VALENER INC.

ANNUAL INFORMATION FORM

Fiscal year ended on September 30, 2017

December 15, 2017

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Documents incorporated by reference

As of the date hereof, sections of the Management's Discussion and Analysis of Valener Inc. dated November 24, 2017 for the fiscal year ended on September 30, 2017 and the audited consolidated financial statements of Valener Inc. for the fiscal years ended on September 30, 2017 and 2016, as detailed below, are specifically incorporated by reference into and form an integral part of this Annual Information Form. These documents may be downloaded from the SEDAR Website at www.sedar.com and from the Valener Website at www.valener.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

To help investors better understand the future outlook of Valener and Énergir, L.P. (*as such terms are defined in the Glossary of Terms*) and thereby make more informed investment decisions, certain statements in this Annual Information Form may be forward-looking, in particular statements that describe actions, activities, events, results or developments that Valener and Énergir, L.P. expect or anticipate will or may occur in the future as well as other statements that are not historical facts. Such forward-looking information reflects the intentions, plans, expectations and opinions of the Management of the Manager (*as this term is defined in the Glossary of Terms*) regarding the future growth, operating results, performance and business prospects and opportunities of Valener or Énergir, L.P. Forward-looking statements are often identified by words and expressions such as "plans," "expects," "is expected," "budgeted," "scheduled," "estimated," "seeks," "aims," "forecasts," "intends," "anticipates," "believes," or by statements that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur, or be achieved, and other variants and similar expressions, as well as the negative and conjugated forms, as they relate to Valener or Énergir, L.P. The forward-looking statements in this Annual Information Form include, in particular, statements on (i) the general development of the business, including, but not limited to, development, including the production and commercialization of liquefied natural gas and compressed natural gas, particularly in the transport industry, (ii) growth or profitability outlooks, (iii) decisions made by regulatory agencies, in particular decisions made by the Régie (*as this term is defined in the Glossary of Terms*), as well as the nature and timing of those decisions, (iv) the competitive landscape, including the impact of fluctuating global oil prices, (v) Quebec's 2030 Energy Policy and the implementation thereof as well as Énergir, L.P.'s positioning in relation to that policy, (vi) anticipated distribution payments by Wind Farms 2 and 3 GP and Wind Farm 4 GP (*as these two terms are defined in the Glossary of Terms*), (vii) the potential distribution of biomethane in the networks of Énergir, L.P. and Vermont Gas (*as such term is defined in the Glossary of Terms*), (viii) liquidity position and financing capability of Valener and Énergir, L.P., (ix) potential efficiency gains and synergies from the merger of Green Mountain and CVPS (*as these two terms are defined in the Glossary of Terms*), (x) new energy development and network development projects, and (xi) Énergir, L.P.'s anticipated distribution payments and Valener's anticipated dividend payments and the related growth. Such forward-looking statements reflect current opinions of the Management of the Manager and are based on information currently available to the Management of the Manager.

Forward-looking statements involve known and unknown risks and uncertainties and other factors outside the control of the Management of the Manager. A number of factors could cause the actual results of Valener and Énergir, L.P. to differ significantly from historical results or current expectations, as described in the forward-looking statements, including but not limited to the general nature of the aforementioned: terms of decisions rendered by regulatory agencies, uncertainty that approvals will be obtained by Énergir, L.P. from regulatory agencies and interested parties to carry out all of its activities and the socio-economic risks associated with such activities, uncertainty related to the implementation of Quebec's 2030 Energy Policy, the competitiveness of natural gas in relation to other energy sources in a context of fluctuating global oil prices, the reliability or costs of natural gas and electricity supply, the integrity of the natural gas and electricity transportation and distribution systems, the evolution and profitability of Wind Farms 2 and 3 GP and Wind Farm 4 GP and other development projects, Valener's ability to generate sufficient cash to support its anticipated target annual dividend growth rate on its common shares, the ability to complete attractive acquisitions and the related financing and integration aspects, the ability to complete new development projects, the ability to secure future financing, general economic conditions, exchange rate and interest rate fluctuations, weather conditions and other factors described under Item 10.5 *Risk Factors Relating to Valener and Énergir, L.P.* of this Annual Information Form (which are incorporated by reference from the annual Valener Management's Discussion and Analysis for the fiscal year ended on September 30, 2017) and in subsequent Valener quarterly Management's Discussion and Analyses that could report on changes in these risk factors. Although the forward-looking statements contained herein are based on what the Management of the Manager believes to be reasonable assumptions, the Management of the Manager cannot assure investors that actual results will be consistent with these forward-looking statements. Assumptions underlying the forward-looking statements contained in this Annual Information Form include, among others, assumptions that no unforeseen changes in the legislative and regulatory framework of energy markets in Québec and in the United States will occur, that the applications filed with various regulatory agencies will be approved as submitted, that natural gas prices will remain competitive, that the supply of natural gas and electricity will be maintained or will be available at competitive costs, that no significant event will occur outside the ordinary course of business, such as a natural disaster or any other type of calamity, a major service interruption, or threat to cybersecurity (or cyberattack), that Énergir, L.P. can continue to distribute substantially all of its adjusted net income, that Wind Farms 2 and 3 GP and Wind Farm 4 GP will be able to make distribution payments to their partners, that Valener will be able to generate sufficient cash to support its anticipated target annual dividend growth rate on its common shares, that Green Mountain will be able to continue achieving efficiency gains and synergies from the merger with CVPS, that Valener and Énergir, L.P. will be able to present their information in accordance with U.S. GAAP beyond 2018 or, after 2018, will adopt International Financial Reporting Standards that permit the recognition of regulatory assets and liabilities, that liquidity needs for Énergir, L.P.'s development projects will be obtained through a combination of operating cash flows, borrowings on credit facilities, capital injections from Partners and issuance of debt securities; and that the subsidiaries will obtain the required authorizations and funds needed to finance their development projects, in addition to the other assumptions described in this Annual Information Form.

These forward-looking statements are made as of the date of this Annual Information Form, and the Management of the Manager assumes no obligation to update or revise them to reflect new events or circumstances, except as required under applicable securities laws. These statements do not reflect the potential impact of any unusual item or any business combination or other transaction that may be announced or that may occur after the date hereof. All forward-looking statements in this Annual Information Form are qualified by these cautionary statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Measurement Conversion

The data used in this Annual Information Form are stated in metric units. Metric unit equivalents in the imperial system, including their respective abbreviations, are:

Metric Units	**Approximate imperial equivalent**	
Thousand cubic metres (10^3m^3)	35.31	thousand cubic feet (Mcf)
Million cubic metres (10^6m^3)	35.31	million cubic feet (MMcf)
Billion cubic metres (10^9m^3)	35.31	billion cubic feet (Bcf)
Gigajoule (Gj)	0.95	million BTUs (MMBTU)
Kilometre (km)	0.62	mile

Unless otherwise indicated, the term "dollars" means Canadian dollars in this Annual Information Form. If foreign currencies are translated into Canadian dollars, the foreign exchange rate used is the rate at the date of the event to which reference is made.

Unless otherwise indicated, the information in this Annual Information Form is as of September 30, 2017.

GLOSSARY OF TERMS

In this Annual Information Form:

Administration Agreement means the Administration and Management Support Agreement originally entered into between Énergir, L.P. and Valener on September 30, 2010 in the context of the Arrangement and subsequently amended and restated on September 30, 2015, as more fully described under Item 10.3.3 *Administration Agreement.*

Affiliates has the meaning assigned to such the term in the *Securities Act* (Québec).

Arrangement means the reorganization by way of arrangement under Section 192 of the CBCA that was completed on September 30, 2010 in order to transform Énergir, L.P.'s public ownership structure into a new dividend-paying publicly listed corporation, Valener, pursuant to which all of the units held by public unitholders of Énergir, L.P. were exchanged, on a one-for-one basis, for common shares of Valener.

Audit Committee means the Audit Committee established by the Valener Board.

Beaupré Éole means Beaupré Éole GP.

Beaupré Éole 4 means Beaupré Éole 4 GP.

Boralex means Boralex Inc.

CATS means the cap-and-trade system for greenhouse gas emission allowances established by the *Regulation respecting the cap-and-trade system for greenhouse gas emission allowances* (Québec).

CBCA means the *Canada Business Corporations Act*, as currently in force.

CNG means compressed natural gas.

Commercial Market means primarily commercial establishments, institutions and multiple occupancy rental units, and small and medium-size businesses.

Common Shares means the common shares in the capital of Valener.

CO_2 eq. means carbon dioxide (CO_2) equivalent.

Credit Facility means the amended and restated credit agreement dated September 30, 2015, entered into between Valener, as borrower, a Canadian chartered bank, as administrative agent, and a syndicate of lenders, as more fully described under Item 10.3.6 *Credit Facility*.

CVPS means Central Vermont Public Service Corporation, before the Merger.

DBRS means DBRS Limited.

DRIP has the meaning given to such term under Item 6.1.5 *Dividend Reinvestment Plan.*

Énergir Inc. means Énergir Inc., formerly known as Gaz Métro inc.

Énergir Inc. Board means the board of directors of Énergir Inc., in its capacity as general partner of Énergir, L.P.

Énergir, L.P. means Énergir, L.P., formerly known as Gaz Métro Limited Partnership.

Énergir, L.P. 2017 Financial Statements means the audited consolidated financial statements of Énergir, L.P. for the fiscal years ended on September 30, 2017 and 2016 and the notes and external auditor's report related thereto, which are filed with the Valener 2017 Financial Statements.

FERC means the United States Federal Energy Regulatory Commission.

First Additional Services Agreement for the Management of Debt means the additional service agreement originally entered into between Énergir, L.P. and Valener on September 30, 2010 and subsequently amended and restated on September 30, 2015, as more fully described under Item 10.3.4 *First Additional Services Agreement for the Management of Debt*.

GAAP means generally accepted accounting principles.

Gaz Métro Energy Solutions means Gaz Métro Energy Solutions, L.P.

Gaz Métro Éole means Gaz Métro Éole inc.

Gaz Métro Éole 4 means Gaz Métro Éole 4 Inc.

Gaz Métro LNG means Gaz Métro LNG 2013, L.P. or Gaz Métro LNG, L.P., depending on the context.

Gaz Métro Plus means Gaz Métro Plus Limited Partnership.

GHG means greenhouse gases.

Green Mountain means Green Mountain Power Corporation, the corporation resulting from the Merger.

Green Mountain Board means the Board of Directors of Green Mountain.

Green Mountain Pre-Merger means Green Mountain Power Corporation before the Merger.

Industrial Market means primarily large industrial businesses.

Interest, as the case may be, in a Non-regulated Energy Activity or a Permitted Economic Activity means (i) an investment therein by way of ownership of assets, securities or loans, and (ii) the indebtedness of a person other than Énergir, L.P. in respect thereof for which Énergir, L.P. is liable.

Intragas means collectively Intragaz Inc.; Intragas Holding, Limited Partnership; Intragas Exploration, Limited Partnership; Intragas, Limited Partnership and their respective subsidiaries.

KPMG means KPMG LLP.

Limited Partnership Agreement means the Énergir, L.P. Limited Partnership Agreement, amended and restated on November 29, 2017, as more fully described under Item 1.2.3 *Key Elements of the Limited Partnership Agreement*.

LNG means liquefied natural gas.

LSR Plant means the natural gas liquefaction, storage and regasification plant of Énergir, L.P. located in Montréal, Québec.

Management means the management of Énergir Inc., in its capacity as general partner of Énergir, L.P.

Management of the Manager means the management of Énergir Inc., in its capacity as general partner of the Manager.

Manager means Énergir, L.P., acting as manager under the Administration Agreement.

MDDELCC means the *Ministère du Développement durable, de l'Environnement, et de la Lutte contre les changements climatiques du Québec.*

Merger means the merger of CVPS with Green Mountain Pre-Merger on October 1, 2012.

MW means megawatts.

NEB means The National Energy Board (Canada).

NNEEC means Northern New England Energy Corporation.

Non-Competition Agreement means the non-competition agreement entered into as of September 30, 2010, between Énergir, L.P. and Valener, as more fully described under Item 10.3.2 *Non-Competition Agreement*.

Non-regulated Energy Activity means any activity in the energy sector that is not a Regulated Energy Activity and that is directly or indirectly complementary to a Regulated Energy Activity carried on by Énergir, L.P., whether or not such Regulated Energy Activity is carried on in the same geographical territory, but excluding any oil and gas exploration activity.

Noverco means Noverco Inc.

OHS-Env. Committee means the Occupational Health and Safety and Environment Committee established by the Énergir Inc. Board.

Permitted Economic Activity means any economic activity, other than a Regulated Energy Activity and a Non-regulated Energy Activity, excluding oil and gas exploration activity.

PNGTS means Portland Natural Gas Transmission System.

Preferred Shares means the preferred shares in the capital of Valener issuable in one or more series.

Régie means the Régie de l'énergie (Québec) or, depending on the context, its predecessor, the Régie du gaz naturel (Québec).

Regulated Energy Activity means any activity in the energy sector that is regulated by a regulatory authority, it being understood that any activity in the energy sector which, on August 12, 1991, was regulated by a regulatory authority is deemed to still be regulated.

Regulation 52-110 means *Regulation 52-110 respecting Audit Committees*, as amended from time to time.

Regulation 61-101 means *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions*, as amended from time to time, as amended from time to time.

Residential Market means primarily single-family dwellings, duplexes, triplexes and condominiums.

Restricted Activities means (i) regulated or non-regulated gas-related activities in the Province of Québec of any nature whatsoever including, without limitation, the transport, distribution and storage of natural gas, the transport and gathering of shale gas, geothermal activities and natural gas for vehicles activities, (ii) the transport or distribution of natural gas in the State of Vermont, and (iii) the generation, transmission or distribution of electricity in the State of Vermont.

Second Additional Services Agreement for the Seigneurie Project means the services agreement originally entered into between Énergir, L.P. and Valener as of September 30, 2010 and subsequently amended and restated on September 30, 2015, as more fully described under Item 10.3.5 *Second Additional Services Agreement for the Seigneurie Project*.

Seigneurie Projects means wind power projects (including Wind Farms 2 and 3 and Wind Farm 4) that have been and will be developed, built and operated on private property of the Seigneurie de Beaupré owned by the Séminaire de Québec.

Series A Shares means the Cumulative Rate Reset Preferred Shares, Series A of Valener.

Series B Shares means the Cumulative Floating Rate Preferred Shares, Series B of Valener.

SIFT means a specified investment flow-through trust or partnership (as such term is defined in the Tax Act).

Standard Solar means Standard Solar, Inc.

S&P means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

System Gas means natural gas supplied by Énergir, L.P. rather than by an independent supplier selected by the customer.

Tax Act means the *Income Tax Act* and the regulation enacted thereunder.

TCE means TransCanada Energy Limited.

TCPL means TransCanada PipeLines Limited.

TQM means Trans Québec & Maritimes Pipeline Inc., as mandatary for TQM Pipeline and Company, Limited Partnership.

Transco means Vermont Transco LLC.

Transport Solutions means Gaz Métro Transport Solutions, L.P.

Trencap means Trencap L.P.

TSX means Toronto Stock Exchange.

Union Gas means Union Gas Limited.

Unit means an issued and outstanding unit of Énergir, L.P.

Valener means Valener Inc.

Valener 2017 Financial Statements means the audited financial statements of Valener for the fiscal years ended on September 30, 2017 and 2016 and the notes and external auditor's report related thereto.

Valener 2017 MD&A means the Management's Discussion and Analysis of Valener for the fiscal year ended on September 30, 2017 dated November 24, 2017 and filed with the Canadian Securities Administrators, which includes information related to Énergir, L.P.

Valener Board means the board of directors of Valener.

Valener Éole means Valener Éole Inc.

Valener Éole 4 means Valener Éole 4 Inc.

VELCO means Vermont Electric Power Company, Inc.

Vermont Gas means Vermont Gas Systems, Inc.

VPUC means Vermont Public Utility Commission (formerly known as the Vermont Public Service Board or VPSB).

Wind Farms 2 and 3 means the wind farms of Wind Farms 2 and 3 GP located on private property of the Seigneurie de Beaupré owned by the Séminaire de Québec.

Wind Farms 2 and 3 GP means Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership.

Wind Farm 4 means the wind farm of Wind Farm 4 GP located on private property of the Seigneurie de Beaupré owned by the Séminaire de Québec.

Wind Farm 4 GP means Seigneurie de Beaupré Wind Farm 4 GP.

ITEM 1 INCORPORATION

1.1 INCORPORATION OF VALENER

Valener is a corporation incorporated on June 15, 2010, pursuant to the provisions of the CBCA.

On March 28, 2011, the articles of Valener were amended to authorize the creation of a class of preferred shares issuable in series. The rights, privileges, restrictions and conditions of each series of preferred shares will be determined by the Valener Board prior to their issue, subject to a maximum of 10,000,000 authorized preferred shares for the entire class.

On June 4, 2012, as part of a public offering by way of a prospectus, Valener filed articles of amendment to create two series of Preferred Shares, namely Series A and Series B Shares, with each series consisting of up to 4,000,000 shares.

The principal and registered office of Valener is located at 1717 du Havre Street, Montréal, Québec, Canada, H2K 2X3. Valener is registered as a legal person with the *Enterprise Registrar* (Québec).

1.1.1 Continuous Disclosure and Insider Reporting Obligations

Valener is a reporting issuer in all provinces and territories of Canada. Valener has provided the Securities Regulatory Authorities with an undertaking for as long as its interest in Énergir, L.P. (including any of its significant business interests) represents a significant asset of Valener, that:

(i) "Valener will provide its shareholders with continuous disclosure documents required from time to time under, and prepared in accordance with, *Regulation 51-102 respecting Continuous Disclosure Obligations* ("**Regulation 51-102**") or its successor, for both Valener and Énergir, L.P. (including information about any of its significant business interests), including (i) audited consolidated annual financial statements and quarterly consolidated financial statements of Valener, including the consolidated financial statements of Énergir, L.P., prepared in accordance with generally accepted accounting principles, (ii) annual and quarterly management's discussion and analysis of Valener, including information relating to Énergir, L.P., (iii) material change reports of Valener for material changes occurring in the affairs of Valener or Énergir, L.P., (iv) press releases of Valener for material announcements relating to the affairs of Valener or Énergir, L.P., (v) annual information forms of Valener, including information relating to Énergir, L.P., (vi) material contracts of Valener and Énergir, L.P., and (vii) proxy and information circulars of Valener in connection with Valener's annual meetings of shareholders;

(ii) Valener will take the appropriate measures to require each person who would be a reporting insider of Énergir, L.P., within the meaning of *Regulation 55-104 respecting Insider Reporting Requirements and Exemptions*, or a person or company who would be in a special relationship with Énergir, L.P. if Énergir, L.P. were a reporting issuer, to file insider reports about trades in the Common Shares (including securities which are exchangeable into Common Shares) and comply with statutory prohibitions against insider trading; and

(iii) Valener will file a copy of all its material contracts via SEDAR including the material contracts of Énergir, L.P."

A full copy of such undertaking can be accessed through the SEDAR website at www.sedar.com, under Valener's profile.

1.2 INCORPORATION OF ÉNERGIR, L.P.

Énergir, L.P. is a limited partnership formed on October 1, 1987, pursuant to the laws of the Province of Québec under the name "Gaz Plus and Company, Limited Partnership".

In the last several years, the partnership has diversified its activities. Thus, on November 29, 2017, it changed its corporate name for Énergir, L.P. Its name better reflects what it has become and expresses its desire to see energy differently and to continue growing toward a more energy-sustainable future.

Énergir, L.P.'s principal place of business is located at 1717 du Havre Street, Montréal, Québec, Canada H2K 2X3. Énergir, L.P. is registered as a limited partnership with the *Enterprise Registrar* (Québec) and as an extra-provincial limited partnership in each province of Canada other than Québec.

1.2.1 Partners

Since the corporate reorganization of 1991, Énergir Inc. has acted as general partner of Énergir, L.P. in accordance with the Limited Partnership Agreement. As of the date of this Annual Information Form, Énergir Inc. holds approximately 71.0% (121,971,313 Units) (including the 8,551 Units held as a limited partner by Gaz Métro Plus, a wholly owned subsidiary of Énergir Inc.) of the 171,796,363 Units. The remaining Units (49,825,050 Units, representing approximately 29.0% of the Units) are held by Valener as a limited partner.

1.2.2 Historical Background of Énergir, L.P.

The following table describes the main events and dates relevant to Énergir, L.P.:

Date	Event
August 5, 1991	The original limited partnership agreement of Énergir, L.P. [then known as Gaz Plus and Company Limited Partnership] was amended and the name was changed to "Gaz Métropolitain and Company, Limited Partnership" as part of a corporate reorganization of Énergir Inc. [then known as Gaz Métropolitain, inc.] and Énergir, L.P. [then known as Gaz Métropolitain and Company, Limited Partnership] pursuant to which Énergir Inc. [then known as Gaz Métropolitain, inc.] transferred substantially all of its business and assets to Énergir, L.P. [then known as Gaz Métropolitain and Company, Limited Partnership] in exchange for Units and the assumption by Énergir, L.P. [then known as Gaz Métropolitain and Company, Limited Partnership] of substantially all of the liabilities of Énergir Inc. [then known as Gaz Métropolitain, inc.], other than the subordinated debt issued to Noverco Inc., its parent company.
January 14, 1993	The limited partnership agreement of Énergir, L.P. [then known as Gaz Métropolitain and Company, Limited Partnership] was amended to change the status of Énergir, L.P. [then known as Gaz Métropolitain and Company, Limited Partnership] to a publicly traded company on February 1, 1993, at which time the Units were listed on the TSX.
November 5, 1996	The limited partnership agreement of Énergir, L.P. [then known as Gaz Métropolitain and Company, Limited Partnership] was amended to provide for certain limitations on the activities of Énergir, L.P. [then known as Gaz Métropolitain and Company, Limited Partnership], as more fully described under Item 1.2.3 *Key Elements of the Limited Partnership Agreement*.
November 18, 2003	The name was changed to "Gaz Métro Limited Partnership."
September 30, 2010	Énergir, L.P. [then known as Gaz Métro Limited Partnership] reorganized its public ownership structure into a new corporation named "Valener Inc." by way of the Arrangement, pursuant to which all Units held by public holders were exchanged for common shares of Valener on a one-for-one basis. Valener became a partner along with Énergir Inc. [then known as Gaz Métro inc.] and Gaz Métro Plus, while former public holders became shareholders of Valener. In connection with the Arrangement, the Limited Partnership Agreement was amended and several material agreements were entered into, as more fully described under Item 10.3 *Material Contracts*.

Date	Event
September 30, 2015	In May 2015, the partners of Énergir, L.P. [then known as Gaz Métro Limited Partnership], Valener and Énergir Inc. [then known as Gaz Métro inc.], obtained three-year exemptions from the Canadian Securities Administrators allowing them to prepare their consolidated financial statements in accordance with U.S. GAAP, for fiscal years 2016 to 2018, inclusive, in order to meet their continuous disclosure obligations in Canada. The Limited Partnership Agreement was consequently amended and restated on September 30, 2015 to allow Énergir, L.P. [then known as Gaz Métro Limited Partnership] to adopt U.S. GAAP in the circumstances provided for thereunder.
November 29, 2017	The Limited Partnership Agreement was amended to change the name from “Gaz Métro Limited Partnership” to “Énergir, L.P.”

1.2.3 Key Elements of the Limited Partnership Agreement

The following text summarizes the Limited Partnership Agreement. A copy of this Agreement is available under the SEDAR Website at www.sedar.com.

1.2.3.1 General

Pursuant to the Limited Partnership Agreement, Énergir Inc. has the exclusive power and authority to administer, manage, control and operate the business of Énergir, L.P. and to hold all the rights to its assets.

1.2.3.2 Business of Énergir, L.P.

The Limited Partnership Agreement stipulates that Énergir, L.P. shall only carry on Regulated Energy Activities, Non-regulated Energy Activities and Permitted Economic Activities, except that:

(i) Énergir, L.P. shall not increase its Interests in Non-regulated Energy Activities if, as a result thereof, the aggregate amount of the Interests of Énergir, L.P. in Non-regulated Energy Activities and in Permitted Economic Activities would exceed 10.0% of the amount of the assets of Énergir, L.P. calculated on the basis of its last annual non-consolidated financial statements plus, if any, the amount of the increase in the assets of Énergir, L.P. resulting from such increase in the Interests of Énergir, L.P. in Non-regulated Energy Activities; and

(ii) Énergir, L.P. shall not increase its Interests in Permitted Economic Activities if, as a result thereof, the aggregate amount of the Interests of Énergir, L.P. in Permitted Economic Activities would exceed 5.0% of the amount of the assets of Énergir, L.P. calculated on the basis of its last annual non-consolidated financial statements plus, if any, the amount of the increase in the assets of Énergir, L.P. resulting from such increase in the Interests of Énergir, L.P. in Permitted Economic Activities.

As at September 30, 2017, Énergir, L.P.'s Interests in Non-regulated Energy Activities and in Permitted Economic Activities totalled $164.9 million, representing 3.3% of its non-consolidated assets, and Énergir, L.P. did not have any Interests in Permitted Economic Activities.

Énergir, L.P.'s Interests as at September 30				
	Non-regulated Energy Activities and Permitted Economic Activities		Permitted Economic Activities only	
	In millions of $	As a % of its non-consolidated assets	In millions of $	As a % of its non-consolidated assets
2017	164.9	3.3	0.0	0.0
2016	99.5	2.0	0.0	0.0
2015	108.0	2.4	0.0	0.0

1.2.3.3 Rights Granted to Valener as Limited Partner

(a) Growth Prospects of Valener

All significant business opportunities and acquisitions considered by Management shall be submitted to the Énergir Inc. Board for a determination of whether or not to pursue such business opportunity or acquisition. If the Énergir Inc. Board determines not to pursue or to cease to pursue a business opportunity or acquisition identified by Management (but only those not otherwise subject to the Non-Competition Agreement) through Énergir, L.P. or any of its Affiliates (other than upstream Affiliates of Énergir, L.P.), Énergir, L.P. will use its reasonable best efforts, subject to compliance with confidentiality and transfer restriction provisions, to provide Valener, Noverco and Noverco shareholders the opportunity to submit an offer to pursue such business opportunity or acquisition on terms and conditions to be agreed upon, which may include, in certain circumstances, the reimbursement of development costs and the payment of incentive payments to Énergir, L.P. Valener shall cease to have such right once it ceases to beneficially own, directly or indirectly, at least 7.5% of the Units.

(b) Right of Valener to Participate in a Sale of Assets by Énergir, L.P.

As long as Valener beneficially owns, directly or indirectly, at least 7.5% of the Units, Valener shall have the right (subject to compliance with any restrictions or conditions contained in existing agreements) to participate as a potential bidder in any sale of assets by Énergir, L.P. (but only those not otherwise subject to the provisions of the Non-Competition Agreement, save and except for a sale of all or substantially all of the assets relating to any one of the three business sectors designated as Restricted Activities) that is (i) initiated by Énergir, L.P. (but if not by way of an auction only if the sale is for cash proceeds), or (ii) following the receipt of a third-party offer, but in that case only if Énergir, L.P. proceeds to seek one or more alternative offers, the whole upon and subject to the terms and conditions applicable to any other bidders.

(c) Right of Valener to Participate in a Sale of Units or in a Sale of Énergir Inc. Shares

As long as Valener beneficially owns, directly or indirectly, at least 7.5% of the Units, Valener shall have the right (subject to compliance with any restrictions or conditions contained in existing agreements) to participate as a potential bidder in any sale of Units by Énergir Inc. and/or shares of Énergir Inc. by Noverco (including any sale by way of an initial public offering), the whole upon and subject to the terms and conditions applicable to any other bidders.

(d) Pre-Emptive Right

Any new units to be issued by Énergir, L.P. shall first be offered to each of Valener and Énergir Inc., which may purchase a number of new units corresponding to their respective pro rata share of units at fair market value, as determined by the Énergir Inc. Board. Each of Valener and Énergir Inc. shall have a period of 60 days to confirm its intention to exercise its pre-emptive right and commit to complete its capital injection, failing which it shall be deemed to have waived its pre-emptive right, and, if exercised, up to six months from the date of expiry of the 60-day acceptance period to complete its capital injection, failing which no new units shall be issued to such party, without limiting any available recourses of Énergir, L.P. In cases where Énergir, L.P. requires an urgent injection of capital before the expiry of the six-month capital injection period (as determined by the Énergir Inc. Board, in its entire discretion), if Valener and Énergir Inc. cannot concurrently fund any such required capital injection by the proposed date of closing of the issue of new units, the party that agrees to participate alone in such urgent injection shall be entitled to receive from Énergir, L.P. reasonable supporting/financing fees on the portion injected for the subscription of new units (based on comparable market fees) until the pro rata injection by the other party is completed, or the expiry of the 60-day acceptance period if the other party does not exercise its pre-emptive right in due time.

(e) Take-Over Bid Protection

Énergir Inc. has undertaken in favour of Valener not to sell any Units and Noverco has undertaken in favour of Valener not to sell any shares of Énergir Inc., in both cases pursuant to a take-over bid (within the meaning of applicable securities legislation), under circumstances in which applicable securities legislation would have required the same offer to be made to all partners of Énergir, L.P. if Énergir, L.P. were a reporting issuer,(1) unless the same offer is made to Valener upon and subject to the same terms and conditions applicable to the sale of Units or shares of Énergir Inc., as applicable. In the event Valener accepts the offer made to it within the 25-day period following receipt of a notice and requires shareholder approval in accordance with applicable laws to proceed with the sale of Units, it shall convene and hold a shareholders' meeting, to which such matter shall be submitted for approval, within 45 days of delivering its acceptance notice, failing which the shareholders of Valener shall be deemed to have voted against such sale. This protection shall not be applicable in circumstances where the private agreement exemption of section 4.2 of *Regulation 62-104 respecting Take-over Bids and Issuer Bids*, as amended from time to time, is available, provided that a formal valuation confirming that the consideration paid for any securities is not greater than 115.0% of the value of the securities, prepared by a nationally recognized independent valuator (within the meaning of section 6.1 of Regulation 61-101), shall be obtained by Énergir Inc. or Noverco, at Énergir Inc. or Noverco's cost, and delivered to Valener concurrently with a confirmation of the sale of the securities.

