marketing activity has declined by 57% in 2015, however by leveraging its assets and expertise SaskEnergy has found several opportunities throughout the year which will allow it to achieve slightly higher margins than in 2014.

The Corporation's business is subject to price risk related to movements in natural gas and natural gas liquids prices, financial derivative contracts are used to manage natural gas price risk, resulting in SaskEnergy's earnings being exposed to changes in the market value of these contracts. Based on the contracts outstanding at the end of September 30, 2015, a $0.50/GJ increase across all future natural gas price points would result in a market value gain of $46 million, while a decrease of $0.50/GJ would result in a market value loss of $28 million.

The Corporation expects to see the pace of Saskatchewan's economy slow to moderate levels in 2015 as commodity prices are not expected to recover significantly before the end of the year. In light of this, SaskEnergy has tempered its expectations for customer connection rates to levels closer to the ten year average. Actual results through to the end of the third quarter of 2015 have supported this expectation as growth in delivery revenue has declined due to slower customer growth, compounded by reduced customer consumption due to warmer weather and higher heat values. Residential customer capital contributions have declined and are forecasted to be lower than in 2014. Industrial and commercial demand for service is expected to continue at strong levels and exhibit steady growth through 2015, which will slightly mitigate the declines related to residential customers.

The heightened focus on security of natural gas supply and the need to look at cost effective options for sourcing that supply will continue in 2015. Saskatchewan production levels for conventional natural gas have been in steady decline for the past several years and are expected to remain at current levels going forward. As major industrial projects come on line, load pressures will increase and operating costs to meet those loads will continue to increase, though not to the same degree as in 2014.

The outlook for labour markets and contractor demand was unclear given the downturn in the provincial economy but pressure has lessened in some areas during the downturn. The Corporation continues to pursue its resourcing strategy which calls for relatively stable employee levels augmented by third party contract resources. In addition, efficiency initiatives have enhanced productivity and will continue to allow SaskEnergy to meet its business commitments in a nimble and cost effective manner with a focus on cost savings in employment, contract and consulting, advertising and vehicle costs.

SaskEnergy will continue to focus its efforts on providing safe and reliable service to customers without creating undue rate pressure. Spending will focus on upgrading infrastructure to meet load and service requirements, as well as the integrity of transmission, distribution and storage systems. The 2015 capital plan also includes growth-related projects such as gas processing and associated gas capture where current opportunities appear limited. The Corporation has spent $130 million on capital projects in 2015 with plans to spend a total of $221 million on capital investment by the end of 2015. These capital expenditures will be funded through operating cash flows and debt made available through the Province at what are expected to be historically low interest rates.

In summary, SaskEnergy will continue to focus on investing in safety and growth initiatives and realizing efficiencies, while forecasting income before unrealized market value adjustments of $81 million in 2015.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(millions)	Notes	As at September 30, 2015 (unaudited)	As at December 31, 2014 (audited)
Assets			
Current assets			
Cash		$ 1	$ 5
Trade and other receivables		75	148
Natural gas in storage held for resale	5	133	140
Inventory of supplies		14	12
Debt retirement funds		15	7
Fair value of derivative instruments	6	9	21
		247	333
Intangible assets		53	49
Property, plant and equipment		1,988	1,912
Debt retirement funds		87	86
		$ 2,375	$ 2,380
Liabilities and Province's equity			
Current liabilities			
Short-term debt		$ 229	$ 299
Trade and other payables		106	117
Dividends payable		10	3
Current portion of long-term debt	8	133	50
Deferred revenue		94	90
Fair value of derivative instruments	6	89	107
		661	666
Employee future benefits		10	10
Provisions		112	95
Deferred revenue		6	6
Long-term debt	8	887	908
		1,676	1,685
Province's equity			
Equity advances		72	72
Retained earnings		627	623
		699	695
		$ 2,375	$ 2,380

