



VALENER INC.

ANNUAL INFORMATION FORM

Fiscal year ended on September 30, 2018

December 14, 2018

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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 22, 2018 for the fiscal year ended on September 30, 2018 and the audited consolidated financial statements of Valener Inc. for the fiscal years ended on September 30, 2018 and 2017, 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.

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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 LNG and CNG (as these two terms are defined in the *Glossary of Terms*), particularly in the transport industry, the maritime industry and the industrial market (ii) growth or profitability outlooks, (iii) certain decisions made by regulatory agencies, as well as the terms and timing of those decisions, (iv) the competitive position, 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) the December 2017 U.S. tax reform, mainly referred to as the *Tax Cuts and Jobs Act* (the “U.S. Tax Reform”), (vii) 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*), (viii) the distribution of biomethane in the Énergir, L.P. network, (ix) liquidity position and financing capability of Valener and Énergir, L.P., (x) potential efficiency gains and synergies from the Merger (as this term is defined in the *Glossary of Terms*), (xi) new energy development and network development projects, and (xii) 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, the uncertainties associated with the U.S. Tax Reform, 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, 2018) 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, that Valener and Énergir, L.P. will be able to present their information in accordance with U.S. GAAP beyond 2023 or, after 2023, 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 Énergir, L.P.'s 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, 2018.

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.

CO₂ eq. means carbon dioxide (CO₂) equivalent.

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. 2018 Financial Statements means the audited consolidated financial statements of Énergir, L.P. for the fiscal years ended on September 30, 2018 and 2017 and the notes and external auditor's report related thereto, which are filed with the Valener 2018 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 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.

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 1.2.4 *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.

Ministry of Environment means the department responsible for the environment in Québec.

Merger means the October 1, 2012 merger of CVPS with Green Mountain Power Corporation, as it existed before 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.

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.

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 2018 Financial Statements means the audited financial statements of Valener for the fiscal years ended on September 30, 2018 and 2017 and the notes and external auditor's report related thereto.

Valener 2018 MD&A means the Management's Discussion and Analysis of Valener for the fiscal year ended on September 30, 2018 dated November 22, 2018 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.

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 Inc., 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 1.2.4 <i>Key Elements of the Limited Partnership Agreement</i> .
November 18, 2003	The name was changed to “Gaz Métro Limited Partnership.”

Date	Event
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 <i>Material Contracts</i> .
September 30, 2015	The Limited Partnership Agreement was 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 pursuant to the obtaining by Énergir inc. [then known as Gaz Métro inc.] and Valener of exemptions from the Canadian Securities Administrators allowing them to prepare their consolidated financial statements in accordance with U.S. GAAP
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 Intercorporate Relationships

Énergir, L.P. is a leading energy distributor in Québec and, through subsidiaries, in Vermont that engages in natural gas distribution activities in Québec and holds subsidiaries.

The material subsidiary of Énergir, L.P. as at September 30, 2018 is as follows:

Name	Jurisdiction of incorporation	Percentage of voting rights attached to securities beneficially held by Énergir, L.P. or over which Énergir, L.P. exercises control and direction	Description
Green Mountain	Vermont	100.0%	Its core business is the production, transportation, distribution, purchase and sale of electricity in Vermont and, to a lesser extent, electricity transmission in New Hampshire and electricity production in the states of New York, Maine and Connecticut.

The other subsidiaries of Énergir, L.P. each represented (i) less than 10.0% of the consolidated assets of Énergir, L.P. as at September 30, 2018 and (ii) less than 10.0% of Énergir, L.P.’s consolidated revenue for the fiscal year ended September 30, 2018. Altogether, as at September 30, 2018 and for the fiscal year ended on September 30, 2018, respectively, the other subsidiaries represented less than 20.0% for each of points (i) and (ii) described above. Énergir, L.P.’s natural gas distribution activity in Québec and Green Mountain’s electricity distribution activity in Vermont accounted for approximately 82.0% of Énergir, L.P.’s consolidated assets on September 30, 2018 and for approximately 92.0% of its consolidated revenue for fiscal year 2018.

1.2.4 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.

1.2.4.1 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.

1.2.4.2 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, 2018, Énergir, L.P.'s Interests in Non-regulated Energy Activities and in Permitted Economic Activities totalled \$257.1 million, representing 5.03% 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
2018	257.1	5.03	0.0	0.0
2017	203.2	4.07 ⁽¹⁾	0.0	0.0
2016	102.0	2.05 ⁽²⁾	0.0	0.0

(1) In the 2017 Annual Information Form, the amounts indicated were 164.9 and 3.3, respectively. It should have indicated 203.2 and 4.07, respectively.