(f) Minority Protection Measures

Énergir, L.P. has undertaken in favour of Valener to comply with the provisions of Regulation 61-101 which would apply to Énergir, L.P. if it were a reporting issuer,(2) subject to available exemptions under Regulation 61-101 (except for the exemptions that would be available to Énergir, L.P. strictly on the basis that it is not a reporting issuer). Whenever minority approval would be required under Regulation 61-101, Énergir, L.P. undertakes to obtain such minority approval in accordance with Part 8 of Regulation 61-101 and Valener's

(1) Énergir, L.P. ceased to be a reporting issuer on November 3, 2010.
(2) Idem.

approval, if applicable, shall be obtained within reasonable delays in accordance with the provisions set out in the articles of incorporation of Valener which require Valener to seek shareholder approval by way of an ordinary resolution, subject to available exemptions under Regulation 61-101.

1.2.3.4 Énergir, L.P.'s Distribution Practice

It is intended that Énergir, L.P. will continue to distribute substantially all of its net income for a given fiscal year, and the Limited Partnership Agreement provides that Énergir, L.P. will distribute not less than 85.0% of its net income excluding non-recurring items, save and except for exceptions required (i) for the benefit of bondholders or lenders of Énergir, L.P. or Énergir Inc., as applicable, (ii) to ensure continued compliance with terms and conditions under the credit facilities and trust deeds of Énergir, L.P. and Énergir Inc., (iii) to comply with applicable regulations and laws, and (iv) to comply with any requirements of a regulatory authority. In addition, if Énergir Inc., as general partner, determines that it is appropriate, for any other reason (including as may be required for investments in the business, financing requirements or capital structure realignment of Énergir, L.P.), to distribute less than 85.0% of the net income excluding non-recurring items, it may cause Énergir, L.P. to do so provided that the resolution of the Énergir Inc. Board authorizing such lesser distribution has been adopted with the approval of at least 90.0% of the votes cast by directors. Any amendment to this provision of the Limited Partnership Agreement requires the consent of Valener as long as it owns, directly or indirectly, at least 10.0% of the Units.

1.2.3.5 Representation on the Énergir Inc. Board

As long as Valener beneficially owns, directly or indirectly, at least 7.5% of the Units, Noverco undertakes to exercise the votes attached to all the shares of Énergir Inc. it holds from time to time in favour of the election of the nominees of Valener (who could be directors of Valener) as directors of Énergir Inc. The number of Valener representatives on the Énergir Inc. Board shall be equivalent to Valener's pro rata interest in Énergir, L.P. Noverco or any other partner shall not, without the prior written consent of Valener, complete any transaction or take any action that would result in Valener no longer having the ability indirectly to cause the election of its nominees as directors of Énergir Inc.

1.2.3.6 Disclosure Obligations of Énergir, L.P.

The Limited Partnership Agreement expressly provides that, unless otherwise required to be provided pursuant to a separate agreement between Énergir, L.P. and Valener (including the Administration Agreement), as long as Valener is a reporting issuer under applicable securities laws, Énergir, L.P. shall provide to it, within reasonable delays, but subject to restrictions under applicable laws or confidentiality obligations, financial statements and other information solely related to Valener's interest in Énergir, L.P. required for compliance with the continuous disclosure and reporting requirements of a reporting issuer, and shall notify Valener without delay of any material change concerning Énergir, L.P. Information readily available to Énergir, L.P. will be provided at no cost whereas information not readily available (other than financial information) will be provided for a consideration equal to the actual cost of operation and other expenses incurred by Énergir, L.P. to provide such information, without any profit component.

1.2.3.7 Dissolution of Énergir, L.P.

The Limited Partnership Agreement also stipulates that Énergir, L.P. shall carry on its activities until September 30, 2090, unless it is dissolved before, and that its capital shall consist of an unlimited number of units, the general partner being responsible for their issuance.

ITEM 2 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 VALENER

Mission

"The mission of Valener is to ensure the sound management of its investment in Énergir, L.P., to participate in the full development of the latter and to consider opportunities for growth and value creation for its shareholders." Such opportunities must create value and have a risk profile deemed relatively similar to Valener's current profile, all in accordance with the Non-Competition Agreement described under Item 10.3.2 and the applicable limitations of its Credit Facility described under Item 10.3.6.

Business

The following are the principal highlights of Valener's business for the last three fiscal years and the events subsequent to each of these fiscal years:

Wind Power Projects[1]		
2017	**2016**	**2015**
-	▪ On May 3, 2016, Wind Farms 2 and 3 GP concluded the refinancing of its long-term debt. For more information, see Item 10.3.7 *Financing of Wind Farms 2 and 3*.	-

(1) Wind Farm 4 went into commercial operation during the first quarter of fiscal year 2015.

Financing Activities		
2017	**2016**	**2015**
▪ On March 31, 2017, Valener subscribed to Énergir, L.P.'s capital pursuant to a private offering of securities, in proportion to its 29.0% interest, i.e. 1,318,291 Units at a unit price of $22.00 per Unit, for a total consideration of $29.0 million.	-	▪ On April 30, 2015, Valener subscribed to Énergir, L.P.'s capital pursuant to a private offering of securities, in proportion to its 29.0% interest, i.e. 2,372,923 Units at a unit price of $16.50, for a total consideration of $39.2 million
	-	▪ On September 30, 2015, Valener subscribed to Énergir, L.P.'s capital pursuant to a private offering of securities, in proportion to its 29.0% interest, i.e. 2,109,265 Units at a unit price of $16.50, for a total consideration of $34.8 million

2.2 ÉNERGIR, L.P.

Mission

"Our mission is to meet the energy needs of our customers and the communities we serve in an increasingly sustainable way. We offer competitive, varied and innovative solutions. Énergir, L.P. will be the partner of choice for those striving toward a better energy future.

Because energy is at the very heart of our society, we collaborate with stakeholders from all walks of life.

Because communities understand their own needs best, we foster close ties.

Because our customers' needs change in step with the challenges they face, we innovate in everything we do."

Main Events and Conditions

In the course of each fiscal year, a number of events and conditions influence the general development of Énergir, L.P.'s business. Following are the main events and conditions that have influenced such development over the last three fiscal years and those subsequent to each of these fiscal years:

Regulatory Framework		
Natural Gas Distribution in Québec		
Rate of Return and Incentive		
2017	**2016**	**2015**
▪ The Régie decided to renew the rate of return of 8.90% for fiscal year 2018.	–	▪ The Régie decided to renew the rate of return of 8.90% for fiscal years 2016 and 2017.
–	–	▪ In June 2015, the Régie rendered a decision in which it agreed to revoke the conclusions contested by Énergir, L.P. in its request for review filed for the 2013 regulatory annual report.
▪ In February 2017, the Régie decided to renew for fiscal year 2018 the regulatory relief measures and the sharing mechanism approved during fiscal year 2015.	–	▪ In February 2015, Énergir, L.P. filed an update to its regulatory relief proposal with the Régie to fix operating expenditure increases to inflation and for realized overearnings to be shared equitably between Énergir, L.P. and customers (sharing mechanism). In April 2015, the Régie approved the mechanism. It ordered that the 2015 and 2016 rate reviews be carried out concurrently in a streamlined and temporary manner. ▪ In November 2015, the Régie rendered a decision approving Énergir, L.P.'s regulatory relief proposal.

Natural Gas and Electricity Distribution in Vermont		
2017	2016	2015
▪ Green Mountain's base rate of return for fiscal year 2017 was set by the VPUC at 9.02%.	▪ Green Mountain's base rate of return for fiscal year 2016 was set by the VPUC at 9.44%.	▪ Green Mountain's base rate of return for fiscal year 2015 was set by the VPUC at 9.60%.

Energy Distribution, Market Developments and Other Énergir, L.P. Initiatives		
Price of Natural Gas and Market Position		
2017	2016	2015
▪ There was little fluctuation in natural gas prices during fiscal year 2017, except for a momentary increase in December 2016. Natural gas prices continued their downward trend owing to an abundance of supply on the North American market.	▪ Throughout fiscal year 2016, natural gas prices continued their downward trend owing, in particular, to the impact of the *El Niño* weather pattern.	▪ Throughout fiscal year 2015, prices continued their downward trend owing to an abundance of supply on the North American market; this was the case despite a colder-than-normal winter in the eastern part of the continent, which had little effect on prices because inventories were sufficient to meet demand until the end of the season.
▪ Overall increase in natural gas deliveries in Québec of 4.0% as a result of the following: in the Industrial Market: greater consumption in the metallurgy and construction sectors; in the Commercial Market: increased consumption in the LNG production sector; in the Residential Market: greater consumption owing to the maturation of new sales and to increased economic growth.	▪ Overall decline in natural gas deliveries in Québec of 0.9% as a result of the following: in the Industrial Market: lower consumption, primarily in the metallurgy sector, and slower economic growth, offset by increased consumption in the petrochemicals sector; in the Commercial Market: lower volumes consumed in the institutional segment; and in the Residential Market: lower consumption due primarily to energy efficiency efforts.	▪ Overall increase in natural gas deliveries in Québec of 0.2% as a result of the following: greater consumption, primarily in the pulp and paper and metallurgy sectors, in the Industrial Market, offset by lower consumption in the Residential and Commercial Markets owing to a decrease in volumes consumed in the institutional segment of the Commercial Market.

Electricity Production		
2017	2016	2015
–	▪ On May 3, 2016, Wind Farms 2 and 3 GP entered into an amended and restated credit agreement for an amount of $617.5 million for the refinancing of Wind Farms 2 and 3.	–

Financing Activities		
2017	**2016**	**2015**
▪ Issuance, on March 31, 2017, of 4,545,455 new Units at a price of $22.00 per Unit, for total proceeds of $100.0 million, issued to Énergir Inc. and Valener on the basis of their respective holdings.	–	▪ Issuance, on April 30, 2015, of 8,181,818 new units of Énergir, L.P. at a price of $16.50 per unit, for total proceeds of approximately $135.0 million, issued to Énergir Inc. and Valener on the basis of their respective holdings.
–	–	▪ Issuance, on September 30, 2015, of 7,272,727 new units of Énergir, L.P. at a price of $16.50 per unit, for total proceeds of approximately $120.0 million, issued to Énergir Inc. and Valener on the basis of their respective holdings.

Additional information regarding main developments in Énergir, L.P.'s business can be found in section O) *Segment Results* on pages 36 to 54 of the Valener 2017 MD&A.

ITEM 3 NARRATIVE DESCRIPTION OF VALENER'S BUSINESS

3.1 INTEREST IN ÉNERGIR, L.P.

Valener's business consists principally in the ownership of an approximately 29.0% economic interest in Énergir, L.P. Valener therefore has a stake in the energy industry through the businesses of Énergir, L.P. and its subsidiaries in which Énergir, L.P. has invested and benefits from the diversified profile of Énergir, L.P., both geographically and by business segment.

Énergir, L.P.'s business is described under Item 4 *Narrative Description of Énergir, L.P.'s Four Main Business Segments*.

3.2 Interests in the Seigneurie de Beaupré Wind Farms

Wind Farms 2 and 3:	Wind farms located on private lands of the Seigneurie de Beaupré in partnership with Énergir, L.P. and Boralex	Wind Farm 4:
126 wind turbines **272 MW** installed capacity		**28** wind turbines **68 MW** installed capacity

3.2.1 Wind Farms in Québec

Wind power is one of the cleanest forms of energy as it produces no air emissions. It is sought after for its benefits, and is also complementary to hydroelectricity, because it serves as a back-up energy source that often reaches its maximum potential during periods of extreme cold and high winds.

To promote energies that reduce environmental footprints, while also encouraging regional economic development, Valener and Énergir, L.P. decided to invest in wind power production through the deployment of multiple wind farms, particularly Wind Farms 2 and 3 and Wind Farm 4.

Beaupré Éole (in which Gaz Métro Éole and Valener Éole hold, respectively, a 51.0% and 49.0% interest) and Boralex are equal-share partners in two wind farms with an installed capacity of 272 MW, namely Wind Farms 2 and 3. Wind Farm 2 and Wind Farm 3 went into commercial operation during the first quarter of fiscal year 2014, and all of the electricity generated is sold to Hydro-Québec under 20-year contracts.

Beaupré Éole 4 (in which Gaz Métro Éole 4 and Valener Éole 4 hold, respectively, a 51.0% and 49.0% interest) and Boralex are equal partners in a third wind farm with an installed capacity of 68 MW, Wind Farm 4. Wind Farm 4 went into commercial operation on December 1, 2014 and all of the electricity generated is sold to Hydro-Québec under a 20-year contract.

Additional information regarding Wind Farms 2 and 3 and Wind Farm 4 can be found in the section *Wind Farms in Québec* on pages 6 and 7, 24, 50 and 51 of the Valener 2017 MD&A.

ITEM 4 NARRATIVE DESCRIPTION OF ÉNERGIR, L.P.'S FOUR MAIN BUSINESS SEGMENTS

The following diagram illustrates Énergir, L.P.'s four main business segments:

Énergir, L.P.

Energy Distribution	Transportation of Natural Gas	Electricity Production	Energy Services, Storage and Other
Énergir, L.P. (Québec, Canada) *Regulated*	**TQM** [3] (Canada) *Regulated*	**Wind Farms 2 and 3 GP** [6] (Ontario, Canada) *Non-regulated*	**Gaz Métro LNG** [9] (Québec, Canada) *Non-regulated*
Vermont Gas[1] (Vermont, U.S.A.) *Regulated*	**Champion Pipe Line Corporation Limited**[4] (Canada) *Regulated*	**Wind Farm 4 GP**[7] (Ontario, Canada) *Non-regulated*	**Gaz Métro Energy Solutions**[10] (Québec, Canada) *Non-regulated*
Green Mountain[1] [2] (Vermont, U.S.A.) *Regulated*	**PNGTS**[5] (Maine, U.S.A.) *Regulated*	**Standard Solar**[8] (Delaware, U.S.A.) *Non-regulated*	**Transport Solutions**[11] (Québec, Canada) *Non-regulated*
			Gaz Métro Plus[12] (Québec, Canada) *Non-regulated*
			Climatisation et Chauffage Urbains de Montréal, s.e.c.[13] (Québec, Canada) *Non-regulated*
			Intragas[14] (Québec, Canada) *Regulated* [15]

(1) Wholly owned by NNEEC, a wholly owned subsidiary of Énergir, L.P.
(2) Green Mountain holds a significant ownership interest in Transco (direct and indirect totalling 73.5%) and in Velco (38.8% direct) as well as all of the shares of Vermont Yankee Nuclear Power Corporation.
(3) 50.0%-owned by Gaz Métro Holding Inc., a wholly owned subsidiary of Énergir, L.P.
(4) Wholly owned by Énergir, L.P.
(5) 38.3%-owned by Northern New England Investment Company, Inc., a wholly owned subsidiary of NNEEC.
(6) Ownership interest 50.0%-held by Beaupré Éole, which is 51.0%-owned by Gaz Métro Éole, a wholly owned subsidiary of Énergir, L.P.
(7) Ownership interest 50.0%-held by Beaupré Éole 4, which is 51.0%-owned by Gaz Métro Éole 4, a wholly owned subsidiary of Énergir, L.P.
(8) Wholly owned by NNEEC, a wholly owned subsidiary of Énergir, L.P.
(9) 58.0%-owned by Énergir, L.P.
(10) Wholly owned by Énergir, L.P.
(11) Wholly owned by Énergir, L.P.
(12) Wholly owned by Énergir, L.P.
(13) Ownership interest wholly held by CDH Solutions & Operations Limited Partnership, a wholly owned subsidiary of Gaz Métro Plus.
(14) Ownership interests held by Gaz Métro Holding Inc., a wholly owned subsidiary of Énergir, L.P., ranging from 40.0% to 60.0% depending on the businesses making up the Group.
(15) Only the activity of Intragas, Limited Partnership is regulated. The activities of the other enterprises of the Intragas Group are not regulated.

Some of the more specific elements of this activity, such as energy distribution, are described in detail below. For more information about this activity, reference is made to the 2017 MD&A (available on the SEDAR website at www.sedar.com), which should be read in conjunction with the 2017 Financial Statements (also available on the SEDAR website).

One of Énergir Inc.'s core businesses is the distribution of natural gas in Québec (included in the Energy Distribution Segment). In fiscal year 2017, this activity generated approximately 61.0%[3] of its consolidated net income attributable to the partners of Énergir, L.P., compared to slightly more than 75.0%[4] of its consolidated net income attributable to the partners of Énergir, L.P. in fiscal year 2016. Énergir, L.P. distributes approximately 97.0% of the natural gas consumed in Québec.

4.1 ENERGY DISTRIBUTION

The Energy Distribution Segment includes the natural gas distribution activities in Québec carried on by Énergir, L.P. and in Vermont carried on by Vermont Gas and the electricity distribution activities in Vermont carried on by Green Mountain.

It should also be noted that natural gas distribution is highly seasonal, which means that most deliveries by enterprises in the Energy Distribution Segment are made in winter.

4.1.1 Distribution of Natural Gas in Québec

4.1.1.1 Regulatory Process and Rates

(a) Regulatory Process

The transportation, distribution, supply and storage of natural gas delivered through pipelines in Québec are subject, among other things, to the provisions of the *Act respecting the Régie de l'énergie* (Québec) and the *Building Act* (Québec), and to certain provisions of the *Gas, Water and Electricity Companies Act* (Québec).

Énergir, L.P.'s natural gas distribution activity in Québec is regulated by the Régie. The Régie's primary role is to set or modify the rates and conditions for the supply, transportation and delivery of natural gas by a distributor, as well as the rates for storage. The Régie also performs other functions, including overseeing the activities of a distributor, determining its rate of return, authorizing investments of $1.5 million or more, reviewing consumer complaints, and setting the conditions for the installation of a distributor's facilities in municipalities.

Within its territory, as a corollary to its exclusive right to operate a natural gas distribution system and to transmit and deliver by pipeline natural gas intended for consumption, Énergir, L.P. has the obligation to supply and deliver natural gas to anyone who requests it, and to deliver natural gas that some users have chosen to purchase from a third party. However, under certain conditions, the *Act respecting the Régie de l'énergie* (Québec) allows the distributor to apply to the Régie to be exempted from the requirement to deliver natural gas or to provide service to a consumer.

In reviewing an application to set or modify a rate, the Régie must, among other things, determine the distributor's rate base, including, in particular, the unamortized balance of the investments that were made by the distributor to provide such service. The Régie must also determine the aggregate expenses it considers necessary to cover the cost of providing the service. It must also allow a reasonable return on the distributor's rate base. This return reflects the cost of

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(3) Consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2017 includes a $12.5 million positive impact related to the revaluation of *CDH Solutions & Operations Limited Partnership* following the acquisition of 50.0% of its units by Gaz Métro Plus in December 2016. For more information, see the Valener 2017 MD&A. Had it not been for this item, this percentage for fiscal year 2017 would have been approximately 65.0%.

(4) Consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2016 included a $79.3 million positive impact related to the recording of a regulatory asset and a $16.5 million negative impact related to the depreciation of long-term assets recorded by Vermont Gas. For more information, see Valener's Management's Discussion and Analysis for fiscal year 2016. Had it not been for these items, this percentage for fiscal year 2016 would have been approximately 60.0%.

financing the capital structure that the Régie considers appropriate to finance the distributor's rate base. It is determined based on the actual cost and, when applicable, the anticipated cost of debt, the authorized return on partners' deemed preferred equity and the return on partners' deemed common equity that the Régie considers reasonable. The Régie must also provide measures or incentive mechanisms to improve the distributor's performance and satisfaction of customer needs.

The cost of natural gas is fully reflected in supply rates billed to customers by means of an automatic monthly adjustment mechanism established for this purpose, whereby variations are levelled over a forward-looking, moving 12-month period.

In a decision dated December 19, 1990, the Régie determined that the following principles applied to the 1992 base year and to any other subsequent rate year:

(i) for regulatory purposes and for determining the return on Énergir, L.P.'s rate base, the Régie will use a deemed defined capital structure and financing costs that are compatible with such capital structure, including a rate of return on the partners' average equity;

(ii) as Énergir, L.P.'s net income is taxable in the hands of the partners, the Régie will recognize the tax consequences and will take into account, in determining Énergir, L.P.'s operating expenses, deemed taxes related to current income taxes, large corporations tax and deemed capital tax (which have both since been abolished).

For rate-setting purposes, the capital structure currently recognized by the Régie for the distribution of natural gas in Québec is 54.0% in the form of debt, 7.5% in the form of deemed preferred equity and 38.5% in the form of partners' deemed common equity. The deemed preferred shares are remunerated at the rate applicable to each of the share issues made prior to the August 1991 corporate reorganization until they mature and, thereafter, at the market rate at the time of their deemed replacement. Remuneration on partners' deemed common equity shall be at the rate authorized by the Régie. Deemed current income taxes are calculated as if the August 1991 corporate reorganization had not taken place and assuming that Énergir, L.P. is a taxable Canadian corporation.

For several fiscal years, Énergir, L.P. applied a Régie-approved performance incentive mechanism, which set out a rate setting formula. That mechanism stopped being in effect on September 30, 2012 and a proposal for a new incentive mechanism is to be submitted to the Régie in the coming fiscal years. Meanwhile, since fiscal year 2013 and for subsequent fiscal years, the Régie has requested that Énergir, L.P. prepare its rate cases without including any incentive related to its natural gas distribution activity in Québec. Consequently, Énergir, L.P.'s rates are now established on a cost-of-service basis. Under this method, rates are determined using the projected cost of carrying on Énergir, L.P.'s activities. Accordingly, at fiscal year-end, a positive variance between actual costs recognized to Énergir, L.P. and actual revenues generated by rates is designated as overearnings and a negative variance is designated as a shortfall. The Régie authorized an incentive for the achievement of energy efficiency targets and a method for sharing fiscal-year-end overearnings and shortfalls.

Additional information regarding Énergir, L.P.'s regulatory framework can be found in section O) *Segment Results* on pages 40 and 41 of the Valener 2017 MD&A.

(b) Main Decisions by the Régie

Additional information regarding the main decisions by the Régie, particularly in connection with regulatory relief and the 2017 rate case, can be found in section O) *Segment Results* on pages 40 and 41 of the Valener 2017 MD&A as well as in Note 5 to the Énergir, L.P. 2017 Financial Statements.

4.1.1.2 Gas Supply

(a) Natural Gas Supply Situation

Additional information regarding natural gas supply situation can be found in section M) *Conditions in the Energy Market and for Gaz Métro [now known as Énergir, L.P.]* on pages 26 to 30 of the Valener 2017 MD&A.

(b) Direct Purchases

Énergir, L.P.'s customers can purchase their own natural gas directly from a supplier of their choice. In that case, direct purchase customers generally entrust Énergir, L.P. with the responsibility of transporting the natural gas from the designated supply location to their respective facilities. Some customers assume responsibility for transporting the natural gas to Énergir, L.P.'s distribution system. During fiscal year 2017, direct purchases accounted for approximately 62.7% of all volumes delivered to Énergir, L.P.'s customers, compared to approximately 64.6% during the previous year.

(c) System Gas

System Gas deliveries accounted for approximately 37.3% of all deliveries during fiscal year 2017, compared to approximately 35.4% during the previous fiscal year. Énergir, L.P. supplies System Gas to customers who do not choose to obtain such gas themselves directly from another supplier.

To service its System Gas customers, Énergir, L.P. has annual supply contracts with a number of suppliers. The prices that Énergir, L.P. pays are determined using a recognized published index established on the basis of the prices for a particular period at the Empress (Alberta), Dawn (Ontario) or Henry (Louisiana) hubs, as the case may be, to which a premium, negotiated by the parties, is added. Énergir, L.P. also buys natural gas on a spot basis to adapt to demand fluctuations and the operating conditions of its system.

During fiscal year 2017, Énergir, L.P. acquired 40.0% of the natural gas required to service its System Gas customers at the Empress Hub (Alberta) (compared to 38.6% during the previous fiscal year), and 60.0% at the Dawn Hub (Ontario) (compared to 61.4% during the previous fiscal year[(5)]).

In fact, since November 1, 2016 Énergir, L.P. has relocated its main natural gas supply receipt point from Empress (Alberta) to Dawn (Ontario), pursuant to a decision rendered by the Régie in December 2012, in order to move its supply structure closer to its territory covered by its exclusive distribution right.

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(5) The 2016 Annual Information Form indicated that Énergir, L.P. had acquired 50.3% of the natural gas required to service its System Gas customers at the Empress Hub (Alberta) and 49.7% at the Dawn Hub (Ontario). It should have indicated that Énergir, L.P. had acquired 38.6% of the natural gas required to service its System Gas customers at the Empress Hub (Alberta) and 61.4% at the Dawn Hub (Ontario).

(d) Transportation

Other than the two gas pipelines operated by Champion Pipe Line Corporation Limited, the only two pipelines that supply Énergir, L.P. are owned by TCPL and TQM, the latter being a subcontractor to TCPL. Despite this situation, Énergir, L.P. built up a diversified transportation capacity portfolio in terms of maturities and points of origin. Most transportation capacities in the portfolio will be available until October 31, 2022.

The transportation contracts are not directly linked with a particular source of natural gas supply. Not linking transportation contracts with natural gas supply allows Énergir, L.P. flexibility in obtaining its own natural gas supply.

To transport natural gas up to the territory covered by its exclusive distribution right the natural gas (i) that it acquires at the Empress (Alberta) and Dawn (Ontario) hubs or (ii), as explained under Item 4.1.1.2 (e) *Storage Required by the Natural Gas Distributor*, that it stores in Dawn (Ontario) to distribute it in winter, Énergir, L.P. has transportation contracts:

- with Union Gas to transport the natural gas from Dawn (Ontario) up to the Parkway Hub (Ontario) and TCPL to transport the natural gas from the Parkway Hub (Ontario) up to its territory covered by its exclusive distribution right; or

- with TCPL to transport the natural gas from the Empress Hub (Alberta) up to its territory covered by its exclusive distribution right.

Énergir, L.P. also has transportation contracts obtained on the secondary market between Dawn (Ontario) and the territory covered by its exclusive distribution right.

Énergir, L.P. may also sign spot contracts with suppliers for gas deliveries directly to its territory covered by its exclusive distribution right as a complement to its own transportation capacity, primarily during the winter period.

For more information regarding the transportation of natural gas, see sections M) *Conditions in the Energy Market and for Gaz Métro [now known as Énergir, L.P.]* and O) *Segment Results* on pages 26 to 30 and 49 and 50 of the Valener 2017 MD&A.

(e) Storage Required by the Natural Gas Distributor

Natural gas distribution is a highly seasonal activity, with most natural gas deliveries occurring in winter. Moreover, during the winter months, daily demand for natural gas fluctuates with the temperature. As such, Énergir, L.P. uses storage facilities to:

- take delivery of natural gas on favourable terms during the off-peak (summer) period with a view to withdrawing it and distributing it in winter;

- balance demand and deliveries of natural gas on a daily basis;

- mitigate the risk of a natural gas supply shortage; and

- effectively manage the cost of natural gas during the winter months.

For this purpose, Énergir, L.P. has natural gas underground storage contracts in Dawn (Ontario) under medium-term agreements with Union Gas with various expiry dates.

Énergir, L.P. also has two long-term natural gas storage service contracts with Intragas, Limited Partnership (part of Intragas). Peak winter demand is supplied by the LSR Plant.

The transportation and storage contracts referred to under Items (d) and (e) above are more fully described under Item 10.3.9 *Operating Contracts (Énergir, L.P.).*

4.1.1.3 Market

For fiscal years 2017 and 2016, normalized deliveries of natural gas in Québec (for normal temperatures and wind velocity) and revenues were as follows:

Normalized Natural Gas Deliveries in Québec and Revenues Generated								
	Deliveries (10^6m^3)		% of Gas Delivered by Market		Revenues (millions of $)		% Revenues by Market	
	2017	2016	2017	2016	2017	2016	2017	2016
Industrial Market								
- Firm service	3,256.0	3,125.5	55.2	55.1	476.7	548.7	32.0	35.3
- Interruptible service	246.5	275.6	4.2	4.9	16.4	36.4	1.1	2.3
Commercial Market	1,813.4	1,710.2	30.8	30.2	692.0	674.5	46.4	43.4
Residential Market	578.0	558.5	9.8	9.8	305.0	295.5	20.5	19.0
TOTAL	**5,893.9**	**5,669.8**	**100.0**	**100.0**	**1,490.1**	**1,555.1**	**100.0**	**100.0**

In fiscal year 2017, normalized natural gas deliveries therefore increased by 4.0% compared to the preceding fiscal year.

(a) Competitive Situation

Fiscal year 2017 was marked by an increase in Énergir, L.P.'s supply price (System Gas price) owing primarily to the relocation of its main natural gas supply receipt point from Empress (Alberta) to Dawn (Ontario) as of November 1, 2016, as explained under Item 4.1.1.2(c) *System Gas*. While Énergir, L.P.'s supply price in October 2016 ($2.64/Gj) was already higher than the $2.35/Gj average for the previous fiscal year, it ended at $3.46/Gj in September 2017. This was reflected in an annual average natural gas supply price increase of 64.7% compared to fiscal year 2016. The price of natural gas in Dawn (Ontario) is traditionally higher than in Empress (Alberta).[(6)] This substantial increase was significantly offset by the price of transportation between Dawn (Ontario) and the territory covered by Énergir, L.P.'s exclusive distribution right, which was lower than the price of transportation between Empress (Alberta) and Énergir, L.P.'s exclusive distribution territory.