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

(millions)	Notes	For the Three Months Ended September 30, 2015 — Income before Unrealized Market Value Adjustments	For the Three Months Ended September 30, 2015 — Unrealized Market Value Adjustments (Note 10)	For the Three Months Ended September 30, 2015 — Total	For the Three Months Ended September 30, 2014 — Income before Unrealized Market Value Adjustments	For the Three Months Ended September 30, 2014 — Unrealized Market Value Adjustments (Note 10)	For the Three Months Ended September 30, 2014 — Total
Revenue							
Natural gas sales	11	**$ 70**	**$ (3)**	**$ 67**	$ 136	$ 7	$ 143
Delivery		**32**	**-**	**32**	35	-	35
Transportation and storage	14	**31**	**-**	**31**	24	-	24
Customer capital contributions		**9**	**-**	**9**	8	-	8
Other	14	**2**	**-**	**2**	4	-	4
		144	**(3)**	**141**	207	7	214
Expenses							
Natural gas purchases (net of change in inventory)	11	**67**	**3**	**70**	135	2	137
Employee benefits		**21**	**-**	**21**	20	-	20
Operating and maintenance	14	**29**	**-**	**29**	30	-	30
Depreciation and amortization		**22**	**-**	**22**	20	-	20
Saskatchewan taxes		**4**	**-**	**4**	5	-	5
		143	**3**	**146**	210	2	212
(Loss) income before the following		**1**	**(6)**	**(5)**	(3)	5	2
Finance income		**1**	**(1)**	**-**	1	1	2
Finance expenses		**(13)**	**-**	**(13)**	(12)	-	(12)
Net finance expenses		**(12)**	**(1)**	**(13)**	(11)	1	(10)
Other (losses) gains	14	**(2)**	**-**	**(2)**	1	-	1
Total net loss and comprehensive loss		**$ (13)**	**$ (7)**	**$ (20)**	$ (13)	$ 6	$ (7)

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

(millions)	Notes	For the Nine Months Ended September 30, 2015 Income before Unrealized Market Value Adjustments	For the Nine Months Ended September 30, 2015 Unrealized Market Value Adjustments (Note 10)	For the Nine Months Ended September 30, 2015 Total	For the Nine Months Ended September 30, 2014 Income before Unrealized Market Value Adjustments	For the Nine Months Ended September 30, 2014 Unrealized Market Value Adjustments (Note 10)	For the Nine Months Ended September 30, 2014 Total
Revenue							
Natural gas sales	11	**$ 310**	**$ (11)**	**$ 299**	$ 545	$ (6)	$ 539
Delivery		**151**	**-**	**151**	163	-	163
Transportation and storage	14	**89**	**-**	**89**	71	-	71
Customer capital contributions		**14**	**-**	**14**	17	-	17
Other	14	**8**	**-**	**8**	13	-	13
		572	**(11)**	**561**	809	(6)	803
Expenses							
Natural gas purchases (net of change in inventory)	11	**275**	**(18)**	**257**	538	(20)	518
Employee benefits		**69**	**-**	**69**	68	-	68
Operating and maintenance	14	**86**	**-**	**86**	85	-	85
Depreciation and amortization		**64**	**-**	**64**	60	-	60
Saskatchewan taxes		**9**	**-**	**9**	9	-	9
		503	**(18)**	**485**	760	(20)	740
Income before the following		**69**	**7**	**76**	49	14	63
Finance income		**5**	**(4)**	**1**	3	5	8
Finance expenses		**(38)**	**-**	**(38)**	(36)	-	(36)
Net finance expenses		**(33)**	**(4)**	**(37)**	(33)	5	(28)
Other (losses) gains	14	**(5)**	**-**	**(5)**	4	-	4
Total net income and comprehensive income		**$ 31**	**$ 3**	**$ 34**	$ 20	$ 19	$ 39

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited)

(millions)	Retained Earnings	Equity Advances	Other Components of Equity	Total
Balance as at January 1, 2014	$ 673	$ 72	$ -	**$ 745**
Comprehensive income	39	-	-	**39**
Dividends	(14)	-	-	**(14)**
Balance as at September 30, 2014	$ 698	$ 72	$ -	**$ 770**
Balance as at January 1, 2015	$ 623	$ 72	$ -	**$ 695**
Comprehensive income	34	-	-	**34**
Dividends	(30)	-	-	**(30)**
Balance as at September 30, 2015	$ 627	$ 72	$ -	**$ 699**