(2) In the 2017 Annual Information Form, the amounts indicated were 99.5 and 2.0, respectively. It should have indicated 102.0 and 2.05, respectively.

1.2.4.3 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,⁽³⁾ 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,⁽⁴⁾ 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 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.

1.2.4.4 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 agreements 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

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

(4) Idem.

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.

1.2.4.5 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.

1.2.4.6 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.

1.2.4.7 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 Valener's Credit Agreement described under Item 6.3.1.

Main events and conditions

In the course of each fiscal year, events and conditions influence the general development of Valener's business. Following are the main events and conditions that have influenced such development over the last three fiscal years:

Wind Power Projects		
2018	2017	2016
-	-	<ul style="list-style-type: none"> ▪ 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 <i>Financing of Wind Farms 2 and 3</i>.

Financing Activities		
2018	2017	2016
-	<ul style="list-style-type: none"> ▪ 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. 	-

2.2 ÉNERGIR, L.P.

Main Business Segments and Mission

Énergir, L.P. has five main business segments: (i) Energy Distribution, (ii) Transportation of Natural Gas, (iii) Electricity Production, (iv) Energy Services, Storage and Other, and (v) Corporate Affairs.

An outlook on the business, the mission and the strategy of Énergir, L.P. can be found in section *L) Overview of Énergir, LP and Other* on pages 18 to 25 of the Valener 2018 MD&A.

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:

Regulatory Framework		
Natural Gas Distribution in Québec		
Rate of Return and Incentive		
2018	2017	2016
<ul style="list-style-type: none"> The Régie decided to renew the rate of return of 8.90% for fiscal year 2019. 	<ul style="list-style-type: none"> The Régie decided to renew the rate of return of 8.90% for fiscal year 2018. 	–
<ul style="list-style-type: none"> In December 2017, the Régie decided to renew for fiscal year 2019 the sharing mechanism approved during fiscal year 2015. 	<ul style="list-style-type: none"> 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. 	–

Natural Gas and Electricity Distribution in Vermont		
2018	2017	2016
<ul style="list-style-type: none"> Green Mountain's base rate of return for fiscal year 2018 was set by the VPUC at 9.10%. 	<ul style="list-style-type: none"> Green Mountain's base rate of return for fiscal year 2017 was set by the VPUC at 9.02%. 	<ul style="list-style-type: none"> Green Mountain's base rate of return for fiscal year 2016 was set by the VPUC at 9.44%.
<ul style="list-style-type: none"> In November 2017, the VPUC decided to temporarily extend certain elements of Green Mountain's alternative regulation plan, with the option to demand that the plan be extended to December 31, 2019 or until a successor regulation plan comes into force, whichever is the earliest of the two, which was approved by the VPUC. 	–	–

Energy Distribution, Market Developments and Other Énergir, L.P. Initiatives		
Price of Natural Gas and Market Position		
2018	2017	2016
<ul style="list-style-type: none"> In fiscal year 2018, natural gas prices continued their downward trend owing to an abundant continental supply, low production costs of natural gas, increased capacities for transporting natural gas to the Dawn hub, and improved transportation rates for natural gas from the Canadian West. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Throughout fiscal year 2016, natural gas prices continued their downward trend owing, in particular, to the impact of the El Niño weather pattern.
<ul style="list-style-type: none"> Overall 3.4% increase in natural gas deliveries in Québec as a result of the following: in the Industrial Market: greater consumption in the metallurgy and pulp and paper sectors; in the Commercial and Residential Markets: increased consumption owing to the maturation of new sales and to increased economic growth. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.

Electricity Production		
2018	2017	2016
–	–	<ul style="list-style-type: none"> 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		
2018	2017	2016
–	<ul style="list-style-type: none"> 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. 	–

Additional information regarding main developments in Énergir, L.P.'s business can be found in section O) *Segment Results* on pages 34 to 45 of the Valener 2018 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 Five 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 OF INSTALLED CAPACITY		28 WIND TURBINES 68 MW OF 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.