In fiscal year 2017, fuel oil prices also increased compared to the previous fiscal year. Between October 2016 and September 2017, No. 2 fuel oil (also called light fuel oil) traded at an average price that was 17.7% higher than during the previous fiscal year. The price of No. 6 fuel oil (also called heavy fuel oil) was 48.3% higher than during the previous fiscal year.

Residential Market

The increase in the annual cost of using natural gas during fiscal year 2017 slightly eroded natural gas's competitive position in relation to electricity compared with the previous

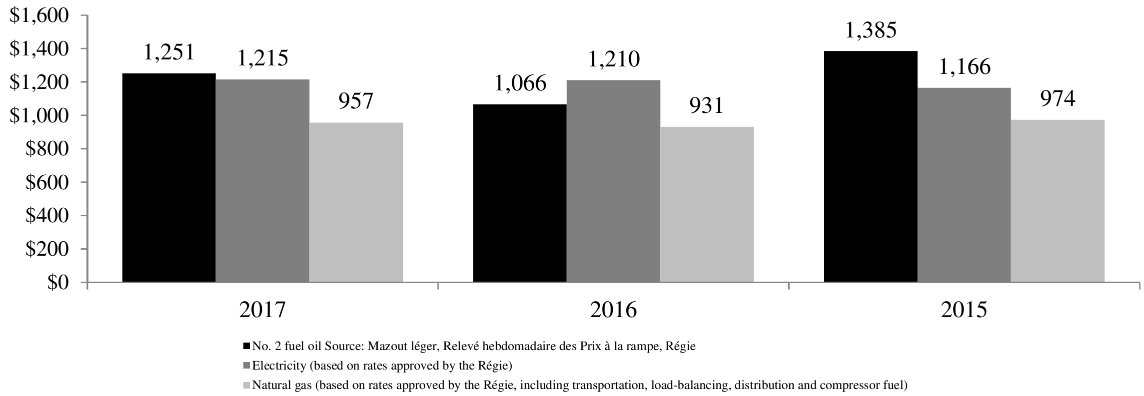
(6) It costs more to transport natural gas from the Dawn Hub than the Empress Hub because the Dawn Hub is further away from the sites where natural gas is produced.

fiscal year, although natural gas continues to hold the advantage. Based on the annual cost recorded for fiscal year 2017, customers who chose to heat their dwellings with natural gas using high efficiency equipment paid a lower cost than they would have paid had they opted for electric heating. These savings ranged between about 13.7% and 29.2% depending on the size and age of the dwelling, compared with savings of between 15.8% and 30.8% for the previous fiscal year. Heating with natural gas was up to 13.9% cheaper than electricity for dwellings with less efficient equipment during fiscal year 2017.

Heating with natural gas instead of No. 2 fuel oil generated savings for all residential customers. Depending on the size and age of the dwelling and the efficiency of the equipment used, savings varied from about 16.6% to 30.8%, compared to the competitive advantage of about 4.6% to 21.2% for the previous fiscal year. The competitive advantage of natural gas over No. 2 fuel oil was greater than during the previous fiscal year due to the increase in petroleum product prices.

The following graph shows the annual cost of using No. 2 fuel oil, electricity and natural gas to heat a typical single-family dwelling during the fiscal years 2015 to 2017:

Evolution of annual heating cost for newly-built 160 m² single family dwelling with high efficiency equipment



Commercial Market

Based on the annual costs recorded in fiscal year 2017, natural gas maintained its competitive advantage in the Commercial Market.

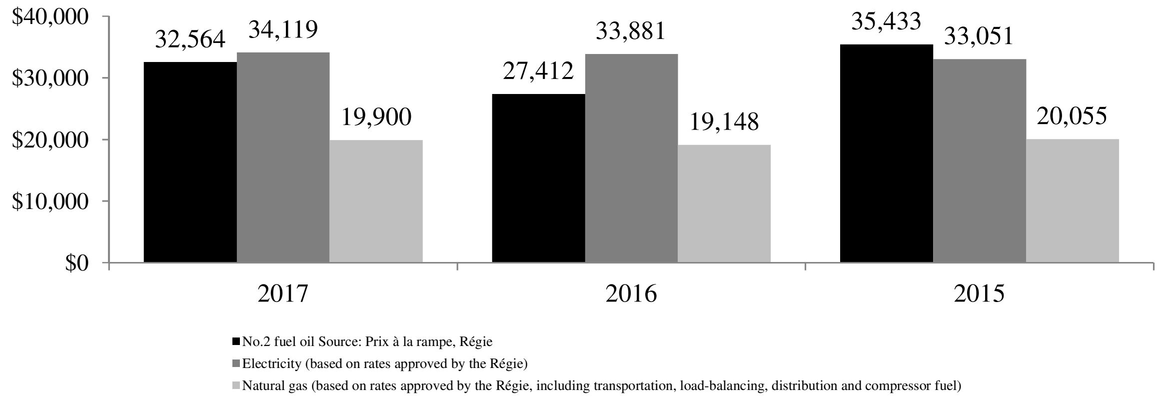
In this market, natural gas was on average about 57.7% less expensive than electricity for customers consuming less than 100,000 m^3 annually. The spread ranged from approximately 69.6% to 90.4% for customers consuming between 100,000 m^3 and 400,000 m^3 annually and up to about 103.5% for customers consuming more than 400,000 m^3 annually. By comparison, in fiscal year 2016, natural gas was on average about 62.1% less expensive for customers consuming less than 100,000 m^3 annually, about 74.3% to 98.1% less expensive for customers consuming between 100,000 m^3 and 400,000 m^3 annually and as much as about 112.6% less expensive for customers consuming more than 400,000 m^3 annually.

Despite this favourable situation for natural gas, Hydro-Québec's off-peak marginal rate of 3.69¢ per kilowatt-hour hurt the competitiveness of natural gas in this market, where additional electric equipment has been installed to optimize off-peak electricity consumption.

Again, based on annual costs for fiscal year 2017, natural gas enjoyed a substantial competitive advantage over No. 2 fuel oil. For customers consuming less than 100,000 m^3 annually, the competitive advantage was on average about 52.7%. It ranged from about 67.3% to 86.0% for customers consuming between 100,000 m^3 and 400,000 m^3 annually and up to about 94.6% for customers consuming more than 400,000 m^3 annually. By comparison, in fiscal year 2016, natural gas enjoyed an average competitive advantage of about 34.3% for customers who consumed less than 100,000 m^3, about 49.0% to 62.4% for customers whose annual consumption was between 100,000 m^3 and 400,000 m^3, and up to about 69.9% for customers whose annual consumption was more than 400,000 m^3. The competitive advantage of natural gas over No. 2 fuel oil was greater than during the previous fiscal year owing to the increase in petroleum product prices.

The following graph shows the annual cost of using No. 2 fuel oil, electricity (excluding optimized off-peak electricity consumption) and natural gas for an average-size commercial customer during the fiscal years 2015 to 2017:

Evolution of annual cost of using energy for an average size commercial building (consumption of 41,500 m³ of natural gas per year) (1)



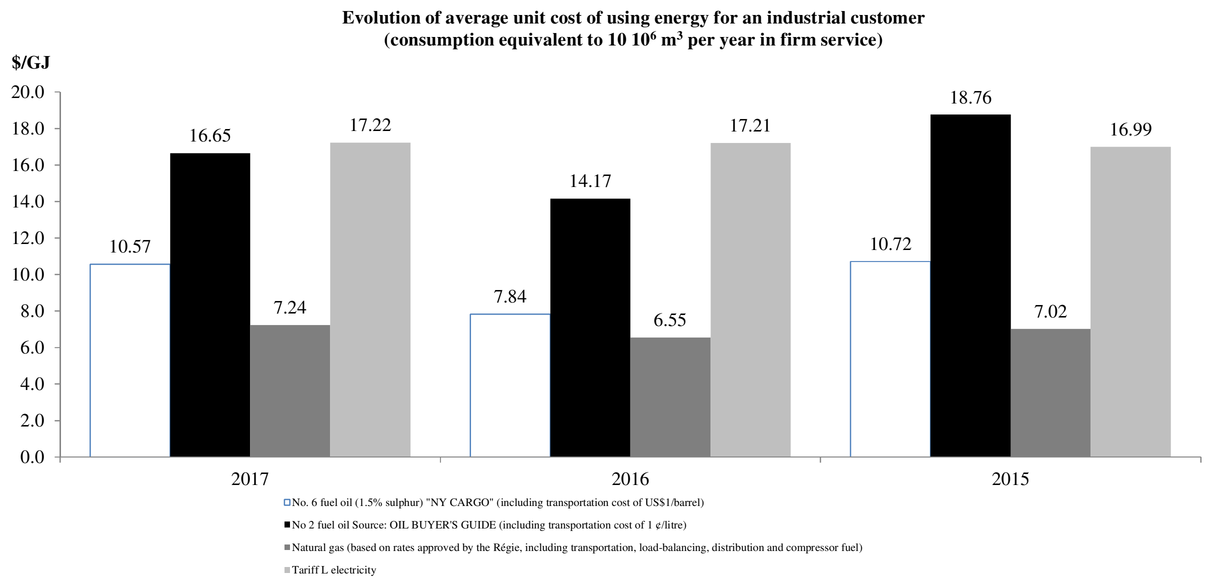
(1) *For purposes of calculating the competitive advantage on the Commercial Market, the analysis consisted of determining the annual cost of using the electricity and No. 2 fuel oil needed to produce the same caloric value as would be generated by using 41,500 m^3 of natural gas per year.*

Moreover, in the case of commercial customers who purchase their natural gas directly, the competitive situation data varies based on the terms and conditions and date of execution of their supply contracts.

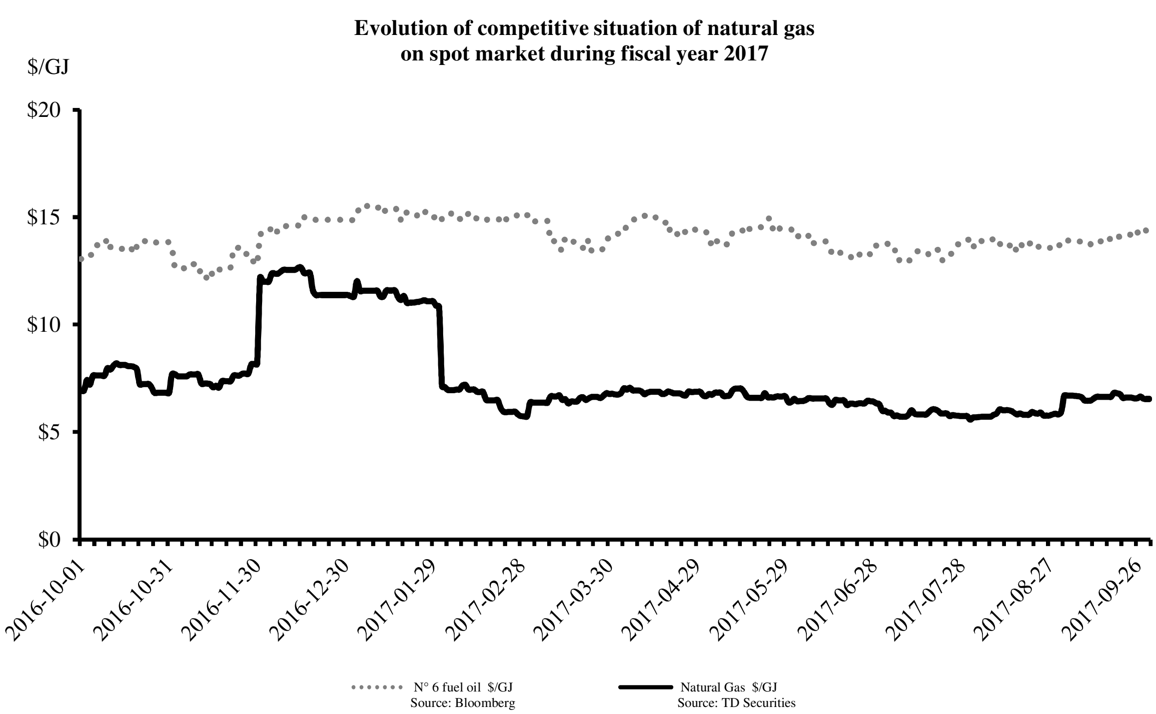
Industrial Market

In fiscal year 2017, natural gas strengthened its competitive advantage on the long-term market over No. 6 fuel oil and No. 2 fuel oil in the Industrial Market. This competitive advantage was more substantial than in the previous year owing to the increase in petroleum product prices. Natural gas was also less expensive than Hydro-Québec's off-peak electricity rate.

The following graph shows the average unit cost of using No. 2 fuel oil, No. 6 fuel oil, electricity and natural gas for a firm-service industrial customer during the fiscal years 2015 to 2017:[(7)]



In the spot market, natural gas held its advantage against No. 6 fuel oil throughout fiscal year 2017. Natural gas had benefited from a favourable competitive position throughout the previous fiscal year, except for a few days during December 2015, January 2016 and February 2016.



(7) For example, during fiscal year 2017, by using natural gas instead of heavy fuel oil (No. 6), Industrial Market customers consuming 10 million m³ annually on a firm-service basis were able to reduce their energy bills by approximately 31.5%.

4.1.1.4 System Operations

Énergir, L.P.'s primary objective with regard to its system operations is to provide continuous safe natural gas supply to all customers. To do so, constant efforts are made to ensure that facilities are protected through effective system maintenance and improvement programs. Moreover, certain portions of its system have reached a high level of saturation: Énergir, L.P. has therefore commenced developing and implementing measures to remedy this situation.

As is customary every year, the annual preventive maintenance program was fully carried out during fiscal year 2017. In addition, municipal and other infrastructure rehabilitation again resulted in major improvement work on Énergir, L.P.'s system. This work was in addition to Énergir, L.P.'s other planned activities designed to keep its system in good condition.

With regard to the third-party damage prevention program, Énergir, L.P. continued its sensitization efforts with the main intervenors, including municipalities, excavation contractors, the Régie du bâtiment and the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST). Énergir, L.P. is also actively involved in Info-Excavation's work to promote best practices in this area.

Consistent with the deployment of its action plan to implement a proactive asset management approach, Énergir, L.P. gave priority to actions on assets deemed most likely to have a significant impact on its operations or customers in fiscal year 2017. In its 2018 rate case, Énergir, L.P. anticipated investments of up to more than $59.0 million for the continued implementation of this asset management approach.(8)

Moreover, Énergir, L.P. must comply with standard CAN/CSA-Z662 "Oil and Gas Pipeline Systems" for the design, construction, operation, and maintenance of its oil and gas pipeline systems in Québec. This standard has created an obligation, since 2012, to design, implement and keep up-to-date a documented safety and security and loss management system for pipeline systems (including incidents) in order to ensure personal safety and the protection of property and the environment. In this context, Énergir, L.P. has set up such a safety and security and loss management system, which it has elected to have audited by an independent auditor every three years. A new certificate attesting that Énergir, L.P.'s system complies with the requirements of this standard was delivered on February 15, 2016.

4.1.1.5 Environmental Protection

(a) Environmental Policy

Under its environmental policy, as amended in August 2017, Énergir, L.P. has committed to showing leadership, rigour and determination in pursuing its environmental actions in its activities related to the Québec natural gas distribution pipeline system and the LSR Plant. It is committed to doing likewise with its customers and the general public in a context of sustainable development. Énergir, L.P. has also committed to undertaking actions in three areas: (i) prevention of pollution and protection of the environment, (ii) promotion of energy efficiency and reduction of pollution, and (iii) collaboration with and consultation of interested parties.

(8) In the 2017 rate case, Énergir, L.P. anticipated investments of up to more than $97.8 million; this amount included an amount of $36.9 million to strengthen the transmission system, work that was almost entirely completed during fiscal year 2017.

(b) ISO 14001-2004 Standard

Since 2000, Énergir, L.P. has had an ISO 14001:2004-certified environmental management system (the "**Environmental Management System**"). In February 2017, in order to maintain its certification, Énergir, L.P. had an independent auditor, the Bureau de normalisation du Québec, perform a maintenance audit of its Environmental Management System (such an audit is performed every two years following the recertification audit, which is conducted every three years). Based on the results of that audit, it maintained its ISO 14001 certification.

The 2015 version of ISO 14001 was published on September 15, 2015. Companies certified under the previous version of ISO 14001 were given a transition period of three years from that date to reflect the changes to the standard in their environmental management systems. In July 2016, Énergir, L.P. analyzed the differences between the 2004 and 2015 versions of this standard in order to define a strategy for implementing ISO 14001:2015. Following that analysis, Énergir, L.P. adopted and instituted an action plan in order to implement the measures required to comply with ISO 14001:2015 by September 2018.

Maintaining the Environmental Management System allows, more particularly, coherent development of environmental strategy, setting of environmental objectives and targets, and monitoring of the results achieved.

As part of the Environmental Management System, Énergir, L.P. has identified those of its activities that could have an impact on the environment. It has adopted and implemented a number of procedures to manage the main environmental impacts that could arise from its activities and to ensure compliance with its obligations under applicable laws and regulations. These procedures concern, among other things, the storage and handling of hazardous substances, the management of contaminated soil, the recovery and management of waste, and applications for environmental authorizations. The procedures are revised regularly.

In addition to the annual audit by an independent auditor, internal audits are performed annually in accordance with ISO 19011 "Guidelines for quality and/or environmental management systems auditing" in order to verify compliance with the Environmental Management System.

Finally, a report on the performance of the Environmental Management System is submitted annually to Management. Following its review of this report, Management approves any adjustment or change of direction to be made to the environmental policy, the objectives and targets, or other elements of the Environmental Management System. In January 2017, the Environmental Management System was rated by Management as comprehensive, relevant and effective. As at the date hereof, the report for fiscal year 2017 is being completed and is expected to be submitted to Management at the beginning of the 2018 calendar year.

The OHS-Env. Committee has the mandate to receive a quarterly report from Management on Énergir, L.P.'s environmental performance and, if necessary, to make recommendations to the Énergir Inc. Board or, if it has deemed it appropriate, to other committees of the Énergir Inc. Board. The quarterly report submitted to the OHS-Env. Committee may deal specifically with (i) Énergir, L.P.'s environmental vision, policies, strategies and objectives; (ii) the performance of the Environmental Management System; (iii) the adequacy of the resources devoted to them; and (iv) Énergir, L.P.'s compliance with environmental laws and regulations. In addition, the Énergir Inc. Board continues to receive an annual report on environmental risks and issues. Moreover, the monitoring of present and future risks is integrated into the process relating to annual and quarterly certificates filed under *Regulation 52-109 respecting the Certification of Disclosure in Issuers' Annual and Interim Filings*.

(c) Environmental Management of Site

Before Énergir, L.P. assumed ownership in 1957 of the land where its head office is located, at 1717 Du Havre Street in Montréal, Québec, a manufactured gas plant had operated there. The operation of that plant resulted in the contamination of the land. Énergir, L.P. and the MDDELCC have entered into an agreement for the environmental management of the land that requires Énergir, L.P. to (i) more precisely define the extent of the contamination and (ii) continuously monitor the contaminants in the land to ensure, among other things, that they are confined to the cadastral boundaries of the land.

Environmental management of the site includes, in particular, supervising the movement of high-density contaminants, groundwater contaminant levels, the collection and filtration of groundwater downstream from the property and the monitoring of building air quality. The reports and analyses conducted under this agreement are submitted annually to the MDDELCC. In connection with the agreement with the MDDELCC, Énergir, L.P. invested approximately $540,000 between 2015 and 2017 to, among other things, manage contaminant confinement.

(d) Climate Change and GHG

Under its environmental policy described under Item 4.1.1.5 (a) *Environmental Policy*, Énergir, L.P. must, among other things, reduce its own GHG emissions further than the objectives established in Québec's commitments. In particular, Québec set an emissions reduction target of 20.0% below 1990 emissions levels by 2020.

Énergir, L.P. emitted 48,394 tonnes CO_2 eq.(9) during the 2016 calendar year, achieving a stable level of GHG emissions compared to 2015.(10) Énergir, L.P. surpassed the GHG emissions reduction target set out in its environmental policy.

2013-2020 Climate Change Action Plan

To combat climate change, in 2012, the Government of Québec adopted the 2013-2020 Climate Change Action Plan ("**CCAP 2020**"). The CCAP 2020 has a budget in excess of $3.3 billion derived mostly from revenues generated by auctions held by the Government of Québec under the CATS, as more fully described under Item 4.1.1.5(f) *Legislative Framework.*

Various programs have been instituted to reduce GHG emissions and strengthen Québec's ability to adapt to the effects of climate change.

For the Government of Québec, the climate change challenge is an opportunity to reduce Quebecers' reliance on fossil fuels. Government actions under the CCAP 2020 focus on transportation, industry and buildings. Énergir, L.P. is closely monitoring the implementation of

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(9) All Énergir, L.P. GHG emissions figures under Item 4.1.1.5 (d) *Climate Change and GHG* include emissions resulting from Énergir, L.P.'s vehicle fleet and buildings, even though such emissions were not required to be included in the GHG emissions report to the MDDELCC for calendar year 2016.

(10) For the 2016 calendar year, fugitive GHG emissions were calculated using, in particular, emission factors based on the number of leaks in accordance with the reference approach generally used by the natural gas industry, which is described in *Methodology Manual: Estimation of Air Emissions from the Canadian Natural Gas Transmission, Storage and Distribution System* published by Clearstone Engineering Ltd.; this methodology is now recognized by the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere*. However, for the 2015 calendar year, such emissions had been calculated using the methodology based on components (such as the number of kilometres of system and the number of building connections) provided for in the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere*. According to Énergir, L.P.'s internal estimates, if the approach published in the Clearstone Engineering Ltd. manual had been used for the 2015 calendar year, the results would have been similar to those for the 2016 calendar year.

the priorities defined in the CCAP 2020 to determine how they will influence its growth outlook and competitiveness.

(e) Sustainability

During fiscal year 2016, Énergir, L.P. published its "2015 Sustainability Report." It expects to publish its next such report during fiscal year 2018. For more information about Énergir, L.P. and sustainability, visit the website www.energir.com/dd. No information available on the Énergir, L.P. website or in any hyperlink on the Énergir, L.P. website, or any component of the 2015 Sustainability Report, is incorporated herein by reference.

(f) Legislative Framework

Federal

Canada has set a GHG emissions reduction target of 30.0% below 2005 levels by 2030. On December 9, 2016, the prime minister of Canada and the premiers of the provinces and territories of Canada accordingly adopted the Pan-Canadian Framework on Clean Growth and Climate Change. In this context, the Government of Canada published a technical paper outlining a carbon pricing model that is expected to take effect by 2018. The goal of the model is to ensure that carbon-pricing applies to a broad set of emission sources in Canada and that pricing increases over time. The provinces can implement an explicit price-based system (such as a carbon tax) or a cap-and-trade system. The Government of Canada will implement a price-based carbon-pricing system that will apply in provinces that do not have a system that aligns with the afore-described model. The Government of Canada has not yet determined whether the CATS described under Item 4.1.1.5(f)(i) *GHG* is aligned with that model.

To date, and subject to the above, there are no federal regulations compelling Énergir, L.P. to reduce its GHG emissions.

Provincial

(i) GHG

- Background

The Government of Québec adhered in 2008 to the Western Climate Initiative ("**WCI**"), an agreement that includes certain American states and some other Canadian provinces (Ontario, Manitoba and British Columbia). This agreement is designed to promote cooperation between these governments for the purpose of identifying, evaluating and implementing ways of reducing GHG emissions, in particular by developing a cap-and-trade and carbon credit exchange system, and had as its objective the deployment of this system before January 1, 2012.

- Cap-and-Trade System for Greenhouse Gas Emission Allowances (CATS)

Accordingly, the Government of Québec amended its legislation in order to implement a CATS, which came into force on January 1, 2013, except with respect to fuel distributors (including Énergir, L.P.), which have been subject to the system only since January 1, 2015. Moreover, the cap-and-trade systems for greenhouse gas emission allowances of Québec and California have been linked since January 1, 2014 under an agreement between Québec and the California Air Resources Board. To date, the other members of the WCI have not implemented such a cap-and-trade system, except for Ontario, whose cap-and-trade system for GHG emission allowances came into effect on January 1, 2017; Ontario's cap-and-trade system is expected to be linked to California's and Québec's cap-and-trade systems for GHG emission allowances as of January 1, 2018 under a new agreement between the Québec government, the Ontario government and the California Air Resources Board.

As such, Énergir, L.P.:

(1) is required to report to the MDDELCC (i) its own GHG emissions; (ii) fugitive GHG emissions and GHG emissions caused by damage; and (iii) the GHG emissions of its customers, other than those customers that are themselves emitters subject to the CATS, that are attributable to the use or combustion of natural gas for their establishments covered by the system;

(2) is required to have an independent ISO 14065-accredited auditor verify annually its GHG emissions, fugitive GHG emissions, emissions caused by damage and the GHG emissions of its afore-mentioned customers;

(3) is required to cover the GHG emissions verified by its auditor.

To meet its obligations, Énergir, L.P. is required to reduce its GHG emissions or purchase GHG emission allowances in Québec or California. Consequently, on September 30, 2014, the Régie issued a decision authorizing, in particular, the recovery, through rates, of the costs incurred by Énergir, L.P. to acquire GHG emission allowances for the purpose of meeting its obligations. The Régie rendered two others decisions, on December 21, 2016 and on September 7, 2017, approving the update of Énergir, L.P.'s GHG emission allowance purchase strategy for, respectively, (i) the period from January 1, 2015 to December 31, 2017 previously approved in 2014 and (ii) the period from January 1, 2018 to December 31, 2020 previously approved in 2015. As a result, the CATS places upward pressure on Énergir, L.P.'s rates. Its monetary impact depends, in particular, on the price at which emission allowances are traded.

(ii) Duties

- Natural Resources Fund

Under the *Act respecting energy efficiency and innovation,* every energy distributor (including Énergir, L.P.) must pay an annual contribution to the Natural Resources Fund to finance energy efficiency and innovation programs and measures. Under the *Regulation respecting the annual share payable to the Minister of Natural Resources and Wildlife*, the annual contribution is payable in four instalments, on March 31, June 30, September 30 and December 31 of each year. The contribution paid by Énergir, L.P. to the Ministry of Energy and Natural Resources (formerly known as the Ministry of Natural Resources) and deposited in this Fund during fiscal year 2017 was $4,843,014, compared to $9,264,028[11] for fiscal year 2016.

In fiscal year 2017, the environmental protection requirements did not have any material financial or operational impact on (i) Énergir, L.P.'s property, plant and equipment acquisitions, (ii) Énergir, L.P.'s consolidated net income and

(11) The amounts are set by an order-in-council of the Government of Québec.

(iii) Énergir, L.P.'s competitive position, with the exception, in particular, of the impact of the coming into force of the CATS, which affected the competitive position, as previously described under this item. However, the costs associated with the environmental protection requirements cannot be easily identified separately as they are embedded in Énergir, L.P.'s system maintenance and development programs. Except for the CATS and the related compliance costs, as described under this item, in Management's view, the environmental protection requirements will not have any material financial or operational impacts in fiscal year 2018.

4.1.1.6 Development Projects

Additional information regarding Énergir, L.P.'s development projects in the Québec natural gas distribution segment can be found in section O) *Segment Results* on pages 41 and 42 of the Valener 2017 MD&A.

4.1.2 Distribution of Natural Gas and Electricity in Vermont

Green Mountain, a wholly owned subsidiary of NNEEC, is the largest electricity distributor in the State of Vermont in the United States. Green Mountain generates, transports, distributes, purchases and sells electricity in Vermont and provides electric network construction services in that State. Green Mountain also transports electricity in the State of New Hampshire and generates electricity in the States of New York, Maine and Connecticut.

Vermont Gas, also a wholly owned subsidiary of NNEEC, is the sole gas distributor in the State of Vermont in the United States and provides other energy-related services, including increasing energy efficiency by repairing natural gas equipment.

4.1.2.1 Green Mountain

(a) Operational Integration of Green Mountain Pre-Merger and CVPS

Green Mountain had developed a three-year plan for merging the operational processes of Green Mountain Pre-Merger and CVPS. The plan covered the merger of information technology systems, work procedures, safety programs, financial controls and reporting, labour agreements and other operational facets of Green Mountain Pre-Merger and CVPS. In 2015, Green Mountain had substantially completed this three-year plan, and only one operational process remains to merge.

Additional information regarding the plan for merging the operational processes of Green Mountain Pre-Merger and CVPS in section O) *Segment Results* on page 47 of the Valener 2017 MD&A.

(b) Regulatory Process and Rates

Green Mountain is regulated by the VPUC. Electricity rates are approved annually by the VPUC and are established using a cost-of-service method. For fiscal year 2017, an annual adjustment mechanism was in place to ensure that additional costs or savings resulting from the electricity supply and transmission are recovered from or returned to customers. In addition, according to the current regulatory framework, Green Mountain must also meet certain service quality performance indicators on a calendar year and quarterly basis. These indicators mainly address:

- quality of service provided to customers and customer satisfaction;

- workplace safety; and
- system reliability.

If Green Mountain fails to meet its performance indicator thresholds, a monetary penalty may be imposed on Green Mountain.

Green Mountain's capital structure consisted of 50.3% and 49.6% shareholder's equity for fiscal years 2017 and 2016, respectively. Its allowed rate of return was 9.02% and 9.44%, respectively, for the two fiscal years and is adjusted annually based on a formula tied to changes in the yield on 10-year U.S. Treasury Notes.