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

(millions)	Notes	For the Nine Months Ended September 30 2015	2014
Operating activities			
Net income and comprehensive income		**$ 34**	$ 39
Add (deduct) items not requiring an outlay of cash			
Net change in fair value of derivative instrument assets and liabilities	10	**(7)**	(3)
Change in revaluation of natural gas in storage to net realizable value	10	**-**	(11)
Depreciation and amortization		**64**	60
Net finance expenses		**37**	28
Other losses (gains)		**5**	(4)
		133	109
Net change in non-cash working capital related to operations	12	**70**	87
Cash provided by operating activities		**203**	196
Investing activities			
Additions to intangible assets		**(8)**	(4)
Additions to property, plant and equipment		**(124)**	(181)
Decommissioning costs		**(2)**	-
Net proceeds on disposal of assets		**2**	-
Cash used in investing activities		**(132)**	(185)
Financing activities			
Debt retirement funds installments		**(8)**	(8)
Debt retirement funds redemptions		**-**	6
Decrease in short-term debt		**(70)**	(148)
Dividends paid		**(23)**	(19)
Proceeds from long-term debt	8	**62**	246
Repayment of long-term debt		**-**	(50)
Interest paid		**(36)**	(34)
Cash used in financing activities		**(75)**	(7)
(Decrease) increase in cash and cash equivalents		**(4)**	4
Cash and cash equivalents, beginning of period		**5**	-
Cash and cash equivalents, end of period		**$ 1**	$ 4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

For the Nine Months Ended September 30, 2015

1. General information

SaskEnergy Incorporated (SaskEnergy or the Corporation) is a Saskatchewan provincially owned Crown corporation operating under authority of *The SaskEnergy Act*. The address of SaskEnergy's registered office and principal place of business is 1777 Victoria Avenue, Regina, Saskatchewan, Canada S4P 4K5.

The Corporation owns and operates natural gas-related businesses located both within and outside Saskatchewan. The condensed consolidated financial statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of the natural gas business.

By virtue of *The Crown Corporations Act, 1993*, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Saskatchewan provincially owned Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of CIC. As a provincial Crown corporation, SaskEnergy and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

2. Basis of preparation

a. Statement of compliance

The Corporation's condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The condensed consolidated financial statements do not include all the information required for the Corporation's annual consolidated financial statements. Accordingly, these statements should be read with reference to the annual report for the year ended December 31, 2014.

The condensed consolidated financial statements were authorized for issue by the Board of Directors on November 20, 2015.

b. Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis except for the following items:

Financial instruments classified as at fair value through profit or loss
Employee future benefits
Provisions

c. Functional and presentation currency

The condensed consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency, unless otherwise stated. All financial information presented in Canadian dollars has been rounded to the nearest million.

d. Use of estimates and judgments

In the application of the Corporation's accounting policies, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as any future periods affected.

Information about critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the condensed consolidated financial statements include:

Revenue recognition related to unbilled revenue
Existence of decommissioning liabilities

2. Basis of preparation (continued)

Information about significant management estimates and assumptions that have a significant risk of resulting in a material adjustment within the next financial period include:

Estimated unbilled revenue
Net realizable value of natural gas in storage held for resale
Fair value of financial and derivative instruments
Useful lives and amortization rates for intangible assets
Useful lives and depreciation rates for property, plant, and equipment
Estimated unearned customer capital contributions
Estimated future cost of decommissioning liabilities

3. Summary of significant accounting policies

The accounting policies, as detailed in Note 3 to the consolidated financial statements for the year ended December 31, 2014, have been applied consistently, by the Corporation and its subsidiaries, to all periods presented in these condensed consolidated financial statements.

Certain comparative amounts in the condensed consolidated statement of comprehensive income have been reclassified to conform with the current quarter's presentation (Note 14).

a. Changes in accounting policies

Effective January 1, 2015, the Corporation adopted the following new and amended IFRS:

IFRS 3 *Business combinations*
IFRS 13 *Fair value measurement*
IAS 16 *Property, plant and equipment*
IAS 19 *Employee benefits*
IAS 24 *Related party disclosures*
IAS 38 *Intangible assets*

The adoption of these amended standards had no impact on the condensed consolidated financial statements.

b. Fair value measurements

For recurring and non-recurring fair value measurements, the Corporation estimates the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the reporting date under current market conditions. This requires the Corporation to make certain assumptions, including the principal (or most advantageous) market, the most appropriate valuation technique and the most appropriate valuation premise. The Corporation's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments.

In measuring fair value, the Corporation classifies items according to the following fair value hierarchy based on the amount of observable inputs:

i. Level 1

Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as at the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide ongoing pricing information. The Corporation did not classify any of its fair value measurements within Level 1.

ii. Level 2

Inputs are other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability as at the reporting date. Level 2 valuations are based on inputs, including quoted market prices, time value, volatility factors and broker quotations which can be substantially observed or corroborated in the marketplace.

The fair value of debt retirement funds is determined by Saskatchewan's Ministry of Finance using a market approach with information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instrument.

3. Summary of significant accounting policies (continued)

The fair value of natural gas derivative instruments is determined using a market approach. The Corporation obtains quoted market prices from sources such as the New York Mercantile Exchange and the Natural Gas Exchange, independent price publications and over-the-counter broker quotes.

