

**Fiscal 2014 Second Quarter Results
Conference Call
May 14, 2014 at 3:00 p.m. (ET)**

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(Introduction by the operator)

[Caroline Warren] Thank you very much.

Good afternoon and welcome to our conference call covering Valener’s second-quarter results for fiscal 2014.

With me today from Gaz Métro are Sophie Brochu, President and Chief Executive Officer; Pierre Despars, Executive Vice-President, Corporate

Affairs and Chief Financial Officer; Katia Marquier, Director, Corporate Control; H el ene St-Pierre, Treasurer and Marie-Christine Demers, Senior Advisor, Public Affairs.

Before we begin, please note that, during this conference call, we may refer to or talk about certain forward-looking information. Please refer to the Cautionary Note Regarding Forward-Looking Statements, which can be found on the second page of our presentation as well as in our MD&A, which has been published today and is available on Valener's website and on SEDAR. We may also refer to certain indicators that are not standardized in accordance with Canadian GAAP and should not be considered in isolation or as substitutes for other performance measures that are in accordance with GAAP.

I will now turn the call over to Sophie Brochu.

[Sophie Brochu] Thank you Caroline and good afternoon everyone.

I will start the presentation on page 3.

I am pleased to report that, for the second quarter of fiscal 2014, Valener's recurring net income was up 21.3% reaching \$29.1 million. These very positive results were driven by Gaz M etro's strong operational and financial performance.

Before we take a deeper look at Gaz M etro, I would like to touch upon the Seigneurie de Beaupr e Wind Farms. As shown, commercial commissioning of the first 272-megawatt phase took place last December, as scheduled. Since then, over 277,000 megawatthours of electricity has been produced and sold to Hydro-Quebec. During the second quarter, those wind farms reached a capacity factor of close to 40%, a level that exceeded our expectations thanks to strong winds experienced on the site.

As for the 68-megawatt phase summarized on page 5, construction work resumed this week following snow removal work at the site. We still expect this phase to be commissioned in December 2014.

Let's turn to page 6 and discuss dividends. We still expect Valener's dividend to be maintained at \$1 per common share for fiscal 2014. Of

note, the Board of Directors is maintaining the 5% discount on the shares to be issued next July through the dividend reinvestment plan.

As shown on page 7, and as we mentioned during our last conference call, since the end of fiscal 2013 Valener no longer benefits from the enhanced Gaz Métro distributions granted at the time of the reorganization.

That said, forthcoming distributions from the Seigneurie de Beaupré Wind Farms are expected to compensate those cash flows and thus support Valener's current dividend level.

In the meantime, if needed, Valener will fund part of the dividends paid to its common shareholders through its largely unused credit facility.

It is worth noting here that operating cash flows generated during the second quarter were sufficient to cover the dividend payment.

Let's turn to Gaz Métro's results on page 8. Recurring net income was up 14.4% or \$16.7 million during the second quarter.

This reflects the strong performance of our energy distribution activities on essentially three fronts:

- First, higher volumes of natural gas and electricity distributed by Gaz Métro in Quebec and Vermont, mainly due to very cold temperatures;
- Second, synergies from the operational integration of Green Mountain Power ("GMP") with Central Vermont Public Service ("CVPS"); and
- Third, the favourable impact of the appreciation of the U.S. dollar on the results of our U.S. operations.

On page 9 and 10, we present an update on our growth initiatives in Vermont.

The three-year operational integration plan to merge GMP's processes with those of CVPS is well underway. So far, the total synergies generated have been greater than anticipated and, for fiscal 2014, GMP still expects to generate enough synergies to cover the portion attributable to customers, as agreed at the time of the CVPS acquisition.

Also in Vermont, construction of VGS's system extension to Addison County is expected to begin this summer once the required permits have been obtained and certain agreements with citizens completed.

With respect to the additional extension to serve International Paper Company's mill in New York State, regulatory approval by the VPSB is expected by year end, and an application has been filed with the FERC to obtain the authorization needed to cross the Vermont / New York border.

As you can see, our results clearly demonstrate the relevance of the prudent geographical and commercial diversification strategy we undertook in 2006 and that we plan to pursue in the coming years. As shown on page 11, in fiscal 2013, U.S.-based net income represented about 30% of Gaz Métro's total net income and this compares to about 11% in fiscal 2006.

I will now turn the call over to Pierre, who will provide you with more details on our financial results.

[Pierre Despars] Thank you Sophie and good afternoon everyone.

Let's start on page 12 where we present Gaz Métro's recurring net income for each business segment.

For our gas distribution activity in Quebec, second-quarter net income totalled \$110.1 million, up \$15.1 million year over year. For the first six months, net income was up \$22.4 million to total \$166.9 million.

These increases were mainly due to two factors:

- First, a timing difference between the revenue recognition profile and that of costs. This difference should mostly reverse by the end of fiscal 2014, as shown on slide 13.
- And second, the impact of significantly colder-than-normal temperatures, which resulted in higher deliveries in the commercial market. You will recall that, in cases of extreme temperature variations, inaccuracies in the normalization mechanism can occur. Also, part of the deliveries are not normalized (e.g.: industrial loads).

Let's now turn to energy distribution activities in Vermont, for which net income totalled \$18.4 million for the second quarter, up \$3.8 million year over year. For the first six months, net income was up \$7.2 million to total \$34.5 million.

These increases came mainly from four factors:

- The rate case parameters for both GMP and VGS;
- Higher volumes delivered by GMP due to much colder temperatures;
- Synergies generated from the operational integration of GMP with CVPS; and
- A stronger U.S. dollar.

As presented on page 14, net income generated by the Energy Production segment totalled \$800,000 for the first six months, up \$1.0 million from last year due to the net income generated by Wind Farms 2 and 3 since their commissioning and to the favourable impact of the ineffective portion of swap arrangements.

Page 15 presents information on the production and capacity factors for the Seigneurie de Beaupré Wind Farms.

EBITDA, representing Gaz Métro's 50% consolidated interest in Wind Farms, was \$10.4 million for the second quarter and the EBITDA margin was 83.2%, reflecting strong wind conditions experienced on the site.

Turning back to page 14, net income generated by the other segments totalled \$4.0 million in the second quarter, down \$2.3 million year over year. For the first six months, it was down \$5.9 million to total \$6.1 million. The positive impact of increased short-term sales and higher demand for PNGTS was more than offset by:

- Higher maintenance costs for TQM;
- Lower storage revenues for Intragaz due to the Régie's decision; and
- Lower profitability for Climatisation et Chauffage Urbains de Montréal due to higher fuel costs given the cold temperatures experienced this winter.

Finally, as shown on page 16, Gaz Métro expects to require funds of approximately \$270 million to finance its investments in property, plant

and equipment over the next two quarters. Half of this amount is expected to be invested here in Quebec for extensions and improvements to the energy distribution system and for the development of the Seigneurie de Beaupré wind power projects.

The other half will be invested in Vermont, mainly for VGS's system development project.

Gaz Métro will finance these investments with its operating cash flows and available credit facilities as well as with the project financing in place for the Seigneurie de Beaupré wind power projects.

The appendices provide more detailed information on Valener's and Gaz Métro's net income as well as a summary of the current competitive position of natural gas in Quebec.

That concludes our presentation. Sophie and I will be pleased to take your questions.

[Question and answer period]

Thank you very much for your participation this afternoon. Have a great day!