(i) Rate Case

On August 1, 2016, Green Mountain filed a rate case covering the period from October 1, 2016, to September 30, 2017. The application included an allowed rate of return on shareholder's equity of 9.02% and a net rate increase of 0.93%. Further to the filing of a letter of agreement from the Vermont Department of Public Service, the VPUC approved the application by order dated September 26, 2016 and the net rate increase became effective on October 1, 2016. On April 14, 2017, Green Mountain filed a traditional rate case for rates to be effective on January 1, 2018. The application included an allowed rate of return on shareholder's equity of 9.5% on 48.6% equity and a net rate increase of 4.98%. On November 9, 2017, Green Mountain reached an agreement with the Vermont Department of Public Service regarding that rate case. That agreement provides for an overall net rate increase of 5.02% and an authorized rate of return on shareholder's equity of 9.10% for 2018. A decision from the VPUC is expected in December 2017.

(ii) Tariff Integration

On December 20, 2013, Green Mountain filed an application seeking VPUC approval to renew its Alternative Regulation Plan beginning October 1, 2014. By Order dated August 25, 2014, the VPUC approved the memorandums of understandings among Green Mountain, the Vermont Department of Public Service, Associated Industries of Vermont, International Business Machines Corporation and AARP; the new Alternative Regulation Plan became effective on October 1, 2014 and was set to expire on September 30, 2017. On December 12, 2016, Green Mountain filed a request to extend the plan an additional three months. This request was approved by the VPUC in March 2017, such that the Plan expires on December 31, 2017.

The Plan's principal elements, as amended, remain similar to previous alternative regulation plans, and include the following:

- a mechanism for sharing returns in excess of the return allowed on shareholder's equity;
- sharing of revenue shortfalls when the returns are less than those allowed on shareholder's equity;
- an annual adjustment of the base rate calculated on a cost of service method;
- an annual adjustment of the allowed base rate of return;
- a formula for calculating the nonpower supply costs cap in base rate filings;

- the power supply cost mechanism under which Green Mountain recovers or credits certain energy costs, which includes (a) 90.0% of energy costs that are US$307,000 (per quarter) higher or lower than energy costs included in rates, and (b) the full amount of transmission and capacity costs higher or lower than included in rates;

- a synergies-savings plan approved by the VPUC as part of the Merger, which includes crediting customers with certain merger savings amounts annually over a 10-year period and fixes the operations and maintenance expenses of Green Mountain included in rates (the "**O&M Platform**") for the purpose of measuring synergy savings over the 10-year period. O&M Platform expenses will be recovered in rates through 2020, increasing each rate year by the rate of inflation;

- a mechanism to recover costs of exogenous factors (like major storms) in excess of US$1.2 million per year, increasing each year by the rate of inflation; and

- a three-year rate plan for the rates to be charged to Green Mountain's largest customer.

On May 22, 2017, Green Mountain filed an application seeking temporary continuation of four of the Plan's elements: the power supply cost mechanism, the synergy savings plan, the exogenous cost mechanism and an innovative pilot program, as a temporary limited regulation plan during the interim period between the expiration of the Plan on December 31, 2017 and the development and approval of a future form of regulation. On June 26, 2017, the VPUC opened an investigation into the manner in which electric and natural gas utilities are regulated in Vermont. The VPUC is expected to issue an order by the end of March 2018 providing instruction for utilities wishing to apply for alternative regulation plans.

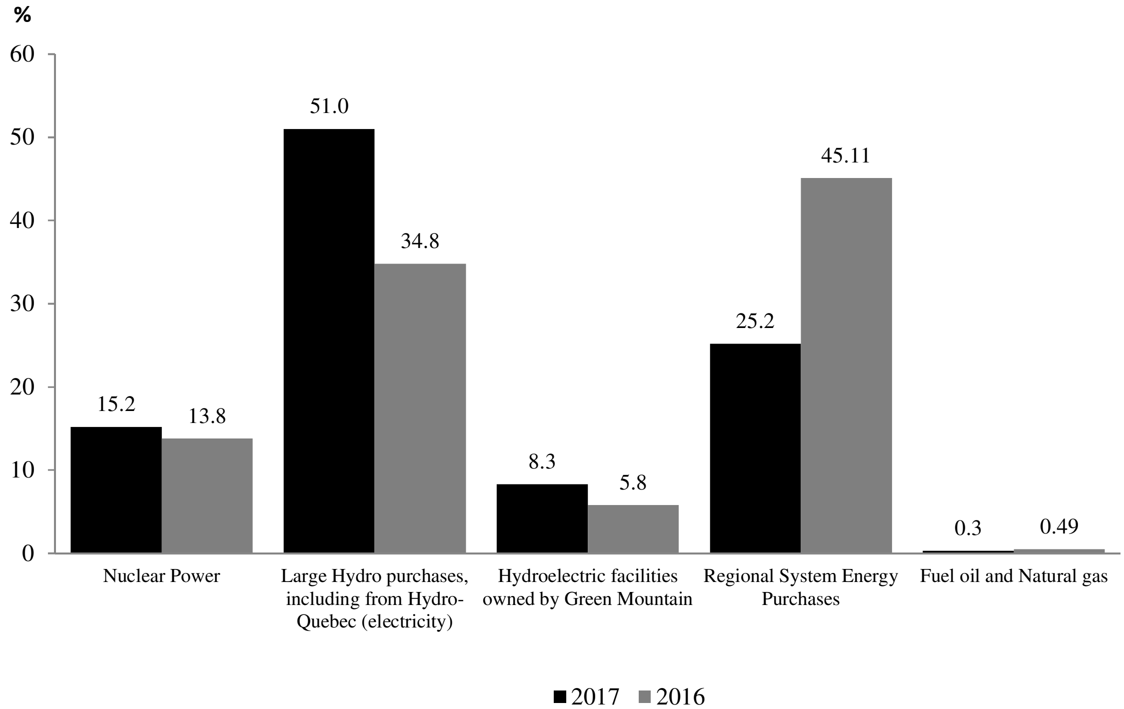
Additional information regarding Green Mountain's regulatory framework can be found in section O) *Segment Results* on pages 44 to 46 of the Valener 2017 MD&A.

(c) Supply Sources

Green Mountain's territory covers approximately two-thirds of the State of Vermont's geographic area, in the United States. Although it produces part of the electricity it distributes, Green Mountain meets most of its customer demand through a series of short- and long-term contracts. Its supply portfolio includes various generation sources, the main ones being hydroelectricity and regional system energy purchases.(12) The following graph illustrates the breakdown of Green Mountain's power sources for fiscal years 2017 and 2016:

(12) Regional system energy purchases include primarily short-term contracts with various counterparties in the normal course of business, as well as purchases in the real-time power market to balance long- and short-term open power positions.

Distribution of Sources Portfolio [(1)]



(1) *The data in this graph reflects the treatment of supply sources from which RECs (as defined and explained under Item 4.1.2.1(d)(iv) Renewable Energy Programs and GHG) were sold. As a result, these sources are not treated as renewable energy sources and the corresponding percentage is included in the calculation of the percentage attributed to "Regional System Energy Purchases."*

Green Mountain met essentially all of its load requirements in fiscal year 2017 through its contracts and owned generation and other power supply resources. Green Mountain's contracts and resources significantly reduce Green Mountain's exposure to volatility in wholesale energy market prices. The prices in these contracts, along with those of other resources in the diverse portfolio of supply sources of Green Mountain, allow Green Mountain to enjoy stable and competitive retail electric rates compared to other utilities in the State of Vermont and elsewhere in New England. Green Mountain's contracts allow for a supply portfolio with very low GHG emissions.

Additional information regarding Green Mountain's supply sources can be found in section M) *Conditions in the Energy Market and for Gaz Métro [now known as Énergir, L.P.]* on page 29 of the Valener 2017 MD&A.

(i) Hydro-Québec Contract

In August 2010, Green Mountain Pre-Merger, CVPS and 17 other State of Vermont utilities, entered into a long-term Power Purchase and Sale Agreement with Hydro-Québec Energy Services (U.S.) Inc. ("**HQUS**"), a subsidiary of Hydro-Québec, for the purchase of a portion of up to 218 to 225 MW of energy and a portion of the environmental attributes (such as, for example, credits, benefits or emissions reductions) commencing on November 1, 2012, and ending in 2038. Such environmental attributes must meet a requirement specifying a hydropower content of at least 90.0%. HQUS markets electricity from Hydro-Québec's generating fleet, whose output is 98.0% hydroelectric. This purchase contract is Green Mountain's most significant power supply contract and represented approximately 23.8% of Green Mountain's total supply portfolio in fiscal year 2017. The HQUS contract lays a foundation that will guarantee Green Mountain continued access to a reliable supply of power from Hydro-Québec facilities, which will enable it to maintain its favourable carbon footprint.

(ii) NextEra Energy Seabrook

The power purchase agreement entered into with NextEra Energy Seabrook, LLC for long-term energy and capacity from the Seabrook Nuclear Power Plant in New Hampshire, which began in 2012 and expires in 2034, is a fixed-price contract in which the price is adjusted according to an inflation mechanism designed to protect customers from the inevitable fluctuations in energy prices. For fiscal year 2017, this contract represented approximately 10.9% of Green Mountain's total supply portfolio.(13) In fiscal year 2017, Green Mountain used 60 MW of power from the Seabrook plant and will gradually reduce the quantity to 50 MW before the end of the contract.

(iii) Other Contracts

Green Mountain has two long-term contracts to purchase renewable energy from Granite Reliable Power, LLC at stable, long-term prices until 2032. For fiscal year 2017, these contracts represented approximately 3.8% of Green Mountain's total supply portfolio.(14) In October 2015, Green Mountain entered into a long-term contract to purchase renewable energy from Deerfield Wind Power, LLC's southern Vermont facility, which is anticipated to be in operation by the end of calendar year 2017, at stable, long-term prices until 2042.

Green Mountain also entered into long-term power purchase and sale agreements with Enel Green Power NA ("**Enel**") in the context of the acquisition of the small plants described hereunder; such agreements provide for the purchase of approximately 100,000 megawatthours of energy and environmental attributes from two other Enel hydroelectric plants in Vermont and New York (Sheldon Springs, LaChute) from 2017 to 2042.

Green Mountain also makes purchases of energy under short-term contracts with various counterparties in the regional market in the normal course of business. These contracts are typically less than five years in duration. For fiscal year 2017, these contracts accounted for approximately 32.7% of Green Mountain's total supply portfolio.

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(13) Green Mountain also has other agreements respecting electricity generated by nuclear power plants.
(14) Green Mountain sells the RECs (as defined under Item 4.1.2.1(d)(iv) *Renewable Energy Programs and GHG*) from these contracts. As a result, these contracts are not treated as renewable energy sources in Green Mountain's supply portfolio, and that percentage is reflected in "Regional System Energy Purchases" data in the graph entitled "Distribution of Sources Portfolio" in Item 4.1.2.1(c) *Supply Sources*.

(iv) Electric Facilities

In July 2016, Green Mountain entered into an agreement with Enel to purchase 14 small hydroelectric generating plants in New England, for a price of US$20.3 million; the acquisition was subject to VPUC approval, which was received in fiscal year 2017. In fact, in fiscal year 2017, Green Mountain purchased 12 of the hydroelectric generating plants for a price of US$16.2 million; Green Mountain decided not to purchase the other two plants for operational reasons.

As a result, Green Mountain now owns 44 hydroelectric generating facilities throughout New England. For fiscal year 2017, these resources produced enough electricity to serve approximately 8.0%[(15)] of Green Mountain's total supply portfolio.

(v) Kingdom Community Wind Project

For fiscal year 2017, the power generated by the 63 MW Kingdom Community wind generation facility owned by Green Mountain and located in the Town of Lowell, State of Vermont, represented approximately 3.0% of Green Mountain's total supply portfolio.[(16)]

(d) Environmental Protection

(i) Environmental Policy

Green Mountain is committed to environmental awareness and accountability in all its business practices and operations. Green Mountain is further committed to ensuring safe and healthy working conditions in all facilities and for all its employees. Green Mountain has in effect certain procedures, plans, and guidelines applicable to environmental matters adopted in the normal course of business. Additionally, Green Mountain has a Code of Ethics and Conduct, approved by the Green Mountain Board, applicable to all directors, officers, employees and agents of Green Mountain.

Green Mountain's By-laws include a requirement that the board of directors consider the interests of certain stakeholders in the board of directors' decision-making process. This is one of the requirements for Green Mountain to be eligible for certification as a "Certified B Corporation" pursuant to the requirements and performance standards of B Lab, a non-profit organization, which certifies companies who voluntarily meet higher standards of social and environmental performance, transparency, and accountability. Green Mountain successfully completed the recertification process, which occurs every two years, and was recertified on January 10, 2017.

(ii) Environmental Laws, Rules and Regulations

Green Mountain's operations and facilities are subject to U.S., state and local laws, regulations and permits regarding the environment.

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(15) Green Mountain sells the RECs (as defined under Item 4.1.2.1(d)(iv) *Renewable Energy Programs and GHG*) resulting from these facilities. As a result, energy generated by these facilities is not treated as a renewable energy source in Green Mountain's supply portfolio, and that percentage is reflected in "Regional System Energy Purchases" data in the graph entitled "Distribution of Sources Portfolio" in Item 4.1.2.1(c) *Supply Sources*.

(16) Green Mountain sells the RECs (as defined under Item 4.1.2.1(d)(iv) *Renewable Energy Programs and GHG*) from these facilities. As a result, energy generated by these facilities is not treated as a renewable energy source in Green Mountain's supply portfolio, and that percentage is reflected in "Regional System Energy Purchases" data in the graph entitled "Distribution of Sources Portfolio" in Item 4.1.2.1(c) *Supply Sources*.

Green Mountain is also required to obtain and comply with many different permits and certificates, issued by federal, state and local authorities that govern its operations and facilities. Many of these permits contain terms and conditions that are designed to protect the environment.

(iii) Environmental Matters

Green Mountain has been cited as being potentially liable for polluting land on which a manufactured gas plant that ceased operations in 1966 was located. In 1999, a settlement protocol was signed between the U.S. Environmental Protection Agency ("**EPA**") and the enterprises involved (including Green Mountain). It included an action plan to restore the site and a cost-sharing method. This action plan was approved by the VPUC in 2001 and has generally proven effective, except for a small portion of the contaminated area, for which the EPA mandated the installation of an additional remedial device.

For fiscal year 2017, Green Mountain incurred approximately US$692,000 related to such site, compared to US$715,000 in fiscal year 2016. The VPUC has agreed that the costs incurred to date by Green Mountain can be recovered in rates over a period of 10 to 20 years. If future outlays exceed the provisions already recorded on the books, new requests to recover such amounts in rates will be submitted to the VPUC.

(iv) Renewable Energy Programs and GHG

- *Renewable Energy Standard and Renewable Energy Certificates*

Green Mountain is subject to the State of Vermont's policy encouraging the development of renewable energy sources in the State of Vermont as well as the purchase of renewable power by the State's electricity distributors. In December 2011, the Vermont Department of Public Service published its "Comprehensive Energy Plan" setting a goal to have 90.0% of the State of Vermont's energy needs come from renewable sources by the year 2050.

Additionally, the Vermont renewable energy law establishing a mandatory Renewable Energy Standard ("**RES**") for Vermont utilities specifically requires that retail electricity providers: (1) have a minimum amount of renewable electricity in their supply portfolios; (2) support relatively small (less than 5 MW) new renewable energy projects connected to the Vermont grid; and (3) invest in projects to reduce fossil fuel use for heating and transportation. The renewable energy sources requirements under this new law began in 2017 and escalate in quantity until 2032.

Green Mountain has an increasing number of renewable energy sources in its long-term supply portfolio as a result of Vermont's former Sustainably Priced Energy Enterprise Development Program (commonly referred to as "SPEED") and of Green Mountain's own commitment to the development of renewable energy resources. Under RES, only energy sources that are represented by Renewable Energy Certificates ("**RECs**") which are retained by the utility for the purpose of meeting RES requirements may be counted toward each utility's requirements. Renewable energy sources produce RECs, and a REC represents evidence that 1 megawatthour of electricity was generated from an eligible source. RECs can be sold and traded independent of the underlying energy, and the owner of the REC can claim to have purchased renewable energy. While Green Mountain can purchase and sell RECs, in order to qualify as renewable energy sources under RES, a sufficient number of RECs that correspond to Green Mountain's resource requirements must be retained.

In light of the existing renewable energy sources in its long-term supply portfolio, as well as the availability of renewable energy sources in the region, Green Mountain is well-positioned to comply with the RES and expects to meet the 2017 goals.

Many states in Green Mountain's surrounding geographic region have adopted renewable portfolio standards that require electricity distributors in those states to produce a certain amount of energy from renewable sources. Green Mountain is not subject to renewable portfolio standards in other states. However, Green Mountain currently sells high value RECs from its sources to these surrounding states. Green Mountain's revenue from the sale of RECs totaled approximately US$22.2 million in fiscal year 2017, compared to approximately US$29.5 million in fiscal year 2016. The value of RECs depends on many factors, including the year the RECs were issued, the type and location of the renewable energy source, and the relationship of supply and demand.

Green Mountain's future revenue from the sale of RECs is uncertain due to the intermittent nature of production from the renewable energy sources and variation in the market prices for RECs. In previous fiscal years, Green Mountain's ability to sell RECs was further made uncertain by any potential changes in policy in surrounding states, including if surrounding states ceased to accept RECs from SPEED resources, as well as the State of Vermont's policy on renewable energy sources. Green Mountain is of the view that the underlying reasons for potential changes to the policy in surrounding states have been alleviated by the adoption of the RES, combined with the repeal of SPEED, thus reducing that level of uncertainty.

- *Solar Energy*

Furthering the goals of state energy policy and Green Mountain's commitment to solar development, Green Mountain's so-called "Stafford Hill Solar-Storage Farm," is an innovative solar generation facility that includes 7,700 solar panels that can generate approximately 2 MW of electricity. The facility also includes 3.4 megawatthour of battery storage to store solar generation, which is providing many benefits including allowing Green Mountain to store solar energy and discharge it later in the day to meet peak energy demand. The facility also will provide critical power for an emergency shelter at a local high school in Rutland. Green Mountain also has five utility scale solar generation facilities in Vermont with a capacity ranging from 2.0 MW to 4.99 MW.

- *GMP Cow Power™*

Green Mountain also offers to customers a voluntary renewable energy program that reduces GHG emissions called GMP Cow Power™. The program is the nation's first manure-based renewable energy program linking consumers and farmers. Green Mountain residential customers are able to choose to receive all, half or a quarter of their electrical energy through GMP Cow Power and commercial customers can participate at these same levels or at the 10.0% level. The customers pay a premium of 4 cents per kilowatt hour for Cow Power.

- *Voluntary Renewable Energy Rate*

Green Mountain also offers to customers a voluntary renewable energy rate permitting customers to choose to have the equivalent of 25.0%, 50.0%, 75.0% or even 100.0% of their monthly use come from power generated by renewable resources.

- *Renewable Net Metering Program*

Green Mountain also offers to customers a renewable energy rate permitting customers to receive monetary credits against their retail bills for renewable generation produced by the customer's net metering system. The credits can vary depending on the date that the net metering system was commissioned.

- *Regional Greenhouse Gas Initiative*

Green Mountain participates in the Regional Greenhouse Gas Initiative ("**RGGI**"), a cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide (CO_2) emissions. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The oil-fired turbine in Berlin, Vermont, is the only power facility of Green Mountain currently subject to RGGI compliance. Under the current RGGI regulations, Green Mountain does not anticipate purchasing any CO_2 allowances in fiscal year 2018 because it purchased approximately 10,000 CO_2 allowances in fiscal year 2016, totalling approximately US$45,000, allowing it to offset the total expected CO_2 emissions of the facility for the third control period. RGGI compliance occurs in three-year control periods. At the end of each control period, each regulated power plant must submit one RGGI CO_2 allowance for each ton of CO_2 emitted over the preceding three years. Green Mountain is currently in the third control period, which began on January 1, 2015, and extends through December 31, 2017.

(e) Energy Efficiency

Green Mountain actively promotes energy efficiency. Efficiency services to customers are primarily provided through an energy efficiency utility, which is financed through a separate charge on electric bills. In addition, through the Community Energy and Efficiency Development Fund ("**CEED Fund**"), a total of US$21.0 million must be invested by Green Mountain in additional efficiency programs for former CVPS customers between 2013 and 2019. As of September 30, 2017, approximately US$20.5 million had been invested in the CEED Fund, and approximately US$4.7 million of that amount has been recovered from customers through Green Mountain's rates, totalling a net amount of US$15.8 million.

(f) Equity Interest in Transco and VELCO

As at September 30, 2017, Green Mountain owned a 71.7% direct ownership interest in Transco(17) and a 38.8% direct ownership interest in VELCO. Green Mountain currently receives an approximate 11.5% annual return on these investments from Transco and VELCO, which rate of return is approved by the FERC. The amount of this return is applied to Green Mountain's regulated retail cost of service to benefit its customers.

VELCO is Vermont's state-wide electricity-transmission-only company which owns and operates all of the major electricity transmission facilities in Vermont. VELCO is jointly owned by Vermont investor-owned utilities, rural electric cooperatives, and municipal electric systems. Transco owns the high-voltage electricity transmission system in Vermont, enabling electricity transmission service to over 17 electricity distributors in Vermont and two in New Hampshire. It also supplies electricity to New England through ISO-NE, which manages power generation and transmission operations in that region. VELCO is the manager of Transco pursuant to a management services agreement conferring on VELCO the power to manage, in its discretion, Transco's day-to-day operations. VELCO also owns and operates (through its wholly owned

(17) VELCO has a 4.7% direct ownership interest in Transco. Green Mountain's indirect ownership interest in Transco through VELCO, together with its direct ownership interest, totals 73.5%.

subsidiary, Vermont Electric Transmission Company, Inc.) a transmission line used to transmit electricity purchased by the New England electricity distributors from Hydro-Québec. VELCO and Transco are regulated by the FERC when it comes to rate-setting and financing and by other Vermont regulatory agencies for such matters as the construction of electricity transmission-related assets.

(g) Customers and Competitive Position

The number of customers served by Green Mountain is more than 264,000. The number of Green Mountain customers increased by approximately 1,400 during the period from October 1, 2016, through September 30, 2017, compared to an increase of approximately 1,800 customers in fiscal year 2016.

Green Mountain's largest customer, GlobalFoundries Inc., accounted for 9.7% of megawatt hour deliveries, and 6.1% of retail revenues for the period of October 1, 2016 to September 30, 2017. The next largest customer accounted for 4.7% of megawatt hour deliveries, and 2.9% of retail revenues for the period of October 1, 2016, to September 30, 2017. Only one other customer accounts for more than 1.0 % of its megawatt hour deliveries.

The following chart illustrates the breakdown of Green Mountain's customers by deliveries in terms of gigawatt hours (“**GWh**”) and revenues during the fiscal years 2017 and 2016:

Electricity Deliveries and Revenues Generated								
	Deliveries (in GWh)		**% Of GWh Delivered by Customer Class**		**Revenues (millions of US$)**		**% Revenues by Customer Class**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Residential Customers	1,463.0	1,478.8	35.3	35.3	249.0	250.9	42.9	42.8
Small & Medium Consumption Commercial & Industrial Customers	1,504.7	1,526.2	36.4	36.5	214.7	217.3	37.0	37.1
High Consumption Commercial & Industrial Customers	1,168.9	1,174.3	28.2	28.1	114.2	115.3	19.7	19.7
Other Customers	4.5	5.0	0.1	0.1	2.5	2.6	0.4	0.4
TOTAL	**4,141.1**	**4,184.3**	**100.0**	**100.0**	**580.4**	**586.1**	**100.0**	**100.0**

The sale of electricity by Green Mountain can vary significantly in response to seasonal changes in weather or unusual or severe temperatures. Unlike Énergir, L.P., for the purposes of regulatory accounting, Green Mountain does not benefit from a temperature and wind normalization mechanism, and its deliveries therefore vary based on actual temperature and wind velocity. Green Mountain's Alternative Regulation Plan mitigates some of the effects on net income of deviations in the sale of electricity resulting from weather and temperatures.

In Green Mountain's market, competition takes several forms. At the wholesale level, in New England, a detailed competitive market framework was implemented that has resulted in bid-based wholesale competition of power suppliers rather than prices set under cost of service regulation. At the retail level, in addition to electricity, customers have energy options such as propane, natural gas or oil for heating and water heating. There also exists the potential for municipalities located in Green Mountain's service territory, with the citizens' approval, to form and operate municipally owned utilities.

In addition, self-generation, demand side management programs and cogeneration can lower network electric sales by displacing electric demand within Green Mountain's service territory and potentially reducing the customer base over which Green Mountain costs are spread. As of September 30, 2017, approximately 130 MW of self-generation was installed on behalf of Green Mountain's customers, compared to approximately 84 MW in fiscal year 2016. This represented approximately 3.0% of Green Mountain's total deliveries in fiscal year 2017, compared to approximately 2.0% in fiscal year 2016, and therefore did not have a material impact on Green Mountain. In future fiscal years, advanced self-generation technologies and increased market penetration could have a greater impact on Green Mountain's electric sales and rates. This trend may be offset by energy transformation initiatives mandated by the RES, including the setting of goals for energy transformation projects, and revisions to Vermont's self-generation rule which reduced the monetary credits granted for certain net meter projects and went into effect in January 2017. Additionally, Green Mountain has undertaken a series of initiatives to maintain its competitive position, offset decreased sales and satisfy RES' goals through investing in self-generation, efficient electrification, and integrated energy services. Green Mountain's Alternative Regulation Plan also mitigates some of the effects on its net income of deviations in the sale of electricity resulting from self-generation, demand side management programs, and cogeneration.

Additional information regarding Green Mountain's strategic partners and innovative services may be found in section O) *Segment Results* on pages 47 to 49 of the Valener 2017 MD&A.

(h) Nuclear Investments

Green Mountain has a 1.7% ownership interest in Unit #3 of the Millstone Nuclear Power Station, a 1,235 MW nuclear generating facility located in Waterford, Connecticut. Green Mountain has the right to a share of the output of Unit #3 corresponding to its percentage ownership interest.

Dominion Nuclear Connecticut, Inc. is the lead owner of Millstone Unit #3 with approximately 93.5% of the plant ownership. As a partial owner, Green Mountain has the obligation to fund its ownership percentage share of decommissioning of this plant. There is an external trust fund dedicated to funding these costs. The amount of this trust fund is adequate to cover the expected costs of decommissioning under U.S. Nuclear Regulatory Commission standards. If a need for additional decommissioning funding is necessary, Green Mountain will be obligated to resume contributions to the trust fund, based on its ownership share.

Green Mountain also has a small minority ownership interest in three decommissioned nuclear power plants: 2.0% ownership interest in Maine Yankee Atomic Power Company, 2.0% in Connecticut Yankee Atomic Power Company and 3.5% in Yankee Atomic Electric Company. These plants have been permanently shut down for many years and are completely decommissioned except for the spent fuel storage at each location. There are continuing costs relating to the decommissioning of these plants and other remaining cost obligations, which are funded primarily through sponsor contributions to the decommissioning trust funds for each plant. As a result of a settlement payment to these plants from the U.S. Department of Energy regarding liability for spent fuel storage costs, Green Mountain does not have any net estimated future contributions to these trust funds as of September 30, 2017. However, due to changing technologies, new requirements of law and other uncertainties, sponsor contributions to the decommissioning trust funds could resume in the future.

Any of Green Mountain's contribution to these decommissioning trust funds is recoverable in its rates.

4.1.2.2 Vermont Gas

(a) Regulatory Process and Rates

Vermont Gas is regulated by the VPUC. The rates for its activities are established using a cost-of-service method, which enables Vermont Gas to fix its revenues so as to recover the costs it expects to incur to serve its customers and earn a reasonable rate of return on rate base.

Vermont Gas's capital structure consisted of 50.0% shareholder's equity for fiscal year 2017 and 55.0% for fiscal year 2016. Its authorized rate of return on common equity was 8.50% and 10.09%, respectively, for the two fiscal years.

Vermont Gas's base rates are generally approved annually by the VPUC, whereas natural gas prices and supply rates are adjusted through the quarterly mechanism.

Additional information regarding Vermont Gas's regulatory framework can be found in section O) *Segment Results* on pages 44 to 47 of the Valener 2017 MD&A.

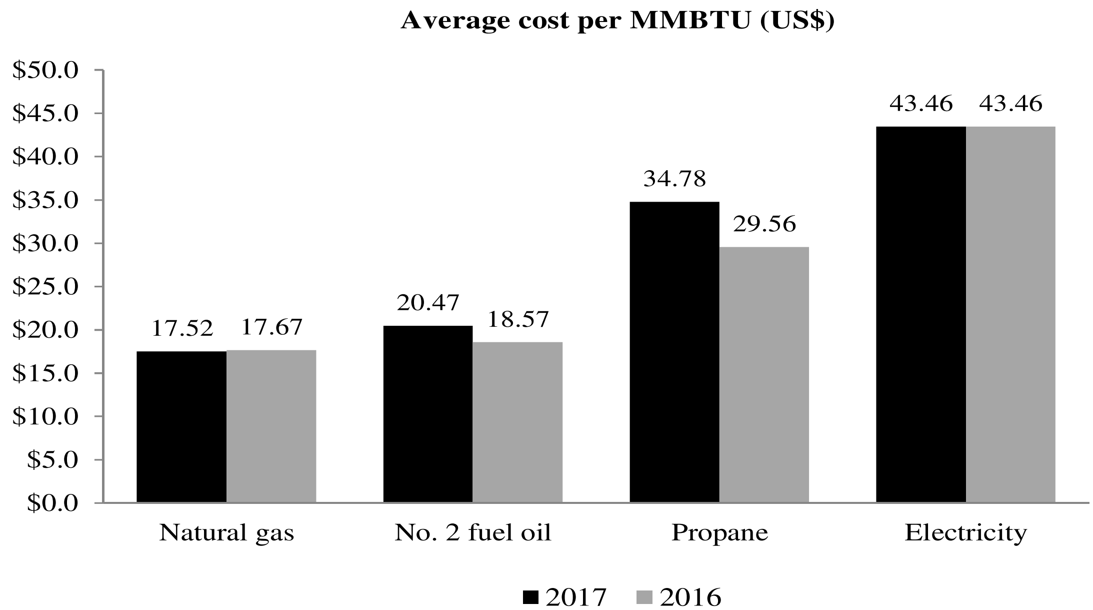
(b) Supply Sources and Storage

Vermont Gas obtains all of its natural gas supply from Canada. During fiscal year 2017, Vermont Gas had three base load supply contracts that provided the majority of Vermont Gas's firm natural gas supply. Numerous other suppliers provided spot supply on an as needed basis. The price of Vermont Gas's base load contracts are all indexed to recognized, liquid market points.

