

**2013 Fiscal Year Third Quarter Results
Conference Call
August 9, 2013 at 2:00 p.m. (ET)**

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(Introduction by the operator)

[Hélène St-Pierre] Thank you very much.

Good afternoon and welcome to our conference call dealing with Valener's results for the third quarter of its 2013 fiscal year.

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; Caroline Warren, Senior Advisor, Investor Relations 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 published today and 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 Hélène and good afternoon everyone.

Let's start on page 3 of the presentation.

For the first nine months of 2013, Valener's recurring net income is \$38.1 million, up 4.8 compared to the same period last year. As expected, Valener benefited from the growth in earnings generated by Gaz Métro's activities in Vermont. It is worth noting that our progress in Vermont more than offset the impact of the recent decision by the Régie de l'énergie on Quebec distribution activities for the current year.

In its last decision, the Régie deducted \$5 million from the \$187.7 million of operating expenses included in our cost of service for 2013. This of course negatively impacted Gaz Métro-QDA's results by \$4 million for the first nine months and consequently, Valener's, for its proportionate

share. That being said, we expect to be able to limit the impact of that reduction over the course of the 4th quarter.

The combined impact of the growth in Vermont and the Régie's decision is an increase of nearly \$1 million in net income generated by Gaz Métro's energy distribution during the third quarter. Taking into consideration the performance of Gaz Métro's other segments as well as dividends on Valener preferred shares issued in June 2012, the result is a \$1.7 million reduction in Valener's recurring net income for the 3rd quarter.

On the cash flow front, cash flow related to operating activities is up \$19.5 million and \$2.7 million respectively for the first nine months and the third quarter of fiscal 2013 compared to the same periods last year. These increases are primarily due to the increase in distributions received from Gaz Métro, following Valener's subscriptions to Gaz Métro units in fiscal 2012 and to a favourable change in non-cash working capital items.

Turning to dividends, on page 5, Valener maintains a dividend of \$0.25 per common share for the current quarter, that will be payable next October 15.

We are also pleased to announce that the annualized dividend of \$1 per common share will be maintained for fiscal 2014, in accordance with what we announced when Valener was created in September 2010.

You will remember that at the time, we indicated that the cash flow to be generated by phase I of the Seigneurie de Beaupré Wind Power projects would compensate the termination of the additional distribution received by Valener over the last 3 fiscal years so that the \$1 annualized dividend could be maintained over time. So, here we are.

As you can see on page 6, this 272 MW project is on schedule and on budget and should be operational by December 1st, 2013, as planned. At this time, more than 59 of the 126 wind turbines have been completed and the initial energization took place last July. The second phase of the Seigneurie wind power projects is also on course with the key planning stages in order to be completed by December 2014.

As for Gaz Métro, as can be seen on page 8, year over year our recurring net income is up \$18.8 million for the first nine months.

Again, these results are the product of Gaz Métro's focused diversification strategy deployed in the recent years and which among other things led to our increased presence in Vermont.

Over there, our subsidiary Green Mountain Power is moving along with the rigorous three-year plan established for the merging of its processes with those of CVPS. I am pleased to report that GMP is on track with the generation of synergies expected at the closing of the transaction.

On the natural gas distribution front, regulatory approval is pending for VGS's application to extend its transmission line further south, into Addison County. VGS also plans to seek regulatory approval for the second phase of the project to extend its service to International Paper Company. If approved, the investments required for these extensions would double the size of VGS rate base. Needless to say, we are happy with this perspective.

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

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

Let's now turn to page 10 for an update on regulatory matters in Quebec.

On July 15th, the Régie issued its decision on the 2013 rate case, in particular reducing Gaz Métro-QDA's operating expense budget by \$5 million, thereby negatively affecting its year-to-date results by \$4 million, as revenues for the 9-month period ended on June 30th, 2013 had to be adjusted downwards.

Pending a new incentive mechanism, in its July 15th decision the Régie also authorized a sharing mechanism for overearnings:

- The first 50 basis points shall be shared equally between the customers and the Partners of Gaz Métro;
- The portion in excess of those first 50 basis points shall be attributed entirely to customers.

As for shortfalls, the Régie determined they shall be fully borne by the Partners of Gaz Métro.

Turning to next year's rate case, the Régie approved the renewal of the authorized ROE of 8.9% for fiscal 2014.

Page 11 shows Gaz Métro-QDA's quarterly breakdown of net income variations for fiscal 2013. We show you the actual numbers and those anticipated based on the 2013 rate case, as filed by Gaz Métro last December.

For the third quarter, Gaz Métro-QDA posted a net loss of \$5.5 million, down \$8.4 million from the same quarter last year. This decrease was mainly due to the unfavourable impact of the \$4 million adjustment mentioned earlier, and to the other parameters of the rate case, namely a decrease in the authorized ROE and lower revenues related to the *Global Energy Efficiency Plan* performance incentive.

For the first nine months, Gaz Métro-QDA's net income stood at \$139 million, unchanged from the same period last year.

During the fourth quarter, Gaz Métro-QDA will attempt to limit the impact of the Régie's decision on its net income. Moreover, given the potential transportation service incentive return recently set by the Régie, we do not expect a significant variance from the net income anticipated in the 2013 rate case which would have translated into a \$6.6 million decline from fiscal 2012, as communicated in previous quarters.

Let's now look at the results for Vermont and the other segments presented on page 12.

Recurring net income generated by energy distribution activities in Vermont was up \$22.8 million for the first 9 months and up \$9.3 million for the quarter compared to last year.

The main reason for these increases is the positive impact of the CVPS acquisition on Green Mountain Power's net income.

You will notice that recurring net income from the other segments was down \$4.6 million for the third quarter and \$4 million for the first nine months. The positive impact of increased short-term sales on PNGTS

net income was more than offset by the negative impact of the sale of the stake in HydroSolution in November 2012, as well as the allocation of the income tax expense for TQM and Intragaz at Gaz Métro's level rather than at Valener's and GMI's since the start of fiscal 2013.

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 morning. Have a great day!