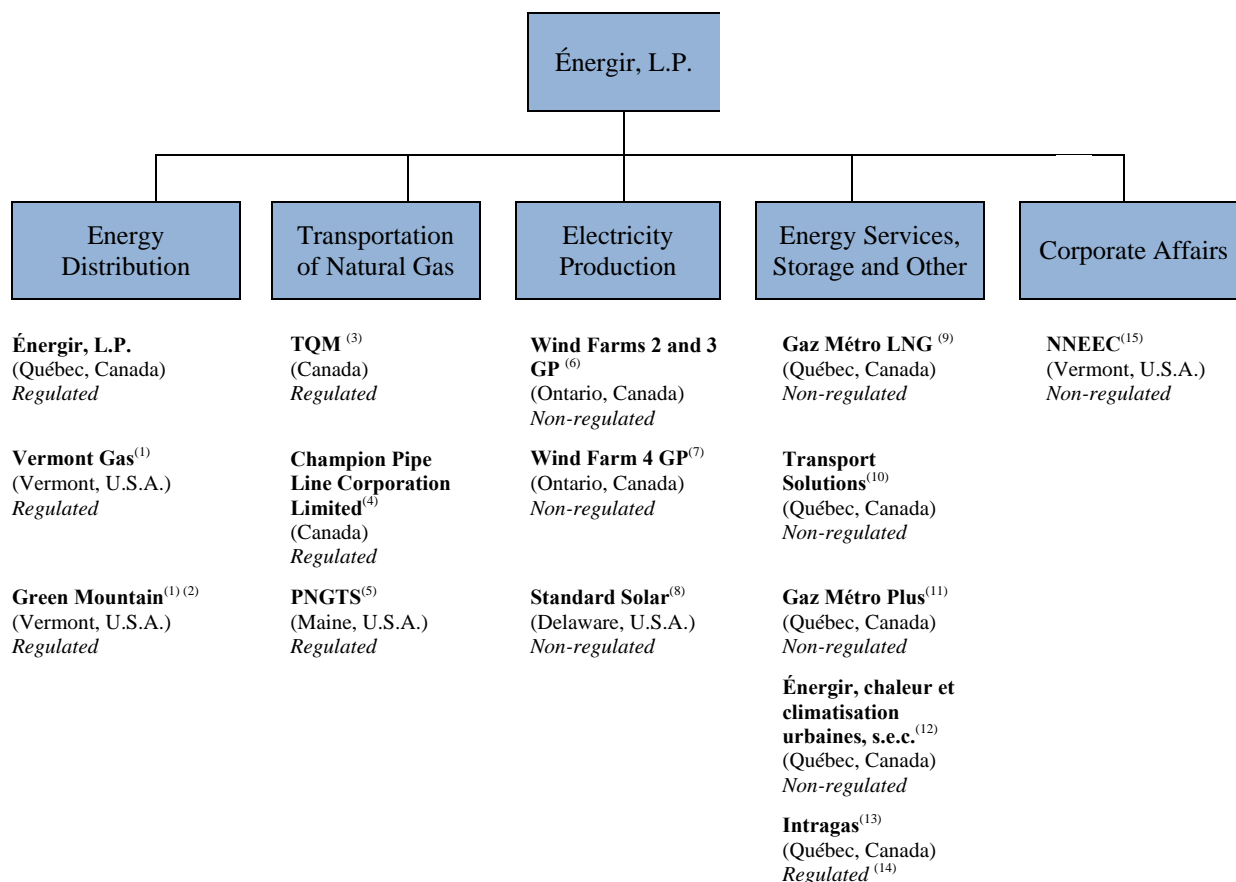
Beaupré Éole (in which Gaz Métro Éole and Valener Éole hold, respectively, a 51.0% and 49.0% interest) and Boralex are equal-share partners in two wind farms with an installed capacity of 272 MW on private lands of the Seigneurie de Beaupré, namely Wind Farms 2 and 3. Wind Farm 2 and Wind Farm 3. All 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 on the private lands of the Seigneurie de Beaupré, Wind Farm 4. 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 7, 24 and 42 of the Valener 2018 MD&A.

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

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



(1) Wholly owned by NNEEC.

(2) Green Mountain holds a significant ownership interest in Transco (direct and indirect totalling 73.6%) and in Velco (38.8% direct).

(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.

(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 CDH Solutions & Operations Limited Partnership, a wholly owned subsidiary of Gaz Métro Plus.

(13) 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.

(14) Only the activity of Intragas, Limited Partnership is regulated. The activities of the other enterprises of the Intragas Group are not regulated.