In addition, Vermont Gas has a storage contract with Tenaska Marketing Canada, a division of TMV Corp. Under the contract, Vermont Gas delivers natural gas to the Union Gas system at Dawn, Ontario during the injection season (typically April through October) and Tenaska Marketing Canada, a division of TMV Corp. redelivers the gas to the same point as needed during the withdrawal season (typically November to April).

(c) New Customers

In fiscal year 2017, Vermont Gas delivered natural gas to 989 new customers representing a 203,418 Mcf increase in annual sales and a 1.7% increase in the average number of customers. In fiscal year 2016, Vermont Gas had delivered natural gas to 1,154 new customers representing a 530,662 Mcf increase in annual sales and a 2.2% increase in the average number of customers. The minor decrease in new customers in fiscal year 2017 is due primarily to the substantial decrease in competitive position to No. 2 fuel oil in fiscal year 2016, leading to the execution of fewer new contracts and accordingly fewer new customers in fiscal year 2017. The more marked decline in Mcf in fiscal year 2017 may be explained by the fact that one of the industrial customers, which had significantly increased its yearly consumption in the previous years (including in fiscal year 2016), maintained its consumption at the 2016 level in fiscal year 2017. According to the internal calculations based on wholesale NYMEX pricing and Vermont-specific data from the Vermont Department of Public Service, the average cost per MMBTU in fiscal years 2017 and 2016 was as follows:



(d) Energy Efficiency

Since the early 1990s, Vermont Gas has offered a comprehensive portfolio of energy efficiency programs. In fiscal year 2017, Vermont Gas invested about US$2.8 million in its energy efficiency programs, in line with the US$2.8 million in fiscal year 2016. In fiscal year 2017, annual savings were in excess of approximately 82,300 Gj, compared to annual savings in excess of approximately 86,700 Gj in fiscal year 2016. The decrease in Gj saved is due mainly to smaller sized commercial projects than in fiscal year 2016.

In the past, Vermont Gas's energy efficiency programs have been recognized nationally in the United States. Since the inception of the energy efficiency programs, Vermont Gas has assisted over 34,000 of its customers through programs covering equipment replacement, retrofit and new constructions. Effective January 1, 2016, the VPUC approved Vermont Gas as an Energy Efficiency Utility, which enables it to continue providing such services to its customers in accordance with the VPUC's regulations.

(e) Competitive Position

In Vermont Gas's market, natural gas has a competitive advantage when compared with other energy sources in the residential, commercial and industrial air and water heating markets. Electricity is not currently a source of significant competition in the heating or domestic hot water markets; however, emerging heat pump technology and state policies driving electrification of various end-uses may change the competitive landscape.

4.2 NATURAL GAS TRANSPORTATION

In Canada, interprovincial transportation activities and transportation activities beyond the limits of any province are regulated by the NEB; in the United States, interstate transportation activities are regulated by the FERC. Énergir, L.P. owns financial interests in three natural gas transportation enterprises, namely TQM, Champion Pipe Line Corporation Limited and PNGTS.

TQM

Énergir, L.P. owns a 50.0% indirect interest in TQM, which operates a gas pipeline in Québec that connects upstream with that of TCPL and downstream with that of PNGTS and the Énergir, L.P. network. Its activities are regulated by the NEB.

In November 2016, the NEB approved a multiyear rate agreement for TQM covering its fiscal years 2017 to 2021. Under this agreement, annual rates are calculated using a formula that includes a fixed cost component and a cost component that is fully recoverable from or repayable to customers. Under this method, TQM can determine the optimal capital structure that would better reflect its economic reality and business risks.

Additional information regarding TQM's regulatory framework can be found in section O) *Segment Results* on pages 49 and 50 of the Valener 2017 MD&A.

Champion Pipe Line Corporation Limited

Champion Pipe Line Corporation Limited, a wholly owned subsidiary of Énergir, L.P., operates two gas pipelines that cross the Ontario border and supply Énergir, L.P.'s distribution network in northwest Québec. Its activities are regulated by the NEB with respect to revenue determination, tolls, construction and operation of its network. Its rates are based on the annual cost of service, which includes a specified rate of return on equity as well as operating expenses, taxes and amortization. The deemed equity component is set at 46.0% and its authorized rate of return was 8.36% for fiscal year 2017, the same as for fiscal year 2016.

PNGTS

Énergir, L.P. owns a 38.3% indirect interest in the PNGTS pipeline, which starts at the Québec border and extends to the suburbs of Boston. The activities of PNGTS are regulated by the FERC. Its rates are based on its cost of service, which includes a rate of return. Accordingly, in February 2015, the FERC approved PNGTS' rates, which are valid until a request for review is filed. However, when it deems it appropriate, PNGTS may negotiate agreements with specific customers that provide for a lower rate than the one approved by the FERC.

4.3 ELECTRICITY PRODUCTION

The electricity production segment encompasses, in particular, the non-regulated electricity production activities related to Wind Farms 2 and 3 and Wind Farm 4.

We refer the reader to Item 3.2 *Interests in the Seigneurie de Beaupré Wind Farms*.

Standard Solar

Standard Solar, an indirect wholly owned subsidiary of Énergir, L.P., is an American corporation based in Maryland and a vertically integrated leader in the U.S. solar power industry. It is active in the commercial, industrial and institutional markets and operates in multiple states in the U.S.

Standard Solar provides services both in the role of contractor, such as solar power system engineering, procurement and construction services, and in the role of operator, such as solar power system operations and maintenance services. Standard Solar develops and also owns solar power systems, the power from which is sold to customers that have signed long-term power-purchase agreements.

4.4 ENERGY SERVICES, STORAGE AND OTHER

4.4.1 Energy Services and Other

Énergir, L.P., through its subsidiaries and joint ventures, (i) sells natural gas as fuel for transportation; (ii) continues to develop LNG marketing and production activities and to market CNG; (iii) offers natural-gas-powered appliance sales, leasing and maintenance services; and (iv) operates the Montreal Thermal Plant, which supplies heat and air conditioning to the downtown area. The activities related to energy services are not regulated.

4.4.1.1 Gaz Métro LNG

Énergir, L.P., through its subsidiary Gaz Métro LNG, is engaged in the development of LNG production and commercialization activities.

In April 2017, Énergir, L.P. and Investissement Québec ("**IQ**") announced that the new infrastructure for the LSR plant had been brought into operation. The LSR Plant now boasts a total annual production capacity of more than 9 billion cubic feet of LNG. This capacity will allow Énergir, L.P., through its subsidiary Gaz Métro LNG, to, among other things, meet demand in the road and marine transport markets and in areas remote from Énergir, L.P.'s gas system, particularly the Nord-du-Québec and Côte-Nord regions.

In May 2017, Groupe Desgagnés inaugurated the M/T Damia Desgagnés, the first Groupe Desgagnés vessel capable of being fuelled by LNG. At that event, Énergir, L.P. and the Port of Montréal announced that an LNG supply solution for marine fuel will now be available at the Port of Montréal. In response to this commitment to opt for a lower-emission fuel, Énergir, L.P., Groupe Desgagnés and the Port of Montréal teamed up to develop an LNG supply system, which is now available through Gaz Métro LNG to all shipowners in Québec, including fleets passing through the Port of Montréal. The new solution will enable all shipowners, here and elsewhere, to comply with the most stringent emissions requirements on North American waterways and in emission-control areas around the world. At the same time, Énergir, L.P. also finalized the steps required at the Port of Québec so that Gaz Métro LNG can implement this same solution, which will soon be available to shipowners.

It should also be recalled that, in September 2013, Gaz Métro LNG concluded an agreement with the Société des Traversiers du Québec ("**STQ**") for the purchase of fuel to supply three ferries with LNG. The F. A. Gauthier, North America's very first LNG ferry, arrived in Québec during fiscal year 2015. It is currently serving the Matane/Baie-Comeau-Godbout crossing. The other two ferries, also to be supplied with LNG by Gaz Métro LNG, will serve the Tadoussac/Baie-Sainte-Catherine crossing. The STQ is expected to take possession of a second LNG-powered ferry during fiscal year 2018. The three new ferries will each produce up to 25.0% fewer GHG emissions than comparable ships using marine diesel, not to mention eliminate substantially all sulfur oxide (SOx) and nitrogen oxide (NOx) emissions, which are harmful to the environment.

Gaz Métro LNG is also continuing to market, both inside and outside Québec, the LNG produced using the LSR Plant's new infrastructure. Short- and medium-term contracts have also been signed with various customers, including natural gas distributors.

4.4.1.2 Gaz Métro Energy Solutions

Gaz Métro Energy Solutions, a wholly owned subsidiary of Énergir, L.P., was created to ensure, among other things, LNG storage, treatment and regasification, in order to meet the peak energy needs of the TCE power plant in Bécancour and similar projects.

During fiscal year 2016, an agreement in principle has been entered into between Hydro-Québec and Gaz Métro Energy Solutions for the construction of an LNG storage and regasification site near the TCE power plant in Bécancour to enable the generation of the electricity required to meet demand during winter peak demand periods.

However, after analyzing the magnitude and management of its electrical power needs, Hydro-Québec determined that reinitiating the use of the TCE power plant was unnecessary. As it is not foreseeable that the project will be continued, Gaz Métro Energy Solutions has suspended the application for authorization previously submitted to the MDDELCC.

4.4.1.3 Transport Solutions

Transport Solutions, a wholly owned subsidiary of Énergir, L.P., is engaged in developing the market for natural gas (both compressed and liquefied) as a fuel in the heavy transportation market and as an alternative to diesel fuel. It is Québec's leader in this field, offering integrated LNG refuelling services in the industrial, road, marine and rail sectors.

Introduced in 2011 and promoted by Énergir, L.P., the Blue Road is the first network of LNG and CNG refuelling stations for the Canadian transportation industry. The Blue Road, which currently consists of 10 public natural gas refuelling stations, is being deployed near major highway corridors in Québec and Ontario. In addition, private LNG and CNG refuelling stations have also opened up to meet the specific needs of certain customers, reflecting the growing popularity of natural gas as a fuel.

4.4.1.4 Gaz Métro Plus

Gaz Métro Plus, a wholly owned subsidiary of Énergir, L.P., is a leader in supplying energy products and services. It offers a range of products to satisfy customer needs with respect to the installation, sale, rental, maintenance and repair of natural gas equipment. This subsidiary is also active in the residential, commercial and institutional markets.

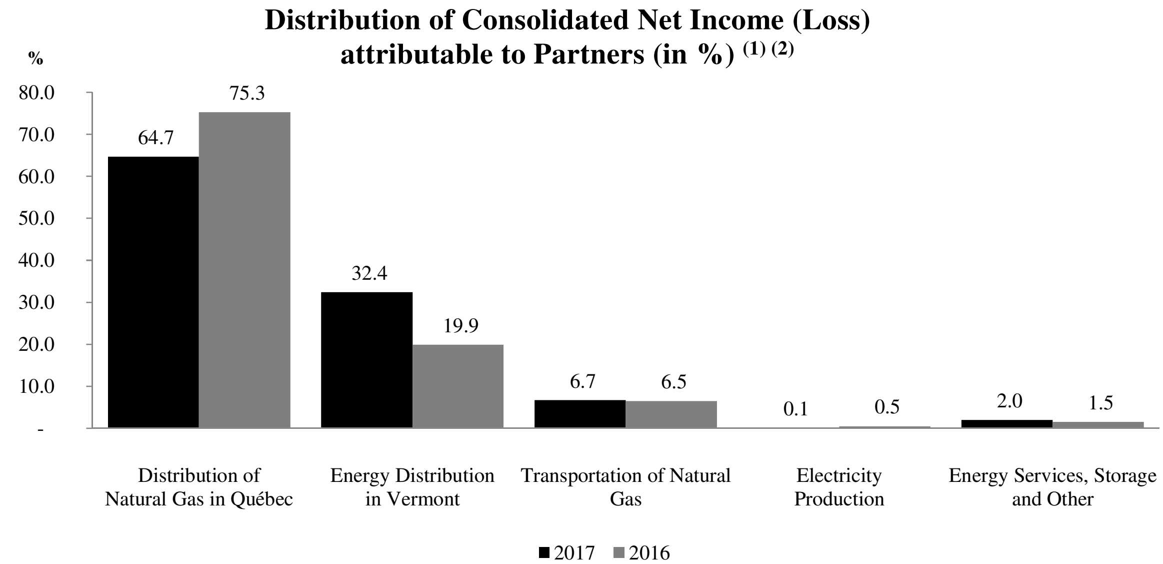
Climatisation et Chauffage Urbains de Montréal, s.e.c., a wholly owned indirect subsidiary of Gaz Métro Plus, owns and operates three distinct steam, hot-water and cold-water networks that are used to heat and cool commercial buildings. Its three-kilometre network serves 1.8 million m^2 of varied facilities and meets the energy needs of one-third of the commercial space in downtown Montréal.

4.4.2 Storage

Énergir, L.P. owns an indirect interest in Intragas, whose main activity is underground natural gas storage. This activity fits within Énergir, L.P.'s overall mission, as natural gas storage is an integral part of its supply chain. The respective ownership interests of Énergir, L.P. and ENGIE, the other co-owner of Intragas, range from 40.0% to 60.0%, depending on the entities that make up Intragas.

Intragas, whose rates are approved by the Régie, operates the only two underground natural gas storage facilities in Québec in the service area of Énergir, L.P., which is Intragas's only customer. Intragas sets its rates using the cost-of-service method.

4.5 CONSOLIDATED NET INCOME BY ACTIVITY SEGMENT



(1) Consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2017 includes a $12.5 million positive impact related to the revaluation of CDH Solutions & Operations Limited Partnership following the acquisition of 50.0% of its units by Gaz Métro Plus in December 2016. For more information about this transaction, see the Valener 2017 MD&A. Had it not been for this item, the distribution of consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2017 would have been as follows: Distribution of Natural Gas in Québec, 68.4%; Energy Distribution in Vermont, 34.2%; Transportation of Natural Gas, 7.1%; Electricity Production, (-0.1%); and Energy Services, Storage and Other (-3.7%).

Consolidated net income attributable to the partners of Énergir, L.P. relating to Corporate Affairs was (-5.7%) for fiscal year 2017. Had it not been for the item described above, consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2017 relating to Corporate Affairs would have been (-5.9%)

(2) Consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2016 included a $79.3 million positive impact related to the recording of a regulatory asset and a $16.5 million negative impact related to the depreciation of long-term assets recorded by Vermont Gas. For more information about these items, see Valener's Management's Discussion and Analysis for fiscal year 2016. Had it not been for these items, the distribution of consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2016 would have been as follows: Distribution of Natural Gas in Québec, 60.4%; Energy Distribution in Vermont, 33.4%; Transportation of Natural Gas, 8.4%; Electricity Production, 0.7%; and Energy Services, Storage and Other, 2.0%.

Consolidated net income attributable to the partners of Énergir, L.P. relating to Corporate Affairs was (-3.7%) for fiscal year 2016. Had it not been for the items described above, consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2016 relating to Corporate Affairs would have been (-4.9%).

Additional information regarding Énergir, L.P.'s consolidated net income and assets can be found in Note 21 to the Énergir, L.P. 2017 Financial Statements.

ITEM 5 HUMAN RESOURCES MANAGEMENT

As at September 30, 2017, Valener did not have any employees.

As at September 30, 2017, Énergir, L.P. had, on a consolidated basis, 2,309 regular and temporary employees. The following table provides specific information on employees, broken down by segment.

Segment	Number of employees	Number of employees governed by a collective agreement	Number of collective agreements
Energy Distribution			
➜ Énergir, L.P.	1,490	890	3
➜ Green Mountain	527	289	1
➜ Vermont Gas	127	41	1
➜ NNEEC	3	0	0
Natural Gas Transportation(1)	0	0	0
Electricity Production(2)	53	0	0
Energy Services, Storage and Other	109	61	4
Total:	**2,309**	**1,281**	**9**

(1) This segment does not have any employees, owing to the existence of service agreements. The 2016 Annual Information Form indicated that the Natural Gas Transportation segment had 22 employees, 11 of whom were governed by a collective agreement. Those employees should have been included in the Energy Services, Storage and Other segment.

(2) There are no employees for Wind Farms 2 and 3 and Wind Farm 4 owing to the existence of service agreements.

Énergir, L.P. is party to three collective agreements. The collective agreement for office workers affiliated with the SEPB-Québec union (which is itself affiliated with the Fédération des travailleurs et travailleuses du Québec (F.T.Q.)) was in effect until August 31, 2015, and the collective agreement for sales representatives, who are also affiliated with the SEPB-Québec union, was in effect until September 30, 2016. The usual steps are currently underway to renew these collective agreements. The collective agreement for blue collar workers, who are affiliated with the Confédération des syndicats nationaux (CSN), was renewed on March 31, 2016 and will be in effect until September 30, 2019.

The collective agreement for the unionized employees of Green Mountain will be in effect until December 31, 2017. The collective agreement for the unionized employees of Vermont Gas will be in effect until May 31, 2018.

The collective agreement of the unionized employees of the Natural Gas Transportation segment was renewed on April 1, 2017 and will be in effect until March 31, 2022. The businesses of the Energy Services, Storage and Other segment are party to three collective agreements. One of the collective agreements for the employees of that segment has been extended until December 31, 2018 and another will be in effect until May 13, 2019. The third collective agreement has been extended until August 31, 2019.

Énergir, L.P., its subsidiaries and joint ventures maintain good relations with their various unions and representative and Management is of the opinion that relations with its employees are good. An organizational commitment survey was conducted in September 2017 to measure progress since the last survey, conducted in September 2015, and the results continue to be excellent.

Énergir, L.P. is committed to providing a discrimination-free workplace and has initiated an awareness campaign to ensure that everyone adopts non-discriminatory attitudes, language and practices. In addition, the staffing process has been improved to further efforts to ensure the representation of women, particularly in non-traditional occupations, and more specifically in positions involved in the operation of the gas system.

The key to the success of Énergir, L.P., its subsidiaries and joint ventures lies partly in the specialized skills and knowledge required for operating and maintaining natural gas and electricity distribution systems. Such skills and knowledge are currently available; however, to protect themselves against the risk of future shortages in such specialized job positions, due principally to the increasing rate of planned retirements, Énergir, L.P. and some of its subsidiaries and joint ventures offer competitive compensation programs as well as the training needed to maintain skills. For more than 10 years, Énergir, L.P. has been implementing a succession plan to ensure the transfer of skills as its employees retire. This succession plan is updated annually. This yearly exercise enables Énergir, L.P. to evaluate its vulnerability to future shortages in some specialized trades and implement action plans that are also monitored on an annual basis. Some of Énergir, L.P.'s subsidiaries and joint ventures also have a succession plan with a similar objective.

Énergir, L.P.'s École de technologie gazière located in Boucherville, Québec, continues to offer training with regard to the gas trades to an increasingly large outside clientele, which helps prepare succession in Québec's gas industry.

ITEM 6 FINANCIAL INFORMATION

6.1 VALENER

6.1.1 Financial Data

Valener accounts for its interests in Énergir, L.P., Beaupré Éole and Beaupré Éole 4 using the equity method, but consolidates the financial statements of Valener Éole and Valener Éole 4 into its own financial statements, in accordance with U.S. GAAP.

Consolidated financial data for the fiscal years ended on September 30, 2017 and 2016 are included in the Valener 2017 MD&A, which should be read in conjunction with the Valener 2017 Financial Statements. These documents are available on the SEDAR Website at www.sedar.com under the profile for Valener and on the Valener Website at www.valener.com.

6.1.2 Declaration of Dividends on Common Shares

For the last three fiscal years, Valener declared the following dividends to holders of Common Shares:

	Year ended September 30, 2017	Year ended September 30, 2016	Year ended September 30, 2015
Dividends declared on the Common Shares ($ millions)	43.8	41.6	39.4
Dividends per Common Share declared to the shareholder ($)	1.13	1.08	1.03

6.1.3 Declaration of Dividends on Series A Shares

For the fiscal years ended on September 30, 2017, 2016 and 2015, Valener declared the following dividends on Series A Shares.

	Year ended September 30, 2017	Year ended September 30, 2016	Year ended September 30, 2015
Dividends declared on the Series A Shares ($ millions)	4.4	4.4	4.4
Dividends per Series A share declared to the shareholders ($)	1.0875	1.0875	1.0875

6.1.4 Dividend Practices

6.1.4.1 Common Shares

Valener has established a dividend practice of paying out a high proportion of its available cash in the form of quarterly dividends to its shareholders. This practice remains subject to the discretion of the Valener Board and may vary depending on, among other things, distributions received from Énergir, L.P., Beaupré Éole and Beaupré Éole 4, Valener's consolidated net income, funds required for principal or interest repayments on the debt of Valener outstanding or for general corporate purposes, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such time.

Valener's dividends are paid on a quarterly basis on or about the fifteenth (15th) day of the months of January, April, July and October to holders of record of Common Shares on the last business day of the preceding month or in such manner as the Valener Board may determine from time to time. As explained under Item 6.1.5 *Dividend Reinvestment Plan*, shareholders who are residents of Canada may request that cash dividends paid on their Common Shares be reinvested in additional Common Shares of Valener.

The following table shows the dividends declared to holders of Common Shares during fiscal year 2017:

Date dividend declared	Date dividend paid	Amount of dividend per Common Share *(in $)*	Cash amount *(in millions of $)*
November 24, 2016	January 16, 2017	0.28	9.6
February 8, 2017	April 17, 2017	0.28	9.6
May 10, 2017	July 17, 2017	0.28	9.5
August 8, 2017	October 16, 2017	0.29	9.8

These cash dividends declared during fiscal year 2017 to the holders of Common Shares and the Common Shares issued under the DRIP, represent a total amount of $1.13 per Common Share for fiscal year 2017.

In light of the sustained performance of Wind Farms 2 and 3 since the beginning of commercial operations in November and December 2013, respectively, and the beginning of commercial operations of Wind Farm 4 in December 2014, and the anticipated distributions from those assets for the coming fiscal years, on February 12, 2015, the Valener Board approved, on November 24, 2016 and August 8, 2017, respectively, increases in its annualized dividend from $1.08 to $1.12 per Common Share and from $1.12 to $1.16 per Common Share, respectively. These increases reflect the annual target of approximately 4.0% growth announced for fiscal years 2016 to 2018, inclusive.

In addition, on May 10, 2017, the Valener Board announced the extension of the target of 4.0% compound annual growth in the dividend on Common Shares until 2022. This increase is supported by the quality of Valener's underlying assets and the increasing, predictable returns on those assets, as well as by the completion of innovative projects in the non-rate-regulated activities of Énergir, L.P. and its subsidiaries.

Accordingly, on November 24, 2017, the Valener Board declared a quarterly dividend of $0.29 per Common Share payable on January 15, 2018 to the common shareholders of record at the close of business on December 31, 2017.

Item 1.2.3.4 *Énergir, L.P.'s Distribution* Practice and Item 6.2.2 *Income Distribution* contain information concerning distributions to limited partners, including Valener, to be declared by Énergir, L.P.

6.1.4.2 Series A Shares

On June 6, 2012, Valener announced the closing of its public offering of Series A Shares and issued 4,000,000 Series A Shares.

The Series A Shares entitled the holder, subject to their declaration by the Valener Board, to cumulative dividends of $1.0875 per share per annum, yielding 4.35% annually, payable quarterly, for the initial period commencing on June 6, 2012, (date on which the Series A Shares were issued) and ended on October 15, 2017. On October 15, 2017, the dividend rate was reset to 4.62% per annum, for cumulative dividends of $1.155 per share per annum, payable quarterly. The dividend rate will be reset on October 15, 2022, and every five years thereafter, at a rate equal to the 5-year Government of Canada bond yield, plus 2.81%. These dividends are payable on the 15th day (or, if that day is not a business day, the immediately following business day) of January, April, July and October of each year.

The following table shows the dividends declared to holders of Series A Shares during fiscal year 2017:

Date dividend declared	Date dividend paid	Period covered	Amount of dividend per Series A Preferred Share *(in $)*	Cash amount *(in millions of $)*
November 24, 2016	January 16, 2017	October 18, 2016 to January 16, 2017	0.271875	1.1
February 8, 2017	April 17, 2017	January 17, 2017 to April 17, 2017	0.271875	1.1
May 10, 2017	July 17, 2017	April 18, 2017 to July 17, 2017	0.271875	1.1
August 8, 2017	October 16, 2017	July 18, 2017 to October 16, 2017	0.271875	1.1

On November 24, 2017, the Valener Board also declared a dividend of $0.28875 per Series A Share, for the period of October 17, 2017 to January 15, 2018, payable on January 15, 2018 to the holders of Series A Shares of record at the close of business on January 8, 2018.

6.1.4.3 Series B Shares

The holders of Series B Shares will be entitled, subject to their declaration by the Valener Board, to receive cumulative quarterly annual floating rate dividends at a rate equal to the 3-month Government of Canada Treasury Bill yield, plus 2.81%. These dividends will be payable on the 15th day (or, if that day is not a business day, the immediately following business day) of January, April, July and October of each year.

No Series B shares are currently issued.

6.1.5 Dividend Reinvestment Plan

Valener implemented a dividend reinvestment plan (the "**DRIP**") pursuant to which shareholders of Valener may elect to have all or part of their cash dividends automatically reinvested in additional Common Shares.

Common Shares which are purchased under the DRIP may, at the election of Valener, be either newly issued from treasury or acquired on the secondary market. If the Common Shares to be purchased under the DRIP are newly issued from treasury, the price for such shares may reflect, at the discretion of Valener, a discount of up to 5.0% from the weighted average of the trading prices of Common Shares on the TSX for the five trading days immediately preceding the dividend payment date (the "**Weighted Average Price**"). If the Common Shares to be purchased under the DRIP are acquired on the secondary market, the transfer agent will purchase the Common Shares in question during a 10-business day period commencing on the dividend payment date. The unused part, if any, of the cash dividends on the Common Shares held under the DRIP and attributable to the participants will be used to purchase Common Shares newly issued from treasury at the Weighted Average Price.

The discount applicable to Common Shares issued is set from time to time by the Valener Board at up to 5.0% and announced by way of a news release. The discount rate approved by the Valener Board for the dividends paid during fiscal year 2017 was 2.0%. The Valener Board also approved a discount of 2.0% for the dividend declared on November 24, 2017 and payable on January 15, 2018.

No brokerage commissions or administrative charges will be payable by the participating shareholders for purchases or withdrawals of Common Shares pursuant to the DRIP and all expenses related to the administration of the DRIP will be borne by Valener.

All holders of Common Shares who are residents of Canada may participate in the DRIP. A holder of Common Shares that is not a resident of Canada may participate if such holder provides evidence satisfactory to Valener and the transfer agent that its participation will not violate any applicable securities laws.

The full text of the DRIP and enrolment information regarding the DRIP are available on Valener's website at www.valener.com.

6.2 ÉNERGIR, L.P.

6.2.1 Consolidated Financial Data

Consolidated financial data for the fiscal years ended on September 30, 2017 and 2016 are included in the Valener 2017 MD&A, which should be read in conjunction with the Énergir, L.P. 2017 Financial Statements, which are available, among other places, on the SEDAR website at www.sedar.com under Valener's profile.

6.2.2 Income Distribution

As explained under Item 1.2.3.4 *Énergir, L.P.'s Distribution Practice*, subject to satisfaction of the financial ratios set out in the trust deeds, the credit agreement and the note purchase agreements (as more fully described under Item 10.3.8 *Financial Contracts (Énergir Inc. and Énergir, L.P.)),* Énergir, L.P. intends to continue to distribute substantially all of its net income for a given fiscal year, in accordance with its past practice, and the Limited Partnership Agreement provides that Énergir, L.P. will distribute not less than 85.0% of its net income, excluding non-recurring items, subject to certain exceptions. In principle, distributions are made on the first business day following the end of a calendar quarter, i.e. the first business day of January, April, July and October of each year.

Énergir, L.P. occasionally reviews the level of its quarterly distribution in light of anticipated changes in net income, which largely depends on changes in the rate of return allowed by the Régie and other regulatory bodies, as well as on the profitability of its non-regulated activities.

The following table shows the distributions declared to Énergir, L.P.'s partners over the last three fiscal years:

	Fiscal years ended on September 30		
	2017	**2016**	**2015**
Distributions declared to partners (in millions of $)	198.36	194.01	174.59
Distributions per Unit declared to partners (in $)	1.17	1.16	1.12

6.2.3 Restrictions on Distributions and Issuance of Long-Term Debt under the Deeds Creating and Governing the Long-Term Debt

The deeds and agreements creating and governing Énergir, L.P.'s long-term debt, or long-term debt for which Énergir, L.P. is responsible, impose certain restrictions on the distribution of earnings and the issuance of long-term debt by Énergir, L.P. Under such deeds and agreements, which define the expressions "aggregate capitalization" and "long-term debt":

(i) Énergir, L.P. may not make any such distribution if, after giving effect thereto, Énergir, L.P.'s aggregate long-term debt exceeds 75.0% of its aggregate capitalization;

(ii) Énergir, L.P. may not issue, assume or guarantee long-term debt if all such long-term debt issued, assumed or guaranteed by Énergir, L.P. and outstanding on the date of the proposed issuance, assumption or guarantee exceeds 65.0% of the aggregate capitalization of Énergir, L.P. on that date, after giving effect to the issue, assumption or guarantee and the receipt and allocation of the proceeds therefrom; and

(iii) Énergir, L.P. may not issue, assume or guarantee long-term debt if earnings available for payment of interest charges during any period of 12 consecutive months selected by Énergir, L.P. out of 18 such months preceding the date of the proposed issuance, assumption or guarantee of the new long-term debt have been less than one and one-half times the sum of the annualized interest charges on all long-term debt issued or guaranteed by Énergir, L.P. outstanding at the date of such proposed issuance, assumption or guarantee and the annualized interest charges on the long-term debt proposed to be issued, assumed or guaranteed.