The fair value of long-term debt is determined for disclosure purposes only using an income approach. Fair values are estimated using the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

iii. Level 3

Inputs are unobservable for the particular assets and liabilities as at the reporting date. The Corporation did not classify any of its fair value measurements within Level 3.

c. Future changes in accounting policies

The following new and amended standards are not yet effective and have not been applied in preparing these consolidated financial statements:

IFRS 9 *Financial Instruments* – replaces the rule-based hedge accounting requirements in IAS 39 *Financial Instruments: Recognition and Measurement* to more closely align the accounting with risk management activities. This Standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 *Revenue from Contracts with Customers* – clarifies the principles for recognizing revenue from contracts with customers and will affect the Corporation's accounting policies with respect to the following applicable revenue standards and Interpretations upon its effective date:

IAS 18 *Revenue*
IAS 11 *Construction Contracts*
IFRIC 18 *Transfer of Assets from Customers*

This standard is effective for annual periods beginning on or after January 1, 2018.

The Corporation is continuing to review the new and amended standards and has not yet determined the impact on its condensed consolidated financial statements.

4. Capital management

Under *The SaskEnergy Act*, the Corporation may borrow up to $1,700 million of debt upon approval of the Lieutenant Governor in Council. During the third quarter, the Corporation's received approval to borrow up to $500 million in temporary loans, an increase of $100 million to the previously approved short-term borrowing limit. The short-term borrowing limit falls within the Corporation's overall debt limit, which remains unchanged from year end.

5. Natural gas in storage held for resale

(millions)	As at September 30, 2015	As at December 31, 2014
Cost	**$ 156**	$ 163
Revaluation to net realizable value	**(23)**	(23)
	$ 133	$ 140

With the decline in natural gas market prices over recent years, the net realizable value of natural gas in storage at the end of the quarter was $23 million below cost (December 31, 2014 - $23 million below cost). As at September 30, 2015, the Corporation expected that $95 million of the current inventory value would be sold or consumed within the next year, and $38 million of the current inventory value would be sold or consumed after more than one year.

6. Financial and derivative instruments

			As at September 30, 2015		As at December 31, 2014	
(millions)	Classification	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial and derivative assets						
Cash	FVTPL	n/a	**$ 1**	**$ 1**	$ 5	$ 5
Trade and other receivables	LAR	n/a	**75**	**75**	148	148
Debt retirement funds	FVTPL	Level 2	**102**	**102**	93	93
Fair value of derivative instrument assets	FVTPL	Level 2	**9**	**9**	21	21
Financial and derivative liabilities						
Short-term debt	OL	n/a	**229**	**229**	299	299
Trade and other payables	OL	n/a	**106**	**106**	117	117
Dividends payable	OL	n/a	**10**	**10**	3	3
Long-term debt	OL	Level 2	**1,020**	**1,182**	958	1,145
Fair value of derivative instrument liabilities	FVTPL	Level 2	**89**	**89**	107	107

Classification details:
FVTPL - fair value through profit or loss
LAR - loans and receivables
OL - other liabilities

The fair value hierarchy is not applicable where the carrying amount approximates fair value due to the short-term nature of the financial instrument.

Notional values are an approximation of future undiscounted net cash flows. For physical natural gas contracts, the notional value is based on the contract price. For natural gas price swaps, the notional value is the difference between the contract price and the market price. Where contract prices are referenced to an index price that has not yet been fixed, the market price is used to estimate the contract price. As at September 30, 2015 natural gas derivative instruments had the following fair values, notional values, and maturities:

(millions)	2016	2017	2018	2019	2020	Total
Physical natural gas contracts						
Fair value	$ (39)	$ (12)	$ (6)	$ (1)	$ -	**$ (58)**
Notional value	(134)	(84)	(46)	(17)	5	**(276)**
Natural gas price swaps						
Fair value	(13)	(8)	(1)	-	-	**(22)**
Notional value	(13)	(8)	(1)	-	-	**(22)**
Total						
Fair value	$ (52)	$ (20)	$ (7)	$ (1)	$ -	**$ (80)**
Notional value	$ (147)	$ (92)	$ (47)	$ (17)	$ 5	**$ (298)**

Fair value - increase (decrease) in net income
Notional value - estimated undiscounted net cash inflow (outflow)

6. Financial and derivative instruments (continued)

The fair value of the Corporation's outstanding natural gas contracts is presented in the condensed consolidated statement of financial position as follows:

