

**Fiscal 2014 Third-Quarter Results
Conference Call
August 8, 2014 at 2:30 p.m. (ET)**

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(Introduction by the operator)

[Caroline Warren]

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

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

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*" section, 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.

If you will, let's begin on page 3 of the presentation.

For the first nine months of fiscal 2014, Valener's recurring net income totalled \$43.2 million, an increase of \$5.1 million or 13.4% compared to the same period last year. This result reflects the strong operational and financial performance of Gaz Métro's activities, both in Quebec and in Vermont.

For the third quarter, Valener incurred a loss of \$1.7 million, a result that was expected given the seasonal nature of Gaz Métro's natural gas distribution activity in Quebec. You will remember that this activity had generated additional net income during the first half of the current fiscal year. This loss is simply a partial reversal of that advance. Pierre will provide you with more detailed information later on.

On page 4 and 5, we address the Seigneurie de Beaupré Wind Farms. As you know, commercial commissioning of wind power projects 2 and 3, totalling 272 megawatts, took place last December. Thus far, the performance of these assets has exceeded our expectations, thanks very much to strong winds experienced at the site.

In regards to the 68-megawatt wind power project 4, work is proceeding on schedule, and commissioning is still expected for this coming December.

Finally, as you are aware, Hydro-Québec (HQ) launched a new RFP for additional wind capacity. We and Boralex are firmly determined to put in an offer to HQ in that RFP, and we will keep you posted on the outcome of that. And for obvious reasons, I cannot go any further for commercial reasons at this point of time.

Let's now turn to page 6. We expect Valener's dividend to be maintained at \$1 per common share for the next fiscal year. Of note, the Board of Directors is maintaining the 5% discount on the shares to be issued through the dividend reinvestment plan when the next dividend is paid this coming October.

On page 7, we see that, for the third quarter, Valener generated sufficient operating cash flows to cover its payment of dividends, doing so without yet benefiting from distributions from the Seigneurie de Beaupré Wind Farms.

In that regard, I am pleased to confirm that Wind Farms 2 and 3 completed the conversion of its construction loans into term loans to be amortized over 18 years. This term conversion was one of the key conditions of the loan agreement that have to be met before the project can begin making distributions to its partners.

Let's now turn to Gaz Métro's results on page 8. As you can see, recurring net income for the nine-month period increased \$19 million\$ or 10.2% year over year, reflecting strong performance by our energy distribution activities. Of note, the higher volumes of natural gas and electricity distributed in Quebec and Vermont and the synergies achieved from the operational integration of Green Mountain Power (GMP) with Central Vermont Public Service (CVPS). The appreciation of the U.S.

dollar versus the Canadian dollar also had a favourable impact on the results of our U.S. business activities and demonstrates the beauty and value of geographic diversification.

For the third quarter, recurring net income was down \$5.7 million, again reflecting the seasonal nature of Gaz Métro's distribution activity in Quebec.

If you now want to turn to page 9, let's review our Vermont initiatives for a moment. The three-year plan to merge GMP's processes and operations with those of CVPS is progressing ahead of schedule. So far, GMP has already achieved sufficient synergies to reach US\$5 million in cost savings that goes back to customers for 2014, as approved by the Vermont Public Service Board.

On page 10, we cover the new milestones in Vermont Gas Systems's (VGS) system development project. In June, VGS's system extension to Addison County, which we call phase 1 of the project, obtained all the required permits, after which it began pre-construction work and started installing the pipelines. VGS also filed a request with the Vermont Public Service Board seeking authorization to increase the project budget in order to reflect (i) higher construction cost estimates given the strong demand for the specialized skills needed for this type of work and (ii) the changes to the pipeline route and engineering further to consultations with residents and other stakeholders. Completion of this first phase is expected in autumn 2015.

With respect to VGS's extension project to International Paper Company's mill in New York State, which is called phase 2 of the project, we still anticipate regulatory approval by the end of this year.

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 11 where we present Gaz Métro's segment results on a recurring basis.

For our natural gas distribution activity in Quebec, net income was up \$17.3 million for the first nine months, mainly due to:

- a timing difference anticipated in the 2014 rate case. As shown on page 12, this difference is expected to largely reverse by the end of the current fiscal year; and
- the recognition of a \$1.2 million share in the anticipated overearnings for the distribution service. These anticipated overearnings are primarily the result of an increase in natural gas deliveries due to much colder-than-normal temperatures last winter.

It is important to note that, for fiscal 2014, based on the sharing mechanism approved by the Régie de l'énergie, the maximum share of overearnings that can be realized by Gaz Métro-QDA is \$2.5 million.

Still on page 11, let's look at our energy distribution activities in Vermont, for which net income is up \$7.3 million for the first nine months. This increase was mainly due to:

- the rate case parameters for both GMP and VGS;
- higher deliveries by GMP due to much colder temperatures during the first half of 2014;
- the synergies generated from the operational integration of GMP with CVPS, and
- a stronger U.S. dollar.

For the third quarter, results were adversely affected by lower deliveries by GMP, as colder temperatures resulted in reduced air conditioning usage.

Moving to page 13, net income generated by the energy production segment increased by \$0.2 million and by \$1.2 million for the third-quarter and nine-month periods, respectively, due to the net income generated by Wind Farms 2 and 3 since their commissioning last November and December.

On page 14, we provide information on the production and utilization factors for the Seigneurie de Beaupré Wind Farms.

EBITDA, representing Gaz Métro's 50% consolidated interest in the wind farms, was \$7.9 million for the third quarter, and the EBITDA margin was nearly 80%, reflecting strong wind conditions experienced at the site.

Turning back to page 13, recurring net income generated by the other segments was down \$0.9 million for the third quarter and down \$6.8 million for the first nine months. The positive impact of increased short-term sales and higher demand for PNGTS was more than offset by:

- 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 last winter.

Let me say a few words on Gaz Métro's cash requirements for the upcoming quarter. We are on track with the investment projections that we had provided during our last conference call. In the fourth quarter, Gaz Métro expects to require funds of approximately \$152 million for extensions and improvements to the energy distribution systems in Quebec and Vermont and of approximately \$33 million for the development of the Seigneurie de Beaupré wind power projects.

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. No additional equity will be required from its two partners, Valener and Gaz Métro inc. (GMI).

In the appendices, you can find more detailed information on Valener 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!