(15) 96.34%-owned by Énergir L.P. and 3.66% owned by NNEEC Québec Inc., wholly owned subsidiary of Énergir L.P.

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 Valener 2018 MD&A (available on the SEDAR website at www.sedar.com and on Valener's website at www.valener.com), which should be read in conjunction with the Valener 2018 Financial Statements (and the Énergir, L.P. 2018 Financial Statements also available on the SEDAR website).

One of Énergir L.P.'s core businesses is the distribution of natural gas in Québec (included in the Energy Distribution Segment). In fiscal year 2018, this activity generated approximately 67.0%⁽⁵⁾ of the consolidated net income attributable to the partners of Énergir, L.P., as compares to approximately 61.0%⁽⁶⁾ of the consolidated net income attributable to the partners of Énergir, L.P. in fiscal year 2017. 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, 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

(5) Consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2018 includes a \$23.0 million unfavourable impact related to the December 2017 U.S. Tax Reform as well as a \$4.3 million gain generated by the sale, by Gaz Métro Plus, of its assets associated with the server hosting activities. For more information on these items, see the 2018 MD&A. Had it not been for these items, this percentage for fiscal year 2018 would have been approximately 62.0%.

(6) 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 2018 MD&A. Had it not been for this item, this percentage for fiscal year 2017 would have been approximately 65.0%.

the cost of 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 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.

Énergir, L.P. applied a Régie-approved performance incentive mechanism, which set out a rate setting formula, until that mechanism expired on September 30, 2012. 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 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 34 to 36 of the Valener 2018 MD&A.

(b) Main Decisions by the Régie

Additional information regarding the main decisions by the Régie, particularly in connection with the 2019 rate case, can be found in section O) *Segment Results* on pages 35 and 36 of the Valener 2018 MD&A as well as in Note 5 to the Énergir, L.P. 2018 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 Énergir, L.P.* on pages 26 to 28 of the Valener 2018 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 2018, direct purchases accounted for approximately 60.6% of all volumes delivered to Énergir, L.P.'s customers, compared to approximately 62.7% during the previous year.

(c) System Gas

System Gas deliveries accounted for approximately 39.4% of all deliveries during fiscal year 2018, compared to approximately 37.3% 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 2018, Énergir, L.P. acquired 31.0%⁽⁷⁾ of the natural gas required to service its System Gas customers at the Empress Hub (Alberta) (compared to 40.0% during the previous fiscal year), and 66.8% at the Dawn Hub (Ontario) (compared to 57.4% during the previous fiscal year), 2.1% at the Parkway Hub (Ontario) (compared to 2.6% during the previous fiscal year⁽⁸⁾) and 0.1% in Québec⁽⁹⁾ (compared to 0.0% during the previous fiscal year).

(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, 2024.

(7) Although Énergir, L.P. moved its principal natural gas receipt point from Empress (Alberta) to Dawn (Ontario) on November 1, 2016, certain contracts for transportation from Empress were still in effect in fiscal year 2018.

(8) The 2017 Annual Information Form indicated that Énergir, L.P. had acquired 60.0% at the Dawn Hub (Ontario). It should have indicated that Énergir, L.P. had acquired 57.4% at the Dawn Hub (Ontario) and 2.6% at the Parkway Hub (Ontario).

(9) The natural gas acquired in Québec was refined biogas and renewable natural gas.

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), Dawn (Ontario) and Parkway (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 Énergir, L.P.* and O) *Segment Results* on pages 26 to 28, 41 and 42 of the Valener 2018 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

(a) Normalized Deliveries

For fiscal years 2018 and 2017, 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 ⁽¹⁰⁾								
	Deliveries (10 ⁶ m ³)		% of Gas Delivered by Market		Revenues (millions of \$)		% Revenues by Market	
	2018	2017	2018	2017	2018	2017	2018	2017
Industrial Market								
- Firm service	3,603.1	3,453.2	59.1	58.6	497.2	510.8	34.6	34.3
- Interruptible service	259.1	246.5	4.3	4.2	16.5	16.4	1.2	1.1
Commercial Market	1,630.6	1,616.2	26.8	27.4	623.6	658.0	43.5	44.2
Residential Market	600.0	578.0	9.8	9.8	297.9	305.0	20.7	20.5
TOTAL	6,092.8	5,893.9	100.0	100.0	1,435.2	1,490.2	100.0	100.0

In fiscal year 2018, normalized natural gas deliveries therefore increased by 3.4% compared to the preceding fiscal year.

(b) Competitive Position

Fiscal year 2018 was marked by an overall drop in Énergir, L.P.'s supply price (System Gas price). While Énergir, L.P.'s supply price stood at \$3.47/Gj in September 2018, in October 2017 it was \$3.43/Gj (and therefore less than the \$3.87/Gj average for the previous fiscal year), resulting in a 14.7% decline in the annual average natural gas supply price compared to fiscal year 2017.

In fiscal year 2018, fuel oil prices increased significantly compared to the previous fiscal year. Between October 2017 and September 2018, No. 2 fuel oil (also called light fuel oil) traded at an average price that was 26.0% higher than during the previous fiscal year. The price of No. 6 fuel oil (also called heavy fuel oil) was 27.0% higher than during the previous fiscal year.

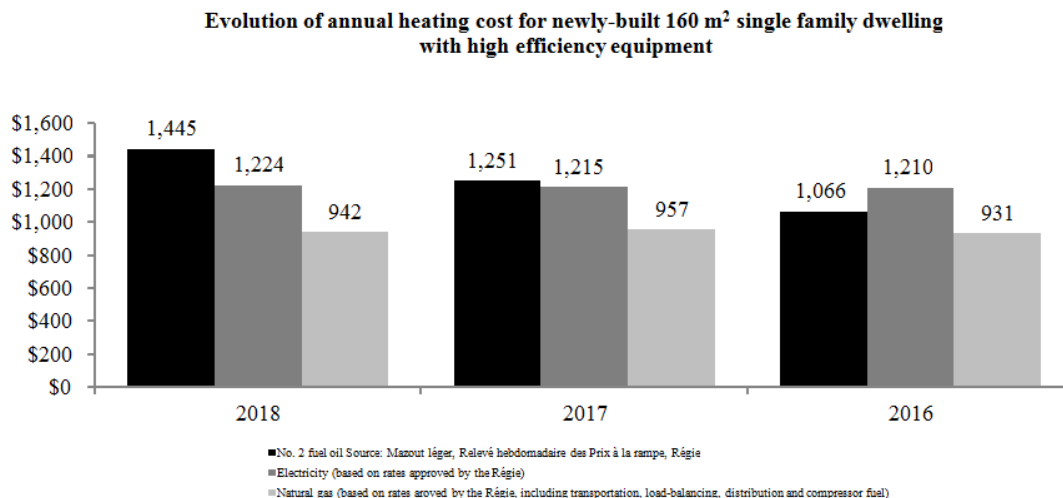
Residential Market

The decrease in the annual cost of using natural gas during fiscal year 2018 slightly improved natural gas's competitive position in relation to electricity compared with the previous fiscal year. Based on the annual cost recorded for fiscal year 2018, 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 15.0% and 32.0% depending on the size and age of the dwelling, compared with savings of between 14.0% and 29.0% for the previous fiscal year.

(10) In fiscal year 2018, some customers were reclassified owing to their consumption. The data for fiscal year 2017 were therefore amended to reflect the new classification.

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 29.0% to 41.0%, compared to savings of about 17.0% to 31.0% for the previous fiscal year. The competitive position of natural gas over No. 2 fuel oil was greater than during the previous fiscal year due mainly to the significant 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 single-family dwelling during the fiscal years 2016 to 2018:



Commercial Market

Based on the annual costs recorded in fiscal year 2018, natural gas maintained its competitive advantage in the Commercial Market.