(millions)	As at September 30, 2015	As at December 31, 2014
Fair value of derivative instrument assets	**$ 9**	$ 21
Fair value of derivative instrument liabilities	**(89)**	(107)
	$ (80)	$ (86)

Financial assets and liabilities are offset within the condensed consolidated statement of financial position if the Corporation has the legal right to offset and intends to settle on a net basis. When natural gas contracts settle or become realized, the Corporation records the amount due to or from counterparties within trade payables or trade receivables, respectively. The Corporation offsets these amounts when the counterparty and timing of settlement are the same, which reflects the Corporation's expected future cash flows from settling its natural gas contracts. At period end, the following amounts were netted within the condensed consolidated statement of financial position:

(millions)	As at September 30, 2015	As at December 31, 2014
Trade and other receivables		
Gross amount recognized	**$ 19**	$ 21
Amount offset	**(10)**	(13)
Net amount presented in the consolidated statement of financial position	**9**	8
Trade and other payables		
Gross amount recognized	**28**	37
Amount offset	**(10)**	(13)
Net amount presented in the consolidated statement of financial position	**$ 18**	$ 24

7. Property, plant and equipment

During the first quarter of 2015, as a result of the continued decline in natural gas liquid prices, the Corporation incurred a $3 million impairment loss on its gas gathering and processing assets. The impairment was recognized as the carrying value of the assets exceeded the recoverable amount. The recoverable amount was the value in use determined using cash flows attributed to probable production, discounted at 6.0%, and adjusted for future market prices. The impairment loss has been recognized within other (losses) gains.

8. Long-term debt

During the first quarter of 2015, the Corporation issued $50 million in long-term debt with an effective interest rate of 2.7%. The long-term debt was issued at a premium of $12 million.

9. Commitments and contingencies

At period end, the Corporation forecasted to spend an additional $91 million on capital projects during the remainder of 2015, and the Corporation had $49 million of outstanding contractual commitments for the procurement of goods and services in the future.

10. Unrealized market value adjustments

(millions)	For the Three Months Ended September 30 2015	2014	For the Nine Months Ended September 30 2015	2014
Change in fair value of debt retirement funds	**$ (1)**	$ 1	**$ (4)**	$ 5
Change in fair value of natural gas derivative instruments	**(5)**	5	**7**	3
Change in revaluation of natural gas in storage to net realizable value	**(1)**	-	**-**	11
	$ (7)	$ 6	**$ 3**	$ 19

11. Natural gas sales and purchases

	For the Three Months Ended September 30					
	2015			2014		
(millions)	Commodity	Gas Marketing	Total	Commodity	Gas Marketing	Total
Natural gas sales						
Natural gas sales to commodity customers	$ 16	$ -	$ 16	$ 22	$ -	$ 22
Realized on natural gas derivative instruments	14	40	54	17	97	114
Change in fair value of natural gas derivative instruments	-	(3)	(3)	-	7	7
	30	37	67	39	104	143
Natural gas purchases						
Realized on natural gas derivative instruments	(31)	(36)	(67)	(38)	(97)	(135)
Change in fair value of natural gas derivative instruments	(2)	-	(2)	1	(3)	(2)
Change in revaluation of natural gas in storage to net realizable value	-	(1)	(1)	-	-	-
	(33)	(37)	(70)	(37)	(100)	(137)
	$ (3)	$ -	$ (3)	$ 2	$ 4	$ 6

11. Natural gas sales and purchases (continued)

	For the Nine Months Ended September 30					
	2015			2014		
(millions)	Commodity	Gas Marketing	Total	Commodity	Gas Marketing	Total
Natural gas sales						
Natural gas sales to commodity customers	$ 168	$ -	$ 168	$ 165	$ -	$ 165
Realized on natural gas derivative instruments	33	109	142	32	348	380
Change in fair value of natural gas derivative instruments	(1)	(10)	(11)	-	(6)	(6)
	200	99	299	197	342	539
Natural gas purchases						
Realized on natural gas derivative instruments	(178)	(97)	(275)	(200)	(338)	(538)
Change in fair value of natural gas derivative instruments	17	1	18	11	(2)	9
Change in revaluation of natural gas in storage to net realizable value	-	-	-	-	11	11
	(161)	(96)	(257)	(189)	(329)	(518)
	$ 39	$ 3	$ 42	$ 8	$ 13	$ 21