Énergir, L.P. calculates these ratios on the basis of its non-consolidated financial statements.

6.3 Financial Management

6.3.1 Valener's Financial Management

Loan Agreements

On September 30, 2015, Valener renewed its $200.0 million Credit Facility until September 30, 2020. It was extended in March 2016 and March 2017 until March 2021 and March 2022, respectively. We refer the reader to Item 10.3.6 *Credit Facility* of this Annual Information Form.

On May 3, 2016, Wind Farms 2 and 3 GP completed the refinancing of its long-term debt, which had originally been implemented on November 8, 2011 with a group of lenders, the whole as more fully described under Item 10.3.7 *Financing of Wind Farms 2 and 3* of this Annual Information Form.

Public Offering

On June 6, 2012, Valener carried out a public offering of Series A Shares, by way of a prospectus, under which it issued 4,000,000 Series A Shares on that date at a price of $25.00 per Series A Share, for a total cash consideration of $96.6 million, net of the related issuance costs.

Valener used the net proceeds of the offering (i) to subscribe to additional Units of Énergir, L.P. so that Énergir, L.P. could finance part of its indirect acquisition of all of the issued and outstanding shares of CVPS (an acquisition which materialized on June 27, 2012) and part of the development of Green Mountain's Kingdom Community Wind Project in Vermont (which was commissioned in November 2012) and (ii) for its general purposes.

6.3.2 Énergir, L.P.'s Financial Management

Énergir, L.P.'s financial strength depends, among other things, on the availability of natural gas at competitive prices, customer demand, the regulatory framework and the capital structure. Its financial health also depends on the ability of Énergir, L.P. and Green Mountain to earn the return allowed by their respective regulators. These issues have already been discussed.

For historical reasons, in most cases where Énergir, L.P. needs debt financing for its activities, Énergir Inc. raises the funds on the market and lends the proceeds to Énergir, L.P. on similar terms and conditions.

Loan Agreements

On March 2, 2012, Énergir Inc. entered into a credit agreement authorizing term credit of $600.0 million maturing on March 2, 2017, guaranteed by Énergir, L.P. This credit agreement was amended on January 28 and February 2, 2015, to, among other things, increase the amount of term credit to $800.0 million and extend its term to March 2, 2020. Subject to the lenders' approval, the expiry date of this credit agreement may be extended annually by one year. In March 2017, the expiry date of this credit agreement was extended by a year, to March 2022. The credit agreement is also secured by collateral security backed by the assets of Énergir Inc. and Énergir, L.P. The amounts loaned under this credit agreement are to be loaned to Énergir, L.P. on similar terms and conditions to those of the credit agreement. Following the increase in the amount of term credit under this credit agreement, Énergir Inc. issued an information circular for the issuance of short-term notes (also called commercial paper) up to an amount of $800.0 million. The proceeds from the issuance of these notes are intended to be loaned to Énergir, L.P. at similar conditions to those of the notes. These notes are issued taking into account Énergir, L.P.'s financial imperatives and are backed by the previously described credit agreement.

Private Placements

On May 16, 2017, Énergir Inc. issued, by way of private placement, first mortgage bonds in the amount of $200.0 million. The bonds yield interest at an annual rate of 3.53% and will mature on May 16, 2047. The bonds are secured by guarantee as to payment of principal and interest by Énergir, L.P., together with collateral security backed by the assets of Énergir Inc. and Énergir, L.P. The proceeds from that issuance were loaned to Énergir, L.P., on similar terms and conditions to the first mortgage bonds, and were used to repay existing debt and for general corporate purposes of Énergir, L.P.

On April 26, 2017, Green Mountain issued, by way of private placement, two series of first mortgage bonds, one for US$65.0 million and one for US$15.0 million, for an aggregate principal amount of US$80.0 million. These bond series yield interest at an annual rate of 3.45% and 4.17%, respectively, and will mature on June 27, 2029 and April 26, 2047, respectively.

On March 31, 2017, Énergir, L.P. issued Units by way of private placement, pursuant to which it issued 4,545,455 new Units to Énergir Inc. and Valener, at a price of $22.00 per Unit, for aggregate gross proceeds of $100,000,010. The proceeds from that issuance were used to re-establish its capital structure and for general corporate purposes.

On October 6, 2016, Énergir Inc. issued, by way of private placement, first mortgage bonds in the amount of $125.0 million. The bonds yield interest at an annual rate of 3.28% and will mature on October 9, 2046. The bonds are secured by guarantee as to payment of principal and interest by Énergir, L.P., together with collateral security backed by the assets of Énergir Inc. and Énergir, L.P. The proceeds from that issuance were loaned to Énergir, L.P., on similar terms and conditions to the first mortgage bonds, and were used to repay existing debt and for general corporate purposes of Énergir, L.P.

ITEM 7 LEGAL PROCEEDINGS

7.1 LITIGATION

Except as otherwise indicated in this Annual Information Form, Valener is not aware of any material legal proceedings to which Valener is a party or pertaining to its assets, and Valener is not aware that any such proceedings are contemplated.

7.2 LITIGATION – ÉNERGIR, L.P.

Additional information regarding litigation involving Énergir, L.P. can be found in section V) *Additional Information* on page 77 of the Valener 2017 MD&A.

ITEM 8 MARKET FOR SECURITIES, CAPITAL STRUCTURE AND TRANSFER AGENT AND REGISTRAR

8.1 MARKET FOR VALENER'S SECURITIES

The Common Shares have been listed and posted for trading on the TSX under the symbol "VNR" since October 1, 2010. The Series A Shares have been listed and posted for trading on the TSX under the symbol "VNR.PR.A" since June 6, 2012.

The following table shows the price ranges and the volume of common shares traded on the TSX for each month of fiscal year 2017:

Common Shares

VNR/TSX (Source: Bloomberg)				
	High ($)	Low ($)	Close ($)	Volume (shares)
October 16	21.85	20.64	21.06	1,028,231
November 16	21.21	18.76	20.84	1,427,330
December 16	21.35	20.37	20.96	1,177,074
January 17	21.10	20.44	20.46	1,272,103
February 17	21.39	20.31	20.80	1,050,832
March 17	21.88	20.75	21.86	1,304,311
April 17	22.11	21.53	21.85	793,523
May 17	22.84	21.67	22.74	941,687
June 17	23.23	22.25	22.32	926,120
July 17	22.41	21.47	21.56	649,468
August 17	22.95	21.27	22.86	921,314
September 17	22.94	21.81	22.06	854,188

Series A Shares

The following table shows the price ranges and the trading volume of Series A Shares traded on the TSX for each month of fiscal year 2017:

VNR.PR.A/TSX (Source: Bloomberg)				
	High ($)	**Low ($)**	**Closing ($)**	**Volume (shares)**
October 16	19.94	18.66	19.20	60,472
November 16	19.35	18.90	18.95	30,375
December 16	20.20	18.90	20.00	114,477
January 17	21.26	20.00	20.63	42,446
February 17	21.65	20.84	21.46	26,049
March 17	21.99	21.10	21.99	77,645
April 17	22.06	21.46	21.71	60,130
May 17	21.88	20.78	20.78	61,535
June 17	22.10	20.47	22.05	25,070
July 17	22.81	21.61	22.20	24,218
August 17	22.26	21.40	22.10	48,121
September 17	23.24	21.99	23.20	311,390

Series B Shares

As no Series B Shares are currently being issued, they are not being traded on the TSX. For a description of Series B Shares, see Item 8.3.2.1 (ii) *Description of Series B Shares*.

8.2 MARKET FOR ÉNERGIR, L.P.'S SECURITIES

As a result of the Arrangement, the Énergir, L.P. Units were delisted from the TSX on September 30, 2010, after the markets closed.

8.3 VALENER'S CAPITAL STRUCTURE

Valener is authorized to issue an unlimited number of Common Shares and 10,000,000 Preferred Shares may be issued in series.

8.3.1 Common Shares

The holders of Common Shares are entitled to receive notice of and to attend at any meeting of the shareholders of Valener and to cast one vote for each Common Share held. The holders of Common Shares are entitled, at the discretion of the Valener Board and subject to the applicable legal restrictions and the rights, privileges, restrictions and conditions attaching to any other class or series of shares of Valener, to receive dividends declared by the Valener Board on the Common Shares and to participate in the distribution of the remaining assets of Valener upon Valener's liquidation, dissolution or winding-up, whether voluntary or involuntary.

As at September 30, 2017, there were 38,877,164 Common Shares issued and outstanding.

8.3.2 Preferred Shares

The Preferred Shares may be issued from time to time in one or more series with the rights, restrictions, privileges, conditions and designations attached thereto as determined by the Valener Board.

Holders of a series of Preferred Shares are not in that capacity authorized to receive any notice of meeting of shareholders of Valener, to attend or to vote thereat (except as provided in the CBCA and in certain specific circumstances that may be determined upon the creation of a series of Preferred Shares).

Subject to the provisions of the CBCA, the Preferred Shares in each series will rank equally with the Preferred Shares of any other series. The Preferred Shares will rank senior to the Common Shares and the other shares of Valener that rank junior to the Preferred Shares with respect to the payment of dividends and the distribution of the remaining assets in the event of Valener's liquidation, dissolution or winding-up, whether voluntary or involuntary, to the extent determined in the case of each series and they may also have such other preference over the Common Shares and any other shares of Valener that rank junior to the Preferred Shares as may be determined in each series.

On June 4, 2012, as part of a public offering by way of a prospectus, Valener filed articles of amendment to create two series of Preferred Shares, namely the Series A Shares and the Series B Shares, with each series consisting of up to 4,000,000 shares.

As at September 30, 2017, 4,000,000 Series A Shares were issued and outstanding.

As at September 30, 2017, there were no Series B Shares issued and outstanding.

8.3.2.1 Description of Series A Shares and Series B Shares

The following text summarizes the key rights, privileges, restrictions and conditions attaching to the Series A Shares, as a series, and to the Series B Shares, as a series, each series being a series of Valener Preferred Shares.

This summary should be read in conjunction with Valener's certificates of amendment (i) dated March 28, 2011, authorizing the creation of Preferred Shares issuable in series and (ii) dated June 4, 2012, setting forth the specific rights, privileges, restrictions and conditions attaching to the Series A Shares and to the Series B Shares. Copies of these certificates of amendment are available under Valener's profile on the SEDAR website at www.sedar.com.

(i) <u>Description of Series A Shares</u>

(a) Dividends

For the initial period ended on October 15, 2017, Series A Shares entitled their holders, subject to their declaration by the Valener Board, to cumulative dividends of $1.0875 per share per annum, payable quarterly, yielding a return of 4.35% annually. On October 15, 2017, the annual dividend rate was reset to 4.62% per annum, for cumulative dividends of $1.155 per share per annum, payable quarterly. The dividend rate will be reset on October 15, 2022 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 2.81%.

(b) Redemption

Under the terms and conditions, on October 15, 2017, Valener could redeem the Series A Shares at a price of $25.00 per share. As approved by the Valener Board on August 8, 2017, Valener did not exercise its right to redeem the Series A Shares. On October 15, 2022 and every five years thereafter (or, if that date is not a business day, the next business day), subject to certain other restrictions set forth in Valener's articles relating to the Series A Shares, Valener may, at its option, upon giving at least 30 days' and no more than 60 days' prior written notice to each holder, redeem all or any of the outstanding Series A Shares by payment in cash of a per share sum equal to $25.00 per share so redeemed, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Valener).

The Series A Shares have no fixed maturity date and cannot be redeemed at the option of the holders of the Series A Shares.

(c) Conversion of Series A Shares into Series B Shares

Subject to Valener's right to redeem the Series A Shares as described above, each holder of Series A Shares was entitled, at its option, on October 15, 2017, and will be entitled on October 15 every five years thereafter (a "**Series A Conversion Date**"), to convert, subject to certain conditions, all or any of its Series A Shares into Series B Shares on the basis of one Series B Share for each Series A Share converted.

However, the holders of Series A Shares are not be entitled to convert their shares into Series B Shares if Valener determines that less than 1,000,000 Series B Shares would remain outstanding on a Series A Conversion Date after taking into account all election notices in respect of Series A Shares tendered for conversion into Series B Shares and all election notices in respect of Series B Shares tendered for conversion into Series A Shares.

On October 3, 2017, after taking into account all election notices received from holders of outstanding Series A Shares on the September 29, 2017 deadline for submitting election notices in respect of Series A Shares tendered to Valener for conversion into Series B Shares, Valener announced that no Series A Shares would be converted into Series B Shares because the number of Series A Shares tendered for conversion was lower than the threshold of one million set for the carrying out of the conversion.

(d) Purchase for Cancellation

Subject to applicable laws and the provisions applicable to dividends on Series A Shares and to the redemption and issuance of such shares, Valener may at any time purchase for cancellation, by private contract or in the market or by tender, all or any of the Series A Shares outstanding at the lowest price or prices at which, in the opinion of the Valener Board, such shares are obtainable.

(e) Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Valener or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Valener and of holders of shares of Valener ranking prior to the Series A Shares, the holders of the Series A Shares will be entitled to receive an amount equal to $25.00 per share, together with an amount equal to all accrued and unpaid dividends up to, but excluding, the date fixed for payment or distribution (less any tax required to be deducted or withheld by Valener), before any amount is paid or any assets of Valener are distributed to the holders of any shares ranking junior as to capital to the Series A Shares. Upon payment of such amounts, the holders of the Series A shares will not be entitled to share in any further distribution of the assets of Valener.

(f) Priority

The Series A Shares rank *pari passu* with every other series of Preferred Shares, including the Series B Shares, but rank senior to the Common Shares as to the payment of dividends and as to the distribution of assets in the event of the liquidation, dissolution or winding-up of Valener, whether voluntary or involuntary, or in the event of any other distribution of its assets among the shareholders for the purpose of winding up its affairs.

(g) Voting Rights

The holders of Series A Shares are not entitled (except as otherwise provided by law and except for meetings of the holders of Preferred Shares, as a class, and meetings of holders of Series A Shares, as a series) to receive notice of, attend or vote at any meetings of shareholders of Valener, unless and until Valener has failed to pay eight quarterly dividends on the Series A Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of Valener properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as such dividends remain in arrears, the holders of the Series A Shares will be entitled to receive notice of and to attend each meeting of Valener's shareholders, other than meetings at which only holders of another specified class or series are entitled to vote, and will be entitled to vote together with all the voting shares of Valener on the basis of one vote for each Series A Share held by such holders, until all such arrears of such dividends have been paid, whereupon such rights will cease.

(ii) Description of Series B Shares

The TSX has conditionally agreed to list the Series B Shares up to a maximum of 4,000,000 Series B Shares (under the symbol "VNR.PR.B"). These shares were initially scheduled to be listed on or around October 15, 2017, the time when the Series A Shares became convertible into Series B Shares, conditional on Valener fulfilling TSX requirements for the Series B Shares at that time. As no Series A Shares were converted into Series B Shares on October 15, 2017, the Series B Shares were not listed and are therefore not traded on the TSX. The listing of the Series B Shares is deferred, on the same conditions, until on or around October 15, 2022. The Series B Shares would have an issue price of $25.00 per share.

(a) Dividends

Holders of Series B Shares will be entitled, subject to their declaration by the Valener Board, to receive quarterly cumulative annual floating rate dividends at a rate equal to the 3-month Government of Canada Treasury bill yield plus 2.81%.

(b) Redemption

Subject to certain other restrictions set forth in the articles of Valener relating to the Series B Shares, Valener may, at its option, upon giving at least 30 days' and no more than 60 days' prior written notice to each holder, redeem all or any of the outstanding Series B Shares by payment in cash of a per share sum equal to (i) $25.00 in the case of redemptions carried out on October 15, 2027, and on October 15 every five years thereafter, (each a "**Series B Conversion Date**") or (ii) $25.50 in the case of redemptions on any date that is not a Series B Conversion Date after October 15, 2022, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Valener).

The Series B Shares have no fixed maturity date and cannot be redeemed at the option of the holders of Series B Shares.

(c) Conversion of Series B Shares into Series A Shares

Subject to Valener's right to redeem the Series B Shares in the previously described manner, each holder of Series B Shares will be entitled, at its option, on any Series B Conversion Date, to convert, subject to certain conditions, all or any of its Series B Shares into Series A Shares on the basis of one Series A Share for each Series B Share converted.

Holders of Series B Shares will not be entitled to convert their shares into Series A Shares if Valener determines that less than 1,000,000 Series A Shares would remain outstanding on a Series B Conversion Date after taking into account all election notices in respect of Series B Shares tendered for conversion into Series A Shares and all election notices in respect of Series A Shares tendered for conversion into Series B Shares.

(d) Purchase for Cancellation

Subject to applicable laws and the provisions applicable to dividends on Series B Shares and to the redemption and issuance of such shares, Valener may at any time purchase for cancellation, by private contract or in the market or by tender, all or any of the Series B Shares outstanding at the lowest price or prices at which, in the opinion of the Valener Board, such shares are obtainable.

(e) Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Valener or any other distribution of the assets of Valener among its shareholders for the purpose of winding up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Valener and of holders of shares of Valener ranking prior to the Series B Shares, the holders of the Series B Shares will be entitled to receive an amount equal to $25.00 per share, together with an amount equal to all accrued and unpaid dividends up to, but excluding, the date fixed for payment or distribution (less any tax required to be deducted or withheld by Valener), before any amount is paid or any assets of Valener are distributed to the holders of any shares ranking junior as to capital to the Series B Shares. Upon payment of such amounts, the holders of Series B shares will not be entitled to share in any further distribution of the assets of Valener.

(f) Priority

The Series B Shares rank *pari passu* with every other series of Preferred Shares, including the Series A Shares, but senior to the Common Shares as to the payment of dividends and as to the distribution of assets in the event of the liquidation, dissolution or winding-up of Valener, whether voluntary or involuntary, or in the event any other distribution of its assets among the shareholders for the purpose of winding up its affairs.

(g) Voting rights

The holders of the Series B Shares are not entitled (except as otherwise provided by law and except for meetings of the holders of Preferred Shares, as a class, and meetings of holders of Series B Shares, as a series) to receive notice of, attend or vote at any meetings of shareholders of Valener, unless and until Valener has failed to pay eight quarterly dividends on the Series B Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of Valener properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series B Shares will be entitled to receive notice of and attend each meeting of shareholders of Valener, other than meetings at which only holders of another specified class or series of shares of Valener are entitled to vote, and will be entitled to vote together with all the voting shares of Valener on the basis of one vote for each Series B Share held by such holders, until all such arrears of such dividends have been paid, whereupon such rights will cease.

8.3.3 Credit Ratings

The following table shows the current rating assigned, by the rating agency DBRS, to the Series A Shares of Valener.

Rating Agency	DBRS
Series A Shares	Pfd-2 (low)

DBRS has rated the Series A Shares at Pfd-2 (low), with stable trend. The DBRS Pfd-2 (low) rating is the lowest sub-category within the second highest rating category of the five standard categories of ratings used by DBRS for preferred shares. The DBRS preferred share ratings range from Pfd-1, the highest, to D, the lowest. According to the DBRS ratings system, preferred shares rated Pfd-2 are of satisfactory credit quality where protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated corporations.

On November 16, 2016, DBRS confirmed Valener's credit rating, with a stable trend.

"Low" or "high" may be added to indicate the relative standing of the rating within a particular rating category.

A credit rating is not a recommendation to buy, sell or hold securities and it may be revised or withdrawn at any time by the rating agency.

Valener paid fees to DBRS, based on the latter's fee schedule, for the rating that DBRS gave to the Valener Series A Shares. Fees were also paid to S&P, based on S&P's fee schedule, before the withdrawal of the credit rating on January 12, 2016, at Valener's request, following a change in S&P's methodology. No additional payment was made to S&P and DBRS for other services provided to Valener during the last two years.

8.4 ÉNERGIR, L.P.'S CAPITAL STRUCTURE

Énergir, L.P. can issue an unlimited number of units. A total of 171,796,363 were issued and outstanding as at September 30, 2017.

Unless expressly provided to the contrary by the Limited Partnership Agreement, each Unit ranks equally with any other Unit in all respects and is entitled to the same rights, privileges and obligations, including the right to receive income distributable by Énergir, L.P. No Unit has any preference, privilege or right whatsoever that ranks ahead of any other Unit. Each Unit entitles a holder to vote on any act or decision that has to be approved by the unitholders under the terms of the Limited Partnership Agreement. In the event of the dissolution of Énergir, L.P., its net assets would be distributed to the unitholders on a pro-rata basis at the date fixed for that purpose.

8.5 TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and the Series A Shares is AST Trust Company (Canada), at its principal offices at 2001 Robert-Bourassa Boulevard, Suite 1600, Montréal, Québec, H3A 2A6. The principal transfer register is kept in Montréal, Québec, Canada.

ITEM 9 DIRECTORS AND OFFICERS

9.1 DIRECTORS OF VALENER

The Valener Board is composed of five independent directors (within the meaning of Section 1.4 of Regulation 52-110, as amended from time to time), namely Mr. Pierre Monahan (Chairman), Ms. Mary-Ann Bell, Mr. François Gervais, Ms. Gwen Klees and Mr. Serge Régnier. Except for Ms. Gwen Klees and Mr. Serge Régnier, the other three directors are also directors of Énergir Inc. pursuant to Valener's board nomination rights described under Item 1.2.3.5 *Representation on the Énergir Inc. Board.*

Each of the directors shall hold office until the next annual meeting of Valener shareholders.

 **Mary-Ann Bell** Québec, Canada **Independent** Director since January 13, 2014	Ms. Mary-Ann Bell worked for over 30 years in the telecommunications sector. A graduate in industrial engineering from the École Polytechnique de Montréal (1982) and holder of a Master of Science from the Institut national de la recherche scientifique (INRS) (1986), she began her career in 1982 at Bell Canada, where she held various operational and financial positions. In 2006, she participated in the setting up of Bell Aliant Inc., where she was Senior Vice President for Québec and Ontario until 2014. A certified corporate director and member of the Institute of Corporate Directors, Ms. Bell has sat on various boards of directors for over 15 years and has several years of audit committee experience. She has chaired the boards of the Montreal Women's Y, Nordia inc., Proximedia inc., the Institut international des Télécommunications and the INRS, a research university in the Universités du Québec network. She is a member of the boards of Cominar Real Estate Investment Trust (where she chairs the compensation committee and is also a member of the investment committee), Nav Canada (where she is also a member of the human resources committee, the safety committee and the customer service fees committee) and Cogeco Inc. (where she chairs the governance committee and is a member of the human resources committee).
Principal occupation	Corporate Director

Attendance at meetings during fiscal year 2017			**Total compensation**	**Number and Percentage of Common Shares held or controlled as at September 30, 2017**	
Board of Directors	8/8	100%	$37,500	Number: 7,766	Percentage: 0.02%
Audit Committee	5/5	100%			

Other reporting issuer directorships held as at the date hereof			
Énergir Inc.	Cogeco Inc.	Cominar Real Estate Investment Trust	Nav Canada

 **François Gervais** Québec, Canada **Independent** Director since September 10, 2010	Mr. François Gervais is a corporate director. He was an investment banker at CIBC World Markets from 1977 to 2003 and at RBC Capital Markets from 2003 to 2008. During a career in corporate finance that has spanned more than 30 years, Mr. Gervais has been involved in numerous share and bond issues and merger and acquisition transactions for companies in a variety of industries. He holds a Bachelor of Business Administration from Université Laval and an MBA from the Harvard Business School. He also holds the CPA and ICD.D designations. He was a director of Nurun Inc. from 2003 to 2008 and of Groupe Dessau inc. from May 2014 to September 2015. He is also a director of Énergir Inc.
Principal occupation	Corporate Director

Attendance at meetings during fiscal year 2017			**Total compensation**	**Number and Percentage of Common Shares held or controlled as at September 30, 2017**	
Board of Directors	8/8	100%	$52,500	Number: 9,000	Percentage: 0.02%
Audit Committee (Chair)	5/5	100%			

Other reporting issuer directorships held as at the date hereof
Énergir Inc.

Gwen Klees
Québec, Canada
Independent
Director since
August 10, 2016

Ms. Gwen Klees, originally from British Columbia, holds a Bachelor of Civil Law from Laval University and has over 30 years of business experience. She is currently Senior Vice President, Legal Affairs and Risk Management, and Corporate Secretary of Ovivo Inc., formerly GLV Inc., which she joined in 2003. Specialized in mergers and acquisitions, partnerships, financings and major commercial contract negotiations, Ms. Klees has gained solid experience in corporate governance and even operational management through her role as General Manager of a division in South Africa. During the first 15 years of her career as a lawyer, after practising at a major law firm, she held a variety of positions at key Québec corporations, including Royal Bank of Canada, Bell Canada and Cadim, a subsidiary of the Caisse de dépôt et placement du Québec. She also sits on the board of the Maison du Père Foundation.

Principal occupation	Senior Vice President, Legal Affairs and Risk Management, Ovivo Inc.

Attendance at meetings during fiscal year 2017			**Total compensation**	**Number and Percentage of Common Shares held or controlled as at September 30, 2017**	
Board of Directors	8/8	100%	$72,000	Number: 3,078	Percentage: 0.01%
Audit Committee	5/5	100%			

Other reporting issuer directorships held as at the date hereof
Nil

Pierre Monahan
Québec, Canada
Independent
Director since
June 15, 2010

Mr. Pierre Monahan has been a corporate director and business management consultant since 2008. Previously, he was President of Bowater Canadian Forest Products Inc. and Executive Vice President, Building Products at Bowater Inc. until his departure in 2007. Mr. Monahan received a Bachelor of Commerce from HEC Montréal in 1968. Over the course of his career, he has held a number of executive positions in the forestry industry. He has also occupied financial management positions in major corporations, including Vice President, Finance and Treasury and Executive Vice President, Business Expansion at Tembec Inc., Vice President and CFO of Domtar Inc. and President and CEO of a spin-off company, Alliance Forest Products Inc. Mr. Monahan has also chaired the boards of several organizations within the forestry industry. He was a member of the boards of Uniboard Canada Inc., Équipements Comact Inc. and Fortress Paper Ltd, as well as AXA Insurance (Canada), for which he served as chairman of the audit committee and a member of the investment committee until Intact Insurance took over the company in June 2011. In 2004, Mr. Monahan was awarded an honorary doctorate in forestry science from Université Laval, Québec, and, in 2006, he received the Pulp and Paper Excellence Award (PCPP) from the Québec Forest Industry Council. Mr. Monahan is a member of the Énergir Inc. Board and is chairman of its Audit Committee and Occupational Health and Safety and Environment Committee. He is also chairman of the boards of Solifor Inc. and the Centraide of Greater Montreal Foundation.

Principal occupation	Corporate Director and Business Management Consultant

Attendance at meetings during fiscal year 2017			**Total compensation**	**Number and Percentage of Common Shares held or controlled as at September 30, 2017**	
Board of Directors (Chairman)	8/8	100%	$62,500	Number: 6,909	Percentage: 0.02%
Audit Committee	5/5	100%			

Other reporting issuer directorships held as at the date hereof
Énergir Inc.

 **Serge Régnier** Québec, Canada **Independent** Director since March 21, 2017	Mr. Régnier holds a Bachelor of Arts from the Université de Sherbrooke, a diploma in management from Concordia University, a certificate in industrial relations from the Université de Montréal and a graduate certificate in communication from the Université de Montréal. Mr. Régnier is also a graduate of the Collège des administrateurs de sociétés (Université Laval). During his career, Mr. Régnier has held several executive positions in human resources and labour relations at Culinar, Agropur and Énergir, L.P. In addition to Valener, Mr. Régnier sits on the board of the Institut Philippe Pinel, is a member of its audit committee and chairs its human resources committee. Mr. Régnier has sat on the boards of several Énergir, L.P. subsidiaries, including Vermont Gas, Intragas, Gaz Métro Plus, Aqua Rehab and Aqua Data.
Principal occupation	Corporate Director

Attendance at meetings during fiscal year 2017[18]			**Total compensation**	**Number and Percentage of Common Shares held or controlled as at September 30, 2017**	
Board of Directors	4/8	100%	$36,917	Number: 12,142	Percentage: 0.03%
Audit Committee	2/5	100%			
Other reporting issuer directorships held as at the date hereof					
Nil					

Over the past five years, all of the aforementioned directors have had the principal occupation indicated opposite their names or have held various positions with the above-mentioned companies or their subsidiaries, predecessors or affiliated companies, with the exception of:

- Ms. Mary-Ann Bell, who was Senior Vice President of Bell Aliant Inc. for Québec and Ontario until May 30, 2014.

The Valener By-Laws require a director to disclose any actual or potential conflict of interest, to abstain from any deliberations on any matter that could affect his or her interest, to avoid influencing a vote thereon and to abstain from voting thereon. These rules are strictly followed. For additional information, see Item 9.4 *Conflicts of Interest*.