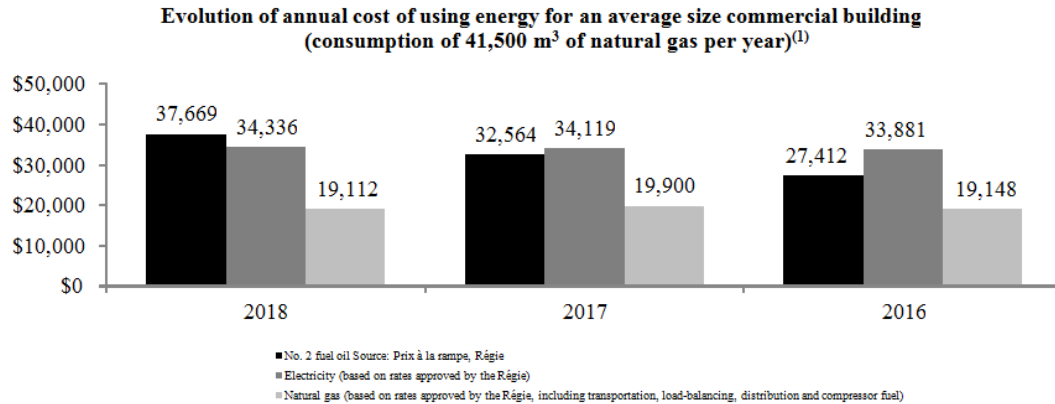
In this market, customers consuming less than 100,000 m³ annually generated savings of anywhere between 32.0% and 45.0% compared to electricity. These savings ranged from approximately 44.0% to 51.0% for customers consuming between 100,000 m³ and 400,000 m³ annually, and about 51.0% to 54.0% for customers consuming more than 400,000 m³ annually. By comparison, in fiscal year 2017, savings varied between 30.0% and 42.0% for customers consuming less than 100,000 m³ annually, about 41.0% to 47.0% for customers consuming between 100,000 m³ and 400,000 m³ annually, and about 47.0% to 51.0% for customers consuming more than 400,000 m³ annually.

Despite this favourable situation for natural gas, Hydro Québec's off peak marginal rate of 3.70¢ 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 2018, natural gas enjoyed a very favourable competitive position over No. 2 fuel oil. For customers consuming less than 100,000 m³ annually, the savings ranged from about 40.0% to 53.0%. They stood at about 52.0% to 56.0% for customers consuming between 100,000 m³ and 400,000 m³ annually and about 56.0% to 59.0% for customers consuming more than 400,000 m³ annually. By comparison, in fiscal year 2017, the savings ranged from about 30.0% to 42.0% for customers who consumed less than 100,000 m³, about 40.0% to 46.0% for customers whose annual consumption was

between 100,000 m³ and 400,000 m³, and about 46.0% to 49.0% for customers whose annual consumption was more than 400,000 m³. The competitive position of natural gas over No. 2 fuel oil was greater than during the previous fiscal year owing mainly to the major 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 2016 to 2018:

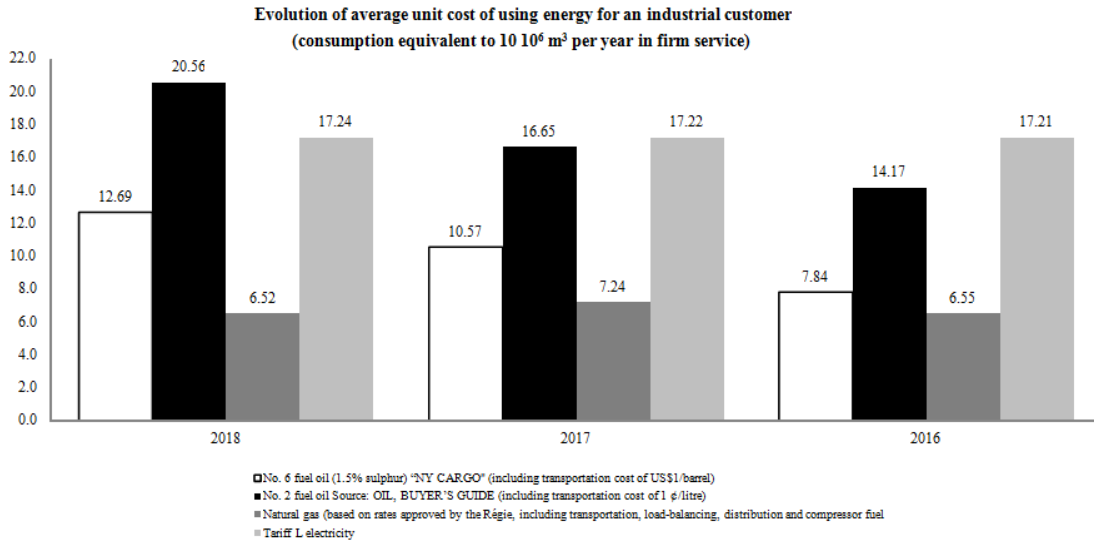


- (1) For purposes of calculating the competitive position on the Commercial Market, the analysis consisted of determining the annual cost of using the electricity and No. 2 fuel oil needed to produce the same caloric value as would be generated by using 41,500 m³ of natural gas per year.

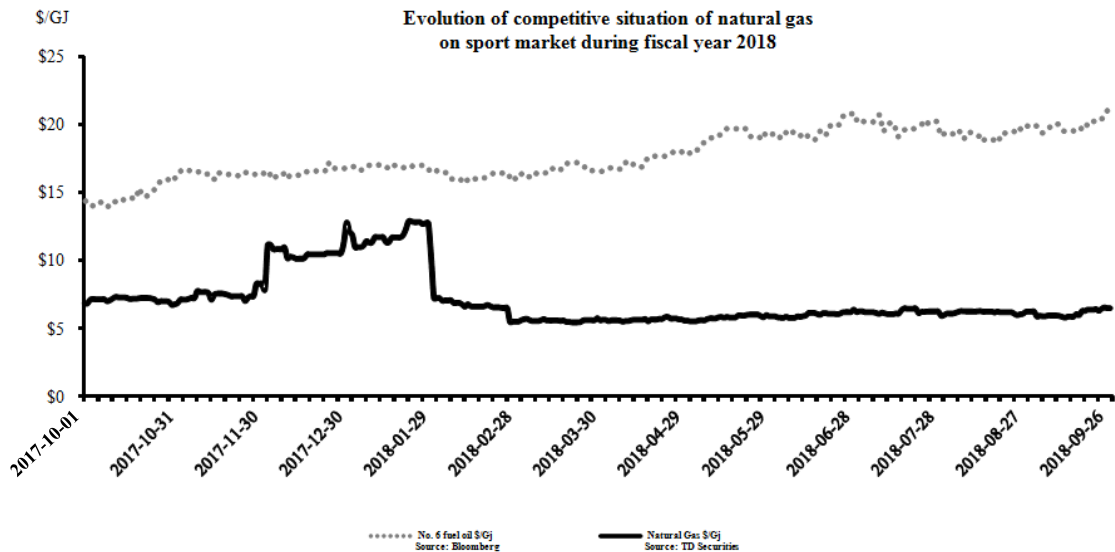
Industrial Market

In fiscal year 2018, 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 mainly to the significant increase in petroleum product prices. In most cases, 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 System Gas customer during the fiscal years 2016 to 2018:



In the spot market, natural gas held its advantage against No. 6 fuel oil throughout fiscal year 2018. Natural gas had also benefited from a favourable competitive position throughout the previous fiscal year.



Moreover, in the case of the Commercial Market and the Industrial Market customers who purchase their natural gas directly (as a vast majority of the Industrial Market customers do), the cost savings data vary based, among other things, on the terms and conditions of their supply contracts.

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 2018. 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 2018. In its 2019 rate case, Énergir, L.P. anticipated investments of up to more than \$47.3 million for the continued implementation of this asset management approach.

Moreover, Énergir, L.P. complies, among other things, with that portion of standard CAN/CSA Z662 "Oil and Gas Pipeline Systems" that pertains to the implementation of 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. Énergir, L.P. elected to have its system audited by an independent auditor every three years. A certificate attesting that Énergir, L.P.'s system complies with the requirements of this standard was delivered on February 15, 2016. Steps have been taken to obtain a new certificate in winter of 2019.

4.1.1.5 Environmental Protection

(a) Environmental Policy

Under its environmental policy, 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.

(b) ISO 14001-2004 Standard

Since 2000, Énergir, L.P. has had an ISO 14001-certified environmental management system (the "**Environmental Management System**").

Under the 2015 version of ISO 14001, 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 order to maintain its certification, in February 2018 Énergir, L.P. had an independent auditor perform a maintenance audit of its Environmental Management System using the 2015 version of the standard. Based on the results of that audit, it maintained its ISO 14001 certification.

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. As a result, the Environmental Management System makes it possible to set environmental goals and targets,

monitor the results achieved and favour the development of coherent environmental strategic guidelines, among other things.

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 whether certain elements of the Environmental Management System are compliant.

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 2018, the Environmental Management System was rated by Management as comprehensive, relevant and effective. As at the date hereof, the report for fiscal year 2018 is being completed and is expected to be submitted to Management at the beginning of the 2019 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 Board or, if it has deemed it appropriate, to other committees of the 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 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 Ministry of Environment 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 Ministry of Environment. In connection with the agreement with the Ministry of Environment, Énergir, L.P. invested approximately \$440,000 between 2016 and 2018 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 55,222 tonnes CO₂ eq⁽¹¹⁾ during the 2017 calendar year, representing a 14.0% increase in GHG emissions compared to 2016. This increase is due mainly to recent changes in the activities of the LSR Plant and two major breakdowns on its transmission system.

Furthermore, in order to reduce GHG emissions attributable to the natural gas it distributes, Énergir, L.P. has (i) identified or taken measures to increase the quantity of renewable natural gas injected in its system, and (ii) initiated a responsible gas supply mechanism the goal of which is to improve the traceability of its natural gas supplies (by, among other things, purchasing natural gas directly from producers) and to favour producers who demonstrate they have adopted some of the best practices to reduce the impacts of their operations, notably in terms of methane emissions.

2013-2020 Climate Change Action Plan

The Government of Québec has adopted the 2013-2020 Climate Change Action Plan (“CCAP 2020”) in 2012. Various programs have been instituted to reduce GHG emissions and strengthen Québec’s ability to adapt to the effects of climate change. Énergir, L.P. is closely monitoring the implementation of the priorities defined in the CCAP 2020 to determine how they will influence its growth outlook and competitiveness, if at all.

(e) Sustainability

During fiscal year 2018, Énergir, L.P. published its “2017 Sustainability Report.” It expects to publish its next such report during fiscal year 2020. 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 2017 Sustainability Report, is incorporated herein by reference.

(f) Legislative Framework

Federal

Canada has set itself a GHG emissions reduction target of 30.0% below 2005 levels by 2030.

This is the context in which the Government of Canada adopted the *Greenhouse Gas Pollution Pricing Act* in June of 2018. The act implements carbon pricing that will increase over time. This pricing will apply to the provinces and territories that want to participate or have not developed a carbon pricing system that is aligned with federal standards. According to the *Order Amending Part 2 of Schedule 1 to the Greenhouse Gas Pollution Pricing Act* that came into force on October 19, 2018, this pricing will not apply to the province of Québec.

In addition to the regulation mentioned above, the federal government published its *Clean Fuel Standard Regulatory Framework* designed to reduce annual GHG emission by 30 million tons before 2030. This standard will complement the *Greenhouse Gas Pollution Pricing Act*, and its goal is to reduce carbon intensity across the lifecycle of liquid, gaseous (including natural gas) or solid fuels used in transportation, industry and buildings. The

(11) All Énergir, L.P. GHG emissions figures under Item 4.1.1.5 (d) *Climate Change and GHG* include only (i) its GHG emissions, (ii) fugitive GHG emissions and emissions caused by damage and (iii) 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 Ministry of Environment for calendar year 2017. As such, these figures do not include GHG emissions from Énergir, L.P.’s customers.

requirements will become increasingly stringent over time. The Government of Canada's objective is to ensure that the liquid fuel regulation comes into force in calendar year 2022, and that the regulations that apply to gaseous and solid fuels come into force in calendar year 2023. This regulation should apply to distributors of natural gas, among others, and should provide several options for complying with this standard other than reducing the carbon intensity of fuels, notably by incorporating renewable fuel content in their products. Énergir, L.P. will analyze this regulation's impact once it becomes known.

Concurrently with the development and implementation of this carbon pollution pricing, the Government of Canada is taking additional measures to reduce GHG emissions or fight against climate change. Consequently, under the *Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector)*, some of Énergir, L.P.'s facilities will, among other things, be required to comply with standards governing the quantity of methane released into the atmosphere in the course of its activities and will be subject to three annual leak detection inspections. These new requirements will come into force progressively starting on January 1, 2020.

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

Provincial

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

The Government of Québec implemented CATS which, since January 1, 2014, is connected with California's cap-and-trade system for greenhouse gas emission allowances.

As such, Énergir, L.P.:

- (1) is required to report to the Ministry of Environment (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 pursuant to the ISO 17011 program, 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.

The CATS is subject to a compliance period of three years, with the exception of the first such period which was two years. The second CATS compliance period began on January 1, 2015 and ended December 31, 2017. At the end of each compliance period, every entity subject to the CATS must have at least as many emission allowances in its compliance account as its GHG emissions verified by the independent auditor (as indicated above) during the compliance period in question. Énergir, L.P. has satisfied its obligations for the second compliance period.

(ii) Duties

Under the *Act respecting Transition énergétique Québec*, every energy distributor (including Énergir, L.P.) must pay an annual contribution to Energy Transition Québec