12. Net change in non-cash working capital related to operations

	For the Nine Months Ended September 30	
(millions)	2015	2014
Trade and other receivables	**$ 73**	$ 62
Natural gas in storage held for resale	**7**	19
Inventories of supplies	**(2)**	(1)
Trade and other payables	**(13)**	(18)
Deferred revenue	**5**	25
	$ 70	$ 87

13. Financial risk management

Through the normal course of business, the Corporation has exposure to market risk (natural gas price risk, interest rate risk, and foreign currency risk), liquidity risk, and credit risk related to its financial and derivative instruments. The Board of Directors, through the Audit and Finance Committee, has the overall responsibility for the establishment and oversight of the Corporation's risk management efforts. The Corporation's risk management policies and strategies, approved by the Board of Directors and reviewed regularly by the Audit and Finance Committee, provide the framework within which the Corporation may use financial and derivative instruments to manage its risks. The Corporation's significant risk management policies include the Corporate Derivatives Policy, the Commodity Risk Management Policy, the Corporate Debt and Interest Rate Risk Management Policy, the Foreign Currency Risk Management Policy and the Corporate Credit Risk Management Policy. The objectives, policies, and processes for managing risk were consistent with the prior period. The significant risks in relation to financial instruments that impact the Corporation are discussed below.

13. Financial risk management (continued)

a. Natural gas price risk

The Corporation purchases natural gas for resale to its customers. While natural gas is purchased at fluctuating market prices, the Corporation sells natural gas to customers at a fixed commodity rate that is reviewed semi-annually. As part of its natural gas price risk management, the Corporation uses derivative instruments to manage the price of the natural gas it buys. The Corporation's objective is to reduce the volatility of natural gas prices and to have rates that are competitive to other utilities. The Corporation also purchases and sells natural gas in the open market to generate incremental income through its gas marketing activities.

The purchase or sale price of natural gas may be fixed within the contract or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation may use for price risk management include natural gas price swaps, options, swaptions, and forward contracts.

The Corporation's commodity price risk management strategy establishes specific hedging targets, which may differ depending on current market conditions, to guide risk management activities. Additionally, the Corporation uses mark-to-market value, value-at-risk, and net exposure to monitor natural gas price risk. These metrics are measured and reported daily to the Commodity Risk Management Committee, a subcommittee of the Corporation's Executive Committee.

Based on the Corporation's period-end closing positions, an increase of $1.00 per Gigajoule in natural gas prices would have increased net income, through an increase in the fair value of natural gas derivative instruments, by $88 million (December 31, 2014 - $87 million). Conversely, a decrease of $1.00 per Gigajoule would have decreased net income, through a decrease in the fair value of natural gas derivative instruments, by $90 million (December 31, 2014 - $87 million).

b. Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they become due. The Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows. The contractual maturities of the Corporation's financial obligations, including interest payments and the impact of netting agreements, as at September 30, 2015 were as follows:

		Contractual Maturities			
(millions)	**Carrying Amount**	**Less Than 1 Year**	**1 - 2 Years**	**3 - 5 Years**	**More Than 5 Years**
Short-term debt	$ 229	$ 229	$ -	$ -	$ -
Trade and other payables	106	106	-	-	-
Dividends payable	10	10	-	-	-
Long-term debt	1,020	179	118	228	1,167
Derivative instruments	89	147	92	59	-
	$ 1,454	$ 671	$ 210	$ 287	$ 1,167

During the third quarter, the Corporation's received approval to borrow up to $500 million in temporary loans, an increase of $100 million to the previously approved borrowing limit. At period end, the Corporation's increased borrowing capacity, together with relatively stable operating cash flows, provide sufficient liquidity to fund these contractual obligations.

In addition to the above, the Corporation has posted a $15 million letter of credit with NGX Financial Inc. (NGX) as security for natural gas purchases and sales conducted by the Corporation on the NGX natural gas exchange in Alberta. NGX may draw upon the letter of credit if the Corporation fails to make timely payment for, or delivery of, natural gas as per the related contract.

14. Comparative Figures

Certain of the 2014 comparative figures have been reclassified to conform to the current period's presentation.

a. Other revenue

During the third quarter, the Corporation's non-rate regulated compression and gathering services were reclassified from transportation and storage to other revenue. This reclassification resulted in a $3 million adjustment to the 2014 comparative figures.

b. Other (losses) gains

Due to the significance and nature of assets disposals, the Corporation has presented other (losses) gains separately from operating and maintenance expense within the condensed consolidated statement of comprehensive income. The current quarter's presentation is consistent with the presentation of the consolidated financial statements for the year ended December 31, 2014.