9.2 Officers of Énergir Inc. as General Partner of the Manager

9.2.1 Manager's Administrative and Management Support Services

As of the date hereof, Valener does not have its own management team. Strategic decisions with respect to Valener's current or potential business operations, affairs or investments (such as the approval of any growth opportunity or the exercise by Valener of its pre-emptive right in the event of a new issuance of units by Énergir, L.P.) are taken by the Valener Board, while day-to-day management including management of Valener's interest in Énergir, L.P. is assumed by the Manager pursuant to the Administration Agreement, the First Additional Services Agreement for the Management of Debt and the Second Additional Services Agreement for the Seigneurie Project. Under such agreements, Valener receives administrative and management support services from the Manager, either directly or through Énergir Inc., its general partner, relating solely to Valener's interest in Énergir, L.P. and related public corporation matters, its financing needs, its indirect participation in the Seigneurie Projects, and, in certain circumstances, certain additional services.

(18) Mr. Régnier has been a Director since March 21, 2017.

The Administration Agreement clearly defines the role of the Manager as service provider and lists the services that will be provided to Valener. For greater certainty, the Administration Agreement expressly excludes a certain number of services, including, without limitation, services in connection with (i) the planning, negotiation or administration of other investments or assets of Valener, (ii) the development, implementation and monitoring of those aspects of Valener's strategic plan which are not solely related to its interest in Énergir, L.P., (iii) the development of acquisition strategies and investigations of potential acquisitions or business opportunities, (iv) the planning, negotiation or administration of any commercial agreements or contracts of Valener and, more generally, services related to any other operations, business, affairs, assets or projects of Valener.

The Manager will act as external manager of Valener. The Administration Agreement specifically provides that the Manager must act honestly, in good faith and in the best interests of Valener in exercising its powers and discharging its duties and must exercise that degree of care, diligence and skill that a reasonable, prudent advisor or manager having responsibilities of a similar nature would exercise in comparable circumstances. The Administration Agreement also acknowledges that potential conflicts of interest may arise between the Manager, acting in its capacity as service provider, and Valener and sets out a detailed procedure to address any such potential conflict.

As explained under Item 10.3.3 *Administration Agreement,* should the business of Valener no longer be fully managed by the Manager as specifically provided under the Administration Agreement, Valener will appoint its own management team and the Manager will only provide a limited number of services for the management and general administration of the business, operations and affairs of Valener which are solely related to Valener's interest in Énergir, L.P. and related public corporation matters. Valener will also appoint its own management team should the Manager perform additional services under the Administration Agreement in respect of any business opportunities that are not in the same line of business as carried on by Énergir, L.P. at such time.

9.2.2 Officers of Énergir Inc. as General Partner of the Manager

As explained under Item 1.2.3 *Key Elements of the Limited Partnership Agreement*, Énergir Inc. acts as general partner of the Manager and thus has the exclusive power and authority to administer, manage, control and operate the daily business of the Manager. Strategic decisions concerning the business, affairs or current or prospective investments of Valener are made by the Valener Board.

As at the date of this Annual Information Form, Valener does not have its own management team. Sophie Brochu, President and Chief Executive Officer of Énergir Inc., and Pierre Despars, Senior Vice-President, Corporate Affairs and Chief Financial Officer of Énergir Inc., as the general partner of Énergir, L.P., acting as manager of Valener, are responsible for signing the required certificates under *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings*, as amended from time to time. The following table shows, for these two executive officers of Énergir Inc., acting as general partner of the Manager, their names, places of residence, positions held at Énergir Inc. and number of Common Shares beneficially owned or controlled, directly or indirectly, as at September 30, 2017:

Name, province and country of residence	Current position with Énergir Inc.	Number and percentage of Common Shares held or controlled as at September 30, 2016
Sophie Brochu Québec, Canada	President and Chief Executive Officer	19,260 0.05%
Pierre Despars Québec, Canada	Senior Vice President, Corporate Affairs, and Chief Financial Officer	16,357 0.04%

All of the aforementioned executive officers hold or have held the position indicated opposite their name or another position with Énergir Inc. or its Affiliates during the past five years.

9.3 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

The directors of Valener and executive officers of Énergir Inc., as general partner of the Manager, have stated as follows concerning the corporate cease trade orders or the bankruptcies of public corporations of which they are or have been a director or officer within the 10 years preceding the date hereof:

Mr. Pierre Despars was a director of ExelTech Aerospace Inc. when the company filed a notice of intention to file a proposal under the *Bankruptcy and Insolvency Act* (Canada), seeking protection from its creditors, on February 4, 2010. On May 28, 2010, when the period for filing such a proposal expired, ExelTech Aerospace Inc. decided not to seek an extension and consequently was deemed to have filed an assignment in bankruptcy. Mr. Despars resigned as a director on May 27, 2010.

9.4 CONFLICTS OF INTEREST

Except as disclosed in this Annual Information Form, particularly under Item 9.1 *Directors of Valener* and Item 9.2 *Officers of Énergir Inc. as General Partner of the Manager*, no director of Valener or of any of its subsidiaries nor any executive officer of Énergir Inc., as general partner of the Manager, has any existing or potential material conflict of interest with Valener or any of its subsidiaries.

9.5 INTEREST OF MEMBERS OF THE MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The structure of Énergir, L.P. and the Arrangement involve a number of arrangements between Énergir, L.P., Valener, Énergir Inc., their respective subsidiaries and Noverco. These arrangements are described in this Annual Information Form and the documents incorporated by reference in this Annual Information Form. Other than as described in this Annual Information Form, particularly under Item 10.3 *Material Contracts*, there are no material interests of directors of Valener or directors or executive officers of Énergir Inc., as general partner of the Manager, or any associate or Affiliate of such persons, in any transaction or proposed transaction that has materially affected or would materially affect Valener.

ITEM 10 ADDITIONAL INFORMATION

10.1 VALENER'S AUDIT COMMITTEE INFORMATION

10.1.1 Audit Committee Charter and Mandate

The Audit Committee assists the Valener Board in discharging its oversight responsibilities for accounting and financial reporting processes, internal control systems and financial and risk management.

The mandate of the Audit Committee is set out in Schedule 10.1.1 *Audit Committee*.

10.1.2 Composition of Audit Committee

The Audit Committee is composed of five directors each of whom is financially literate and independent in accordance with the independence requirement stipulated in Regulation 52-110. The members of the Audit Committee are:

- Mary-Ann Bell
- François Gervais (Chair)
- Gwen Klees
- Pierre Monahan
- Serge Régnier

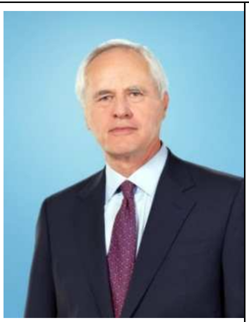
10.1.3 Relevant Education and Experience

The text that follows provides a brief description of the education and experience of each Audit Committee member that is relevant to the performance of his/her responsibilities as an Audit Committee member:

Mary-Ann Bell

Ms. Mary-Ann Bell has worked in the telecommunications sector for over 30 years. A graduate in industrial engineering from the École Polytechnique de Montréal and holder of a Master of Science from the Institut National de la recherche scientifique (INRS), she began her career in 1982 at Bell Canada, where she held various operational and financial positions. In 2006, she participated in the setting up of Bell Aliant, where was Senior Vice President for Québec and Ontario until 2014. A certified corporate director and member of the Institute of Corporate Directors, Ms. Bell has sat on various boards of directors for over 15 years (including as chair) and has several years of audit committee experience. She chaired the board of the INRS from February 2012 to May 2017, and had chaired the INRS audit committee for the five years prior to that. She also sits on the boards of Cominar inc., where she was a member of the audit committee from November 2012 to May 2017, and Nav Canada, where she was a member of the audit committee from June 2014 to March 2015. She is also a member of the Énergir Inc. audit committee.

Attendance at meetings of the Audit Committee during fiscal year 2017:	5/5	100%



François Gervais

Mr. François Gervais was an investment banker at RBC Capital Markets from 2003 to 2008 and at CIBC World Markets from 1977 to 2003. He chaired the audit committee of Nurun Inc. from 2003 to 2008. He was a member of Groupe Dessau inc.'s audit committee from May 2014 to September 2015. During a career in corporate finance that has spanned more than 30 years, Mr. Gervais has been involved in numerous share and bond issues and merger and acquisition transactions for companies in a variety of industries. He holds a Bachelor of Business Administration from Université Laval and a Master of Business Administration from the Harvard Business School. He also holds the CPA (CA) and ICD.D designations.

Attendance at meetings of the Audit Committee during fiscal year 2017:	5/5	100%

Gwen Klees

Ms. Klees is an executive officer at Ovivo Inc., where she serves as Senior Vice President, Legal Affairs and Risk Management. Ms. Klees has participated in many mergers and acquisitions over the course of her career. She has been a member of Ovivo's disclosure committee for close to 14 years and, in that capacity, reviews continuous disclosure documents, including financial statements, MD&As and press releases. She also takes part in meetings of the audit committee as corporate secretary and an expert in risk management. During her career in commercial and corporate law, she has taken many courses on understanding financial statements. With her background in mergers and acquisitions and risk management, she has a solid grasp of corporate financial statements and financial risks.

Attendance at meetings of the Audit Committee during fiscal year 2017:	5/5	100%

Pierre Monahan

Mr. Pierre Monahan holds a Bachelor of Commerce from HEC Montréal. During his career, he has held several management positions in major corporations in the forestry industry, including President of Bowater Canadian Forest Products Inc. and Executive Vice President, Building Products at Bowater Inc., President and CEO of Alliance Forest Products Inc. and chairman of the boards of several organizations in the industry. He has held several financial management positions, including Vice President, Finance and Treasury and Executive Vice President, Business Expansion at Tembec Inc. and Vice President and CFO of Domtar Inc. He chaired the audit committee at AXA Insurance (Canada) and was a member of its investment committee. He has been a corporate director and business management consultant since 2008. Mr. Monahan is a member of the Institute of Corporate Directors. He is chairman of the Énergir Inc. Audit Committee.

Attendance at meetings of the Audit Committee during fiscal year 2017:	5/5	100%

Serge Régnier

Mr. Régnier holds a Bachelor of Arts from the Université de Sherbrooke, a diploma in management from Concordia University, a certificate in industrial relations from the Université de Montréal and a graduate certificate in communication in changing organizations from the Université de Montréal. Mr. Régnier is also a graduate of the Collège des administrateurs de sociétés (Université Laval). During his career, Mr. Régnier has held several executive positions in human resources and labour relations at Culinar, Agropur and Énergir, L.P. In addition to Valener, Mr. Régnier sits on the board of the Institut Philippe Pinel, is a member of its audit committee and chairs its human resources committee. Mr. Régnier has sat on the boards of several Énergir, L.P. subsidiaries, including Vermont Gas, Intragas, Gaz Métro Plus, Aqua Rehab and Aqua Data.

Attendance at meetings of the Audit Committee during fiscal year 2017:(19)	2/5	100%

10.1.4 Reliance on Certain Exemptions

Valener confirms that it has not relied on any of the exemptions set out in section 4 or section 5 of Form 52-110F1 or in section 3.8 of Regulation 52-110 at any time since the beginning of its most recently completed fiscal year.

10.1.5 Audit Committee Oversight

During fiscal year 2017, all the recommendations of the Audit Committee to nominate or compensate the external auditors were adopted by the Valener Board.

10.1.6 Pre-Approval Policy and Procedures

The Audit Committee considered the question of whether the provision of services other than audit services is compatible with maintenance of the independence of Valener's independent external auditors. Accordingly, on the recommendation of the Audit Committee, the Valener Board implemented the *Policy and Procedure Regarding Pre-approval of External Audit and Non-Audit Related Services* (the "**Policy**"). This Policy applies to Valener, the Manager and their subsidiaries that have the same external auditors.

(19) Mr. Régnier became a member of the Audit Committee on March 21, 2017.

This Policy covers three types of services: (i) external audit or external audit-related services, (ii) external non-audit services that are allowed and (iii) external non-audit services that are not allowed. In accordance with securities regulations, the Policy requires that all services rendered by the external auditors be pre-approved by the Audit Committee or, depending on the circumstances, its Chair.

Furthermore, the Policy prohibits Valener from retaining the services of the external auditors for certain non-audit services, including: bookkeeping services; design and implementation of information systems; valuation services, fairness opinions or reports on contributions in kind; actuarial services; internal audit outsourcing services; management functions; human resources services; brokerage, investment consulting or investment banking services; and legal services.

In accordance with securities regulations, the Policy allows for a *de minimis* waiver for certain of the external non-audit services listed. If the Manager uses this waiver, it must promptly disclose this fact to the Audit Committee and publicly disclose it to the extent Valener is required to do so by securities regulations, including Regulation 52-110. The Manager did not use this waiver in fiscal year 2017.

Each quarter, the external auditors provide to the Audit Committee a report on external audit services, external audit-related services and external non-audit services that are allowed that it provided pursuant to the prior authorization granted by the Audit Committee or its Chair or under the *de minimis* waiver, as the case may be, as well as the actual fees received in respect of such services.

For fiscal year 2017, all services rendered by the independent external auditors, be they audit or non-audit services, were pre-approved by the Audit Committee or its Chair.

10.1.7 External Auditors' Fees

10.1.7.1 Fees Invoiced to Valener

The following table shows, by category, the fees invoiced to Valener by KPMG for its services for fiscal years 2017 and 2016:

Fees (by category)	2017 ($)	2016 ($)
Audit fees	53,000	85,115
Audit-related fees	-	-
Tax fees	2,000	-
All other fees	-	-
Total	**55,000**	**85,115**

Audit fees include the total fees invoiced for the audit of the annual consolidated and non-consolidated financial statements, and services related to quarterly reports and other documents to be filed with the Canadian Securities Administrators.

10.1.7.2 Fees Invoiced to Énergir, L.P.

The following table shows, by category, the fees invoiced to Énergir, L.P. by KPMG for its services for fiscal years 2017 and 2016:

Fees (by category)	2017 ($)	2016 ($)
Audit fees	1,741,565	1,512,477
Audit-related fees	115,285	90,170
Tax fees	53,989	20,277
All other fees	118,051	89,220
Total	**2,028,890**	**1,712,144**

Audit fees include the total fees invoiced for the audits of the annual consolidated and non-consolidated financial statements, and services related to the quarterly reports and other documents to be filed with the Canadian Securities Administrators.

Audit-related fees include the total fees invoiced for assurance or related services, such as the audit of the pension plans, the audit of the project to convert to U.S. GAAP, services related to public offerings and general advice about accounting standards and the change in accounting framework.

Tax fees include the total fees invoiced for income tax and consumption tax compliance and various other tax obligations.

All other fees include the total fees invoiced for consulting services, primarily in information technology.

10.2 INTEREST OF EXPERTS

KPMG, Chartered Professional Accountants, acts as the independent external auditors of Valener and Énergir, L.P. in accordance with the rules of professional conduct for auditors in Québec, and consequently signed the independent external auditors' report on the Valener 2017 Financial Statements and the Énergir, L.P. 2017 Financial Statements.

10.3 MATERIAL CONTRACTS

Material contracts entered into by Valener or its subsidiaries are as follows:

Material Contracts of Valener

10.3.1 Limited Partnership Agreement

The key provisions of the Limited Partnership Agreement are summarized under Item 1.2.3 *Key Elements of the Limited Partnership Agreement*.

10.3.2 Non-Competition Agreement

On September 30, 2010, Énergir, L.P. and Valener entered into a Non-Competition Agreement setting out the parameters within which Valener may pursue its own development projects and acquisition strategies.

According to the provisions of the Non-Competition Agreement, as long as Valener beneficially owns, directly or indirectly, at least 7.5% of the Units, Valener must not in any manner whatsoever, directly or indirectly, and will cause its affiliates not to, (i) carry on, engage in or be concerned with or interested in, or (ii) advise, invest, lend money to, guarantee the debts or obligations of or permit its name or any part of its name to be used or employed by any person engaged in or concerned with or interested in, any Restricted Activities, without the prior written consent of the Énergir Inc. Board.

This non-competition undertaking may continue to apply, in certain circumstances, in the event of a sale by Énergir, L.P. of all or substantially all of its assets relating to any one of the three business sectors designated as Restricted Activities.

10.3.3 Administration Agreement

The Manager and Valener entered into an administration and management support agreement expiring in 2025 pursuant to which, among other things, the Manager provides to Valener certain administration and management support services solely in respect of Valener's interest in Énergir, L.P. and related public corporation matters and, in certain circumstances, may provide certain additional services.

The Administration Agreement was amended and restated on September 30, 2015 solely in order to incorporate provisions pertaining to the change in Valener's accounting framework.

10.3.3.1 Services, Fees and Expenses

As long as (i) Valener's activities consist solely of holding its interest in Énergir, L.P. and Valener is not engaged, directly or indirectly, in any other business, operations or affairs, has no other assets, investments or projects and is not subject to any indebtedness, or (ii) all of the additional business, operations and affairs of Valener are subject to an agreement between Énergir, L.P. and Valener (including the First Additional Services Agreement for the Management of Debt and the Second Additional Services Agreement for the Seigneurie Project), Valener will not have its own management team and the Manager will provide all services necessary for the management and general administration of the business, operations and affairs of Valener. As explained under Item 1.1.1 *Continuous Disclosure and Insider Reporting Obligations*, these services include preparing continuous disclosure documents of Valener required under applicable securities laws.

Should the business of Valener no longer be fully managed by the Manager as specifically provided under the Administration Agreement, Valener will appoint its own management team and the Manager will only provide a limited number of services for the management and general administration of the business, operations and affairs of Valener which are solely related to Valener's interest in Énergir, L.P. and related public corporation matters. These services include providing to Valener information solely related to Valener's interest in Énergir, L.P. which is reasonably required for the preparation by Valener of Valener's continuous disclosure documents required under securities laws.

Valener also has the right to have reasonable access to the senior management of Énergir Inc., as general partner of the Manager, to assist with investor relations and financial reporting matters, at its expense and on a cost recovery basis, subject to certain exceptions.

The Manager may provide to Valener, directly or through Énergir Inc., its general partner, additional services as may be reasonably requested by Valener from time to time, including with respect to the management of other operations, business and affairs, the whole upon terms mutually agreed in writing. Notwithstanding the foregoing, the Manager will have no obligation to provide any services which are not solely related to Valener's interest in Énergir, L.P. (and related public corporation matters). It is intended that Valener will have its own management team and employees and/or other consultants to support any development activities at its expense, unless otherwise agreed to between the parties.

The Manager will be reimbursed by Valener for all operating and other expenses incurred in providing the services under the Administration Agreement, calculated by the Manager on a quarterly basis based on the actual cost of providing the services, without any profit component. During the fiscal year ended September 30, 2017, Énergir, L.P. billed Valener $0.7 million ($0.7 million in fiscal year 2016).

10.3.3.2 Reimbursement of Costs by Énergir, L.P.

In connection with the Arrangement, Énergir, L.P. has undertaken to reimburse Valener for all general administrative expenses (including public corporation costs) it incurs starting from October 1, 2010, subject to a maximum aggregate amount of (i) $1.75 million annually for the first five years, which period ended on September 30, 2015, and (ii) $1.0 million annually for the subsequent 10-year period (from October 1, 2015 to September 30, 2025), until the termination of the Administration Agreement, taking into account an annual indexation in accordance with the Consumer Price Index and any fee increases implemented by regulatory authorities or the TSX from time to time, which are out of Valener's control. Considering the foregoing, as part of its undertaking to reimburse Valener all general administrative expenses, Énergir, L.P. will only reimburse attendance fees for board and committee meetings of Valener's directors (and no other directors' retainer, compensation, fees and expenses) and the aggregate annual attendance fees comprised in public corporation costs to be reimbursed to Valener will not be greater than $200,000.

Pursuant to the Administration Agreement, Valener charged Énergir, L.P. general administrative costs (including costs relating to public companies) incurred by it in the amount of $1.0 million for the fiscal year ended September 30, 2017 ($1.0 million in fiscal year 2016).

10.3.3.3 Termination

Either party may terminate the Administration Agreement by delivering a 60-day prior written notice in case of uncured breach of a material obligation by the other party or upon occurrence of an event of bankruptcy or insolvency.

The Manager may also terminate the Administration Agreement: (i) if Valener takes an action or becomes party to a transaction that, in the reasonable opinion of Énergir Inc., could cause Énergir, L.P. to become a SIFT within the meaning of the Tax Act, and (ii) in case of a change of control of Valener.

Valener may also terminate the Administration Agreement at any time by delivering a 180-day prior written notice to the Manager.

10.3.3.4 Non-Solicitation Covenants

Valener must not, without the prior written consent of Énergir Inc., at any time during the term of the Administration Agreement and for a period of (i) 24 months after its expiry or earlier termination, or (ii) five years after termination if the Administration Agreement is terminated by Valener for convenience:

(i) induce or endeavour to induce any employee of the Manager or any of its Affiliates to leave his or her employment (other than through a general advertisement to the public);

(ii) employ or attempt to employ or assist any Person to employ any chief executive officer, chief operating officer, chief financial officer, president or vice-president (other than Human Resources and Marketing vice-presidents), or any natural person designated as such or acting in a similar capacity, of the Manager, Vermont Gas or Green Mountain within 24 months of the cessation of the person's employment with such entity; or

(iii) as long as Énergir Inc. or Énergir, L.P. holds, directly or indirectly, an interest in the Seigneurie Project,(20) employ or attempt to employ or assist any Person to employ any employee of Énergir, L.P. or any of its Affiliates who is involved, directly or indirectly, in the Seigneurie Project within 24 months of the cessation of the employee's employment with the Manager or any of its Affiliates.

Notwithstanding the foregoing, the restrictions in (ii) and (iii) above shall not apply with respect to an officer or employee, as applicable, whose employment is terminated (with or without cause).

10.3.3.5 Conflicts of Interest

The Administration Agreement acknowledges that potential conflicts of interest may arise between the Manager and Valener. The Administration Agreement contains a procedure to address conflicts of interest which provides that to the extent there is a conflict of interest between the Manager and Valener in respect of any matter under the Administration Agreement, (i) the Manager shall give prompt notice to the Chairman of the Valener Board, with a copy to the Chairman of the Énergir Inc. Board, setting forth the reasons for such conflict of interest, (ii) the Manager shall abstain from rendering any services with respect to the matter giving rise to the conflict of interest, and (iii) the Valener Board shall take all such actions and/or make all such decisions, on behalf of Valener, relating to such matters giving rise to the conflict of interest.

10.3.4 First Additional Services Agreement for the Management of Debt

On September 30, 2010, the Manager and Valener entered into a services agreement, expiring on September 30, 2025, which incorporates by reference some of the terms and conditions of the Administration Agreement, *mutatis mutandis*, and pursuant to which the Manager provides to Valener certain additional services related to the financing of Valener, through debt or equity, and to the administration of such financings. Valener shall reimburse to the Manager an amount equal to all operating and other expenses incurred by the Manager in providing the additional services under the First Additional Services Agreement for the Management of Debt, calculated by the Manager based on the actual cost of providing such services, plus an additional fee equal to 10.0% of the aggregate amount of such operating expenses. The First Additional Services Agreement for the Management of Debt shall automatically terminate upon the termination of the Administration Agreement. The Manager may also terminate the First Additional Services Agreement for the Management of Debt upon a 60-day prior written notice to Valener in the event that some of the aspects of the operations, business and affairs of Valener are no longer under the overall administration and management of the Manager (either directly or through Énergir Inc., its general partner) pursuant to the terms of the Administration Agreement or any other agreement for additional services that may be agreed to from time to time.

The First Additional Services Agreement for the Management of Debt was amended and restated on September 30, 2015 solely in order to incorporate provisions pertaining to the change in Valener's accounting framework.

During the fiscal year ended on September 30, 2017, no expenses were charged to Valener for the First Additional Services Agreement for the Management of Debt.

10.3.5 Second Additional Services Agreement for the Seigneurie Project

On September 30, 2010, Énergir, L.P. and Valener entered into a services agreement which came into force on December 20, 2010, upon the exercise by Valener of the option pursuant to the Seigneurie

(20) As this term is defined in the Administration Agreement.

Projects option agreement.[21] This agreement will expire on December 20, 2025. Pursuant to the Second Additional Services Agreement for the Seigneurie Project, which incorporates by reference some of the terms and conditions of the Administration Agreement, *mutatis mutandis*, Énergir, L.P., either directly or through Énergir Inc., its general partner, will provide to Valener certain additional services solely related to Valener's interest in the Seigneurie Projects.

The Second Additional Services Agreement for the Seigneurie Project was amended and restated on September 30, 2015 solely in order to incorporate by reference provisions pertaining to the change in Valener's accounting framework.

During the fiscal year ended on September 30, 2017, no expenses were charged to Valener for the Second Additional Services Agreement for the Seigneurie Project.

10.3.6 Credit Facility

In March 2017, Valener's secured Credit Facility, containing an annual extension clause and with an authorized maximum amount of $200 million, was extended until March 2022. The Credit Facility, initially renewed on September 30, 2015, is provided in the form of banker's acceptances, prime-rate loans and/or letters of credit and is secured by the Units of Énergir, L.P. and the shares of Valener Éole held by Valener.

Valener uses the Credit Facility for its general corporate purposes (including the funding of energy-related project development costs and investments in Énergir, L.P., the Seigneurie Projects and project vehicles as permitted under the Credit Facility) as well as for bridging cash dividend distributions to its shareholders.

Under the terms of the Credit Facility, the business of Valener must be solely to develop energy-related projects in countries that are members of the Organization for Economic Cooperation and Development (including the funding of development costs in connection with such projects), in their preliminary stages, prior to and in anticipation of the conducting of such energy-related projects by project vehicles, and to hold investments in Énergir, L.P., the Seigneurie Projects and project vehicles.

The Credit Facility is subject to usual and customary covenants, including restrictions on the ability of Valener to incur additional debt, to grant security, to make acquisitions, to make distributions if an event of default has occurred or results therefrom, to guarantee the obligations of a third party, to change the nature of its business, to merge or amalgamate, or to amend any of its material contracts other than the Credit Facility, subject to certain exceptions. Valener is also required to maintain a minimum level of ownership in Énergir, L.P. and Beaupré Éole, to meet certain financial ratios and not to consent to, or take any action in respect of, a limitation of the ability of Énergir, L.P. to make distributions to its limited partners.

10.3.7 Financing of Wind Farms 2 and 3

On May 3, 2016, Wind Farms 2 and 3 GP completed the refinancing of its long-term debt, originally put in place on November 8, 2011. The refinancing allowed Wind Farms 2 and 3 GP to make a special distribution on May 4, 2016 in the form of an $80.0 million return of capital to its partners, with Valener receiving $19.6 million. The total amount of the non-recourse refinancing is $617.5 million and consists of (i) a $383.4 million term loan maturing in December 2032, (ii) a $192.7 million term loan guaranteed by the Federal Republic of Germany through its export credit agency Euler-Hermes and maturing in December 2029, and (iii) a $41.4 million letter of credit facility. The group of lenders consists of Bank of Tokyo-Mitsubishi UFJ, KfW IPEX-Bank, Sumitomo Mitsui Banking Corporation, Mizuho

(21) On December 20, 2010, Valener exercised an option enabling it to directly or indirectly acquire a 49.0% interest in Énergir, L.P.'s direct or indirect interest in the Wind Farms 2 and 3 GP and Wind Farm 4 GP.

Corporate Bank, AKA Bank, DZ Bank, Laurentian Bank of Canada, Commonwealth Bank of Australia and Crédit Industriel et Commercial.

All the material contracts of Valener described under this Item 10.3 *Material Contracts* are available on the SEDAR Website at **www.sedar.com** under the profile for Valener.

Material Contracts of Énergir, L.P.

The following is a list of material contracts entered into by Énergir Inc. and Énergir, L.P. or one of their subsidiaries:

10.3.8 Financial Contracts (Énergir Inc. and Énergir, L.P.)

- On May 11, 2017, Énergir Inc., as borrower, and Énergir, L.P., as guarantor, entered into an agreement with a syndicate of dealers led by National Bank Financial Inc. and Scotia Capital Inc. whereby, on May 16, 2017, the dealers subscribed, on an agency basis, for $200.0 million of 3.53% Series U first mortgage bonds maturing on May 16, 2047. The bonds are secured by collateral security backed by the assets of Énergir Inc. and Énergir, L.P.;

- On October 3, 2016, Énergir Inc., as borrower, and Énergir, L.P., as guarantor, entered into an agreement with a syndicate of dealers led by BMO Nesbitt Burns Inc. and TD Securities Inc. whereby, on October 6, 2016, the dealers subscribed, on an agency basis, for $125.0 million of 3.28% Series T first mortgage bonds maturing on October 9, 2046. The bonds are secured by collateral security backed by the assets of Énergir Inc. and Énergir, L.P.

- On May 17, 2016, Énergir Inc., as borrower, and Énergir, L.P., as guarantor, entered into an agreement with a syndicate of dealers led by National Bank Financial Inc. and CIBC World Markets Inc. whereby, on May 24, 2016, the dealers subscribed, on an agency basis, for $100.0 million of 1.52% Series S first mortgage bonds maturing on May 25, 2020. The bonds are secured by collateral security backed by the assets of Énergir Inc. and Énergir, L.P.

- On March 25, 2015, Énergir Inc., as borrower, and Énergir, L.P., as guarantor, entered into an agreement with a syndicate of dealers led by BMO Nesbitt Burns Inc. and Desjardins Securities Inc. whereby, on March 31, 2015, the dealers subscribed, on an agency basis, for $100.0 million of 3.30% Series R first mortgage bonds maturing on March 31, 2045. The bonds are secured by collateral security backed by the assets of Énergir Inc. and Énergir, L.P.

- On December 9, 2014, Énergir Inc., as borrower, and Énergir, L.P., as guarantor, entered into a note purchase agreement with investors by way of a private placement. The notes were issued for a US$100.0 million aggregate principal amount. These notes yield interest at an annual rate of 3.22% and will mature on December 9, 2024. The notes are secured by collateral security backed by the assets of Énergir Inc. and Énergir, L.P.

- On February 5, 2013, Énergir Inc., as borrower, and Énergir, L.P., as guarantor, entered into a note purchase agreement with investors, by way of a private placement. On April 10, 2013, the notes were issued for an aggregate principal amount of US$200.0 million, i.e. two series of US$100.0 million each. The notes bear interest at an annual rate of 4.04% and 4.19%, respectively, and will mature on April 10, 2043 and April 10, 2048, respectively. The notes are secured by collateral security backed by the assets of Énergir Inc. and Énergir, L.P.

- On March 2, 2012, Énergir Inc. entered into a credit agreement with Bank of Montreal and a lenders' syndicate, guaranteed by Énergir, L.P., which was amended on January 28 and

February 2, 2015, as more fully described under Item 6.3.2 *Énergir, L.P.'s Financial Management*.

- On November 11, 2011, Énergir Inc., as borrower, and Énergir, L.P., as guarantor, entered into a note purchase agreement with certain investors, by way of a private placement. On May 15, 2012, the notes were issued for an aggregate principal amount of US$260.0 million, i.e. two series of US$130.0 million each. The notes bear interest at an annual rate of 3.86% and 5.06%, respectively, and will mature on May 15, 2022 and May 15, 2042, respectively. The notes are secured by collateral security backed by the assets of Énergir Inc. and Énergir, L.P.

- On July 15, 1982, Énergir Inc. entered into a trust indenture with La Compagnie de Fiducie, Canada Permanent (replaced by Montreal Trust Company of Canada, to which Computershare Trust Company of Canada succeeded as trustee, effective on June 30, 2000), as trustee, which was amended and restated pursuant to the Trust Deed of Hypothec, Mortgage and Pledge dated August 12, 1991, entered into between Énergir Inc., Montreal Trust Company of Canada, as trustee (to which Computershare Trust Company of Canada succeeded as trustee, effective on June 30, 2000), and Énergir, L.P., as guarantor, as further amended and supplemented by 28 supplemental trust deeds. Such Trust Deed governs the issuance of first mortgage bonds by Énergir Inc. and sets forth the mortgage bondholders' rights. It also provides for the creation of a universal hypothec on all assets of Énergir Inc. in favour of the holders of the first mortgage bonds issued by Énergir Inc.

- On August 12, 1991, Énergir, L.P. entered into a Trust Deed of Hypothec, Mortgage and Pledge with Montreal Trust Company of Canada, as trustee (to which Computershare Trust Company of Canada succeeded as trustee, effective on June 30, 2000), as further amended and supplemented by 29 supplemental trust deeds. Such Trust Deed governs the issuance of mortgage bonds by Énergir, L.P. and sets forth the mortgage bondholders' rights. It also provides for the creation of a universal hypothec on all of Énergir, L.P.'s assets in favour of holders of Énergir Inc.'s first mortgage bonds issued under the Trust Deed described in the previous paragraph, the whole as security for Énergir, L.P.'s corporate guarantee pursuant to Énergir Inc.'s Trust Deed, described in the previous paragraph.

10.3.9 Operating Contracts (Énergir, L.P.)

Transportation Contracts with TCPL

- Énergir, L.P. and TCPL have entered into 12 transportation contracts. The first one was signed on October 31, 1988. The contract that first comes to maturity expired on October 31, 2017, and the last one to come to maturity will expire on October 31, 2031. Under these contracts, TCPL must transport natural gas to Énergir, L.P.'s natural gas distribution system based on TCPL's tolls, as approved or modified from time to time by the NEB.

- Énergir, L.P. and TCPL also entered into four transportation service contracts relating to natural gas stored in Ontario. The first one was signed on April 16, 1985. They will expire on October 31, 2022. Under these contracts, TCPL must transport natural gas to Énergir, L.P.'s natural gas distribution system from November 1 to April 15 inclusively of each year, based on TCPL's tolls as approved or modified from time to time by the NEB.

Other Contracts with TCPL

- As the building by TCPL of new transportation capacity infrastructure required, among other things, offering additional transportation capacities for markets in eastern Canada, Énergir, L.P. and TCPL have entered into an agreement precedent to a transportation contract for additional transportation capacities in the region of Dawn (Ontario); under this agreement, Énergir, L.P. undertakes, in particular, to reimburse to TCPL a portion of the construction costs incurred by TCPL should the transportation contract between Énergir, L.P. and TCPL not take effect. This agreement was entered into on February 23, 2015 and was set to expire on November 1, 2017. This agreement is expected to lead to the signing of a 15-year contract that was scheduled to enter into force on November 1, 2017.[22]

- On October 31, 2013, Énergir, L.P. and Ontario's natural gas distributors entered into an agreement in principle with TCPL to ensure access to diversified and affordable sources of natural gas from the Dawn Hub (Ontario). This agreement will expire on December 31, 2030, barring early termination related to external factors. Further to this agreement in principle, Énergir, L.P. and Ontario's natural gas distributors entered into an agreement with TCPL on October 30, 2015 concerning the Energy East and Eastern Mainline projects. This agreement will expire on December 31, 2050, barring early termination related to external factors.

Storage and Transportation Contracts with Union Gas

- Énergir, L.P. and Union Gas entered into four storage contracts. The first one was signed on March 21, 2013. The contract that first comes to maturity will expire on March 31, 2018, and the last one to come to maturity will expire on March 31, 2020. Under these contracts, Union Gas must store natural gas for Énergir, L.P. based on Union Gas's *Market Price Service Schedule* (or a replacement tariff), depending on the circumstances, as approved or modified from time to time by the Ontario Energy Board.

- Énergir, L.P. and Union Gas entered into 11 transportation contracts. The first one was signed on September 6, 2005. The contract that first comes to maturity will expire on March 31, 2019, and the last one to come to maturity will expire on October 31, 2031. Under these contracts, Union Gas must transport natural gas to the system of TCPL (which then transports the natural gas to Énergir, L.P.'s natural gas distribution system) based on Union Gas's Tariffs C1 or M12 (or a replacement tariff), depending on the circumstances, as approved or modified from time to time by the Ontario Energy Board.

Other Contracts with Union Gas

- In connection with the building by Union Gas of new transportation capacity infrastructure, Énergir, L.P. and Union Gas entered into an agreement precedent to a transportation contract. This agreement is accompanied by an agreement whereby Énergir, L.P. undertakes to reimburse Union Gas for a portion of the construction costs incurred by Union Gas should the services to be rendered under the transportation contract between Énergir, L.P. and Union Gas not take effect. This agreement was entered into on March 2, 2015 and expired on October 31, 2017. On March 2, 2015, Énergir, L.P. and Union Gas also entered into a transportation contract for a term of 15 years as of the effective date of the services. The services rendered under this transportation contract came into force on November 1, 2017.

Contracts with GasEDI and Other Contracts of a Similar Nature

- Énergir, L.P. entered into GasEDI Base Contracts for short-term sale and purchase of natural gas or contracts of a similar nature with various counterparties. The first of these contracts is dated October 1, 2000. Under these contracts, Énergir, L.P. and its counterparties entered into

(22) For information purposes, this precedent agreement expired on October 4, 2017. The resulting 15-year transportation contract came into force on October 5, 2017.

two transactions pursuant to which such counterparties shall deliver natural gas to the territory covered by Énergir, L.P.'s exclusive distribution right. The first of these transactions is dated June 26, 2012. The first to mature will expire on October 31, 2022 and the other transaction will expire on October 31, 2023.

Storage Contracts with Intragas, Limited Partnership

- On June 20, 2013, Énergir, L.P. and Intragas, Limited Partnership entered into two natural gas storage contracts covering the period from May 1, 2013 to April 30, 2023. The contract is based on Intragas, Limited Partnership's Tariffs E-6 and E-7, as approved or modified from time to time by the Régie.

10.3.10 Agreements Entered Into in the Context of the Arrangement (Énergir, L.P.)

The Administration Agreement, the Non-Competition Agreement, the First Additional Services Agreement for the Management of Debt and the Second Additional Services Agreement for the Seigneurie Project are also material contracts for Énergir, L.P. These contracts are described above under Item 10.3 *Material Contracts*.

10.3.11 Financial Contracts (Green Mountain)

- On April 26, 2017, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$80.0 million, i.e. a US$65.0 million series and a US$15.0 million series. These series yield interest at an annual rate of 3.45% and 4.17%, respectively, and will mature on June 17, 2029 and April 26, 2047, repectively.

- On December 16, 2015, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$50.0 million, i.e. a US$18.0 million series and a US$32.0 million series. These series yield interest at an annual rate of 3.31% and 4.26%, respectively, and will mature on December 15, 2027 and December 15, 2045, repectively.

- On December 15, 2014, Green Mountain entered into a credit agreement with KeyBank National Association and a group of lenders that will expire on December 14, 2019. This credit agreement authorizes term credit of up to US$110.0 million, which amount may be increased by a maximum additional amount of US$15.0 million.

- On December 16, 2013, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$75.0 million, i.e. a US$12.0 million series, a US$20.0 million series and a US$43.0 million series. These series yield interest at an annual rate of 4.07%, 4.39% and 4.89%, respectively, and will mature on January 9, 2029, December 16, 2033, December 16, 2043, respectively.

- On December 6, 2012, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$85.0 million. These series yield interest at an annual rate of 3.99% and will mature on December 1, 2042.

- On October 1, 2012, Green Mountain entered into a 23rd supplemental trust indenture with The Bank of New York Mellon Trust Company, N.A., amending and replacing the trust indenture governing the issuance of the Green Mountain Pre-Merger first mortgage bonds bearing the date February 1, 1955. This 23rd supplemental trust indenture has been amended by four supplemental trust indentures. This Trust Deed governs the issuance of first mortgage bonds by Green Mountain and sets forth the mortgage bondholders' rights. It also provides for the creation of a mortgage on all of Green Mountain's assets in favour of the holders of the first mortgage bonds issued by Green Mountain.

- On September 26, 2012, Green Mountain entered into an agreement with holders of first mortgage bonds issued by CVPS to exchange such bonds for bonds issued by Green Mountain and governed by the Green Mountain Trust Indenture described in the previous paragraph.

- On November 16, 2011, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$75.0 million, i.e. a US$50.0 million series and a US$25.0 million series. These series yield interest at an annual rate of 4.56% and 4.61%, respectively, and will mature on November 18, 2041.

- On December 1, 2010, CVPS entered into a Loan and Trust Agreement with the State of Vermont, acting by and through the Vermont Economic Development Authority and U.S. Bank National Association, acting as trustee, governing the issuance of bonds by the Vermont Economic Development Authority, the proceeds of which were loaned to CVPS. Such bonds were issued for an aggregate principal amount of US$30.0 million. They yield interest at a rate of 5.0% and will mature on December 15, 2020. This agreement was amended by a First Amendment to Loan and Trust Agreement dated October 1, 2012 in the context of the Merger, to ensure Green Mountain's compliance with the provisions thereof.

- On November 18, 2010, CVPS entered into a Bond Purchase Agreement with KeyBanc Capital Markets Inc. and the Vermont Economic Development Authority for the purchase by KeyBanc Capital Markets Inc. of the bonds to be issued by the Vermont Economic Development Authority under the loan and trust agreement described in the previous paragraph.

- On March 18, 2010, Green Mountain entered into a Bond Purchase Agreement with KeyBanc Capital Markets Inc. and the Vermont Economic Development Authority for the purchase by KeyBanc Capital Markets Inc. of the bonds to be issued by the Vermont Economic Development Authority under the loan and trust agreement described in the following paragraph.

- On March 1, 2010, Green Mountain entered into a Loan and Trust Agreement with the State of Vermont, acting by and through the Vermont Economic Development Authority and The Bank of NY Mellon Company, N.A., acting as trustee, governing the issuance of bonds by the Vermont Economic Development Authority, the proceeds of which were loaned to Green Mountain. Such bonds were issued for an aggregate capital amount of US$29.765 million, i.e. a US$24.765 million Series A and a US$5.0 million Series B. The Series A bonds are composed of several portions and yield interest at annual rate ranging from 3% to 5%, depending on their maturity date, and will mature between April 1, 2018 and April 1, 2035. The Series B bonds yield interest at a rate of 6% and will mature on April 1, 2035.

- On April 16, 2009, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$15.0 million. They yield interest at an annual rate of 5.98% and will mature on April 1, 2019.

- On December 13, 2007, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$16.0 million. They yield interest at an annual rate of 6.17% and will mature on December 1, 2037.

- On July 27, 2006, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$30.0 million. They yield interest at an annual rate of 6.53% and will mature on August 1, 2036.

- On December 16, 2002, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$42.0 million. They yield interest at an annual rate of 6.04% and matured on December 1, 2017.

- On November 15, 1993, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$15.0 million. They yield interest at an annual rate of 6.70% and will mature on November 1, 2018.

- On March 10, 1992, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$13.0 million. They yield interest at an annual rate of 8.65% and will mature on March 1, 2022.

- On September 18, 1990, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US$9.0 million. They yield interest at an annual rate of 9.64% and will mature on September 1, 2020.

10.3.12 Operating Contracts (Green Mountain)

- On October 9, 2015, Green Mountain entered into a power purchase agreement with Deerfield Wind, LLC, as more fully described under Item 4.1.2.1 *Green Mountain*.

- On May 24, 2011, Green Mountain Pre-Merger entered into a power purchase agreement with NextEra Energy Seabrook, LLC, as more fully described under Item 4.1.2.1 *Green Mountain*, which was amended by an amendment dated January 21, 2015.

- On August 12, 2010, Green Mountain Pre-Merger, CVPS and 17 other utilities in the State of Vermont entered into a long-term power purchase and sale agreement with Hydro-Québec Energy Services (U.S.) Inc., as more fully described under 4.1.2.1 *Green Mountain*.

- On December 16, 2009, Green Mountain Pre-Merger and CVPS each entered into a long-term supply contract for the purchase of renewable energy with Granite Reliable Power, LLC, as amended on October 18, 2010 and October 11, 2010, respectively, as more fully described under Item 4.1.2.1 *Green Mountain*.

10.3.13 Financing of Wind Farms 2 and 3

We refer the reader to Item 10.3.7 *Financing of Wind Farms 2 and 3*.

All the material contracts of Énergir, L.P. described under this Item 10.3 *Material Contracts* are available on the SEDAR website at www.sedar.com under the profile for Valener.

10.4 COMPLAINTS OR CONCERNS

Valener's *Procedure for Handling Public Complaints and Employee Concerns.* states that any person, including employees of the Manager, a subsidiary or a joint venture, who wishes to lodge a complaint or a concern about the accounting, internal accounting controls or the audit of Valener may do so, anonymously and at no cost, through the ClearView Connects service by one of the following means:

By mail:	ClearView Connects P.O. Box 11017 Toronto, Ontario M1E 1N0
By telephone:	1-844-288-1704
Online at the secure website:	http://www.clearviewconnects.com

ClearView Connects is a service of ClearView Strategic Partners Inc., an autonomous communications consulting corporation that offers anonymous and confidential feedback systems. Their secure feedback systems are designed to protect the identity of those who use the service.

All concerns or complaints will be sent to the Director, Internal Audit, who will review all such concerns or complaints, except those pertaining to the Director, Internal Audit, which will be forwarded directly to the Chairman of the Audit Committee.

10.5 RISK FACTORS RELATING TO VALENER AND ÉNERGIR, L.P.

Valener and Énergir, L.P. have developed and applied risk identification, assessment and management practices to mitigate the nature and scope of key risks that could have a material impact on its operations, financial position and consolidated net income.

For more information on Valener's and Énergir, L.P.'s risk factors, please refer to the Valener 2017 MD&A, in section E) *Risk Factors relating to Valener* and in section R) *Risk Factors relating to Gaz Métro [now known as Énergir, L.P.]* on pages 12 to 14 and 62 to 70, which sections are incorporated by reference into this Annual Information Form.

The Valener 2017 MD&A is available on the SEDAR Website at www.sedar.com under the profile for Valener or on the Valener Website under "Investors".

10.6 OTHER INFORMATION

Additional information concerning Valener may be found on the SEDAR Website at www.sedar.com under the profile for Valener.

Additional financial and related information is provided in the Valener 2017 Financial Statements and the Valener 2017 MD&A. Copies of the Valener 2017 MD&A, the Valener 2017 Financial Statements and any other public document issued by Valener (including the Annual Information Form and all documents that are incorporated therein by reference) may be obtained from the Investor Relations Service, 1717 du Havre Street, Montréal, Québec H2K 2X3, by telephone: (514) 598-3253, by fax: (514) 521-8168 and by email: investors@valener.com or by consulting the SEDAR Website at www.sedar.com or the Valener Website at www.valener.com.

SCHEDULE 10.1.1

VALENER INC.
(the "Corporation")

AUDIT COMMITTEE MANDATE[(23)]

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1. CONSTITUTION, COMPOSITION, PROCEDURE AND INVITEES

To assist it in discharging its oversight responsibilities pertaining to accounting and financial reporting processes, internal control systems, financial management and the management of risks associated with all of the preceding, the Board of Directors of the Corporation (the "**Board**") formed an Audit Committee (the "**Committee**") of which it appoints the members and the Chair.

Composition - The Committee shall be composed of a minimum of three (3) Directors, each of whom must be "financially literate" within the meaning of the applicable securities laws and regulations and the rules of any stock exchange on which the Corporation's securities are listed for trading. For instance, a Committee member will be considered financially literate if he has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. Should any Committee member not be financially literate, he must become financially literate within a reasonable period of time after his or her appointment to the Committee.

The Committee shall be composed of Directors who are "independent" (as such term is defined from time to time in the requirements or guidelines for audit committee under applicable securities laws and regulations and the rules of any stock exchange on which the Corporation's securities are listed for trading, including *Regulation 52-110 Respecting Audit Committees* (as amended from time to time) ("**Regulation 52-110**") of the Canadian Securities Administrators ("**CSA**")).

2. FUNCTIONING

Meetings – The Board shall decide on the frequency and location of the Committee's regular meetings. The Committee determines the time and place of its special meetings according to its needs.

Chair of Meetings - If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting.

Outsiders May Attend Meetings - Representatives of the external auditors (the "**External Auditors**"), representatives of the Corporation and of the Manager ("Manager" refers to the Manager as a legal entity or to its officer(s) or other representative(s), as the case may be) and any person whose presence is considered relevant may attend all or part of the Committee's meetings as requested by the Committee or by a Committee member.

The minutes of a meeting shall be submitted for approval by the members at the following Committee regular meeting, unless unexpected events arise.

Adoption of Policies and Procedures - The Committee may adopt policies and procedures as it deems necessary for carrying out its responsibilities.

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(23) Revision approved by the Board of Directors on August 10, 2016.

3. POWERS AND AUTHORITY

In discharging its responsibilities, the Committee may examine the books, records and accounts of the Corporation and discuss any other matter concerning the financial situation of the Corporation, or any other matter related to its mandate, with the Manager, the External Auditors and the Corporation's other external advisors.

The Committee may communicate directly with the External Auditors. The External Auditors shall report directly to the Committee and attend all of the meetings of the Committee at which reports or financial statements reviewed by them or public communications based on their review of these reports or statements must be reviewed or approved by the Committee. They can also be invited to other meetings. The Chair of the Committee shall call a meeting of the Committee if requested to do so by the External Auditors or an officer of the Manager.

The Committee may at any time communicate with a Manager's employee or with a Corporation employee (if any) to enquire about the financial data or internal controls of the Corporation, or about any other matter that falls within the scope of its mandate. When apprised of any complaint or concern raised by an employee or an interested party in accounting, internal accounting controls or auditing matters, the Committee shall examine the matter.

The Committee may retain the services of outside consultants to assist it in exercising its mandate and has the authority to ensure their fees and disbursements are paid.

4. DELEGATION

The Committee may delegate from time to time any of the Committee's responsibilities that lawfully may be delegated to one or more of its members, including the authority to pre-approve external non audit services to be provided by the External Auditors; provided such approval is submitted to the Committee at its first regular meeting after the approval has been given.

5. GENERAL MANDATE

The Committee shall perform any function assigned to it by the Board. Among other things, it shall be responsible for ensuring that quality financial information is reported by the Corporation and that the Manager has taken appropriate measures to identify and manage the financial risks that may affect the Corporation. It shall report to the Board any matter relating to the quality and integrity of the financial statements of the Corporation, compliance with laws and regulations, the performance and independence of the External Auditors.

In general, the Committee shall ensure that:

(a) the Corporation complies with the Canadian standards applicable to audit committees, in particular Regulation 52-110;

(b) the Manager complies with the applicable accounting principles, standards and rules as well as the laws, regulations and policies of the CSA governing financial reporting;

(c) the personnel assigned to the external audit and, to the extent applicable, to the internal audit, are competent and sufficient in numbers to discharge their responsibilities;

(d) the financial information communicated to the Board and to public investors is reliable, clear, complete and objective, and that it is disclosed in accordance with the laws, regulations and policies of the CSA;

(e) the internal controls are effective;

(f) there is an adequate financial risk management program for protecting the assets of the Corporation; and

(g) the Manager maintains a constructive and open dialogue with the Committee and the External Auditors.

6. SPECIFIC RESPONSIBILITIES

Without limiting the generality of the foregoing, the Committee's specific responsibilities shall include the following:

♦ External Audit

(a) recommending to the Board, following consultation with the Manager, the External Auditors for the Corporation for appointment by the shareholders;

(b) recommending, if needed, to the Board the dismissal of any public accounting firm whose services were retained to prepare or issue an audit report;

(c) overseeing the work of the External Auditors whose services are retained to prepare or issue an audit report or to render other audit, review or attestation services to the Corporation. The External Auditors shall report directly to the Committee;

(d) ensuring the External Auditors are a participating audit firm within the meaning of *Regulation 52-108 respecting Auditor Oversight* of the CSA and that they comply, where applicable, with any directive or restriction issued by the Canadian Public Accountability Board;

(e) reviewing the public reports and information bulletins of the Canadian Public Accountability Board published for audit committees and received from the External Auditors, along with any significant findings arising from the inspection of the Corporation's audit file;

(f) at least once a year, reviewing the written report prepared by the External Auditors describing:

  (i) any significant issues regarding the External Auditors or audit file of the Corporation arising during any peer controls or reviews, information requests, or inquiries carried out by a government, regulatory or professional authority, as well as any steps taken in this regard; and

  (ii) internal quality-control procedures implemented by the External Auditors, including any significant issues raised during the latest internal review of the former, as well as any steps taken in this regard.

(g) ensuring the External Auditors are independent and in this regard:

  (i) reviewing the existing or proposed relationships between the Corporation, the Manager, their respective personnel or consultants and the partners, employees, former partners and former employees of the External Auditors;

(ii) as applicable, reviewing and approving the Corporation’s hiring policy with respect to partners, employees, former partners and former employees of the present and former External Auditors of the Corporation and supervising its application; and

(iii) as applicable, reviewing and approving any policy or procedure for preliminary approval of non-audit services, and supervising its application;

(h) evaluating at least once a year the competence, service quality and independence of the External Auditors;

(i) ensuring there is a rotation of the engagement partner, the reference partner and other audit partners within the standards prescribed by the regulatory authorities and the applicable securities and governance laws and regulations;

(j) ensuring a smooth transition when there is a change in External Auditors;

(k) reviewing and approving the audit plan and related budget proposed by the External Auditors as well as any change thereto;

(l) recommending to the Board the compensation to be paid to the External Auditors for their services;

(m) reviewing the scope of the audit, the External Auditors’ reports following their interim reviews and annual audits, their letter of recommendations with the Manager’s comments and the follow-up done by the Manager;

(n) asking the Manager and the External Auditors about any important issue dealing with financial information they have discussed and the solution retained;

(o) reviewing any problems encountered by the External Auditors in the course of their engagement, in particular any restrictions that may have been placed on them by the Manager;

(p) resolving, if possible, any disagreements between the Manager and the External Auditors concerning financial information;

(q) reviewing any events (disagreements, unresolved matters and consultations) that have to be disclosed pursuant to applicable laws and regulations or requirements of the CSA;

(r) reviewing the External Auditors’ recommendation letter with respect to internal controls, the Manager’s responses thereto and the steps taken by the Manager to implement the recommendations in such letter;

(s) ensuring that the Manager informs the Committee of any engagement pertaining to an external audit or an external audit-related mandate that has or will be given to a public accounting firm other than the External Auditors;

(t) from time to time asking the External Auditors about the competence and performance of the Manager’s personnel responsible for finance, accounting and internal controls and the Corporation’s personnel responsible for finance, accounting and internal controls, if applicable;

- **Financial Information**

(u) ensuring that the Manager establishes and maintains controls and procedures to ensure it receives important information for investors and establishes and maintains internal controls with respect to financial reporting;

(v) reviewing the adequacy and effectiveness of the accounting and internal control policies and procedures through inquiry and discussions with the External Auditors, the Manager and the internal auditor;

(w) reviewing the interim and annual financial statements and the External Auditors' reports thereon with the Manager and recommending they be approved by the Board;

(x) reviewing the financial forecasts communicated by the Manager to the Board and ensuring that adequate controls and procedures are established and maintained by the Manager to ensure the integrity of these financial forecasts;

(y) reviewing the impact of any proposed changes in significant accounting policies or securities regulations dealing with the accounting policies and the presentation of financial information with the Manager and the External Auditors;

(z) ensuring the financial information complies with the applicable securities laws, regulations and policies;

(aa) reviewing before publication any draft financial reporting, such as the annual information form, prospectuses, interim financial statements, interim management's discussion and analysis, annual financial statements, annual management's discussion and analysis and press releases involving financial information and recommending they be approved by the Board;

(bb) ensuring there are adequate procedures for reviewing public disclosures of financial information extracted or derived from its financial statements and evaluating the adequacy of these procedures from time to time;

(cc) reviewing all non-routine correspondence with the regulatory authorities with the Manager, and any complaint or published information that raises issues with respect to the financial statements, the financial information or the accounting policies;

(dd) each quarter reviewing copies of the minutes of the audit committees of the subsidiaries, as applicable;

- **Internal Audit**

(ee) if applicable, establishing an Internal Audit Charter for recommendation to the Board;

(ff) if applicable, reviewing any proposed change to the Internal Audit Charter for recommendation to the Board;

(gg) if applicable, reviewing the annual internal audit plan;

(hh) if applicable, reviewing with the External Auditors and the internal auditor, the internal audit activities report, observations and, if applicable, significant weaknesses noted with respect to compliance with legislation, internal controls and the effectiveness of operations, the recommendations and suggestions arising from the audits and the follow-up with respect thereto and reviewing with the internal auditor the difficulties encountered in connection with his/her mandate;

(ii) if applicable, reviewing from time to time the effectiveness of the internal audit function, including its compliance with the standards of the Institute of Internal Auditors;

(jj) if applicable, reviewing from time to time the performance and level of independence of the internal auditor and advising the Board of the results of this evaluation;

(kk) if applicable, providing its opinion on the appointment or revocation of the internal auditor;

♦ **Financial Risk Management**

(ll) reviewing from time to time the Manager's report with respect to the identification and analysis of the main financial risks generally affecting the business of the Corporation, and ensuring that there is an adequate risk management policy to identify, manage and control those financial risks;

(mm) reviewing other risk management issues that the Board may, from time to time, specifically delegate to the Committee;

(nn) each quarter reviewing a report on the tax issues and the related follow-up being done, and reviewing the major disputes with tax authorities;

(oo) each quarter reviewing a report on disputes and threats to the Corporation's operations and the related follow-up being done and reviewing significant or potential disputes with third parties;

Environmental Responsibility

(pp) each quarter getting a report from the Manager on the Corporation's environmental performance, notably as to the wind projects, dealing specifically with;

(i) the Corporation's environmental vision, policies, strategies and objectives;

(ii) the adequacy of the resources devoted to them; and

(iii) the Corporation's compliance with environmental laws and regulations;

(qq) presenting periodic reports and making recommendations on significant environmental matters to the Board, or if it deems it is appropriate, to other committees of the Board, if any;

♦ **Certifications and Compliance Reports**

(rr) receiving on a timely basis and reviewing the certifications of the Chief Executive Officer and the Chief Financial Officer of the Manager;

(ss) receiving from the Manager a report on compliance with applicable financial reporting standards and securities laws and regulations;

♦ **Complaints and Concerns**

(tt) establishing procedures concerning:

(i) receipt, retention and treatment of complaints received by the Corporation or the Manager regarding accounting, internal accounting controls or auditing matters; and

(ii) receipt of confidential and anonymous correspondence from employees of the Corporation (if any) or from employees of the Manager about concerns regarding questionable accounting, accounting controls or auditing matters;

♦ **Other Responsibilities**

The Committee shall periodically:

(uu) evaluate and review its effectiveness and report thereon to the Board;

(vv) review and revise its mandate and make its recommendations to the Board;

(ww) prepare an annual work plan that it shall revise during the year if necessary;

(xx) review the corporate policies, in particular with respect to financial reporting;

(yy) review and make recommendations to the Board concerning the financial structure, condition and strategy of the Corporation and its subsidiaries, as applicable, including with respect to annual budgets, long-term financial plans, corporate borrowings, investments, capital expenditures, long term commitments and the issuance and/or repurchase of stock;

(zz) review or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and financial obligations of the Corporation; and

When it deems it appropriate to do so, the Committee:

(aaa) holds separate meetings with the Manager, the internal and External Auditors, and, as the case may be, the external legal counsel with regards to audit and financial risk management matters that are not listed.

7. REPORTING

The Committee shall report to the Board at the Board meeting following its own meeting. The Chair of the Committee shall report verbally on the items that are of immediate interest to the Board and submit the Committee's recommendations for approval by the Board. The Chairman of the Committee shall also present, at least once a year, a report of the Committee's work in fulfilling its mandate and adhering to its annual work plan

8. IN CAMERA SESSIONS

The Committee shall have a number of in camera sessions at the end of each meeting, including with the External Auditors, the internal auditor (if any), with and without representatives of the Manager invited to attend the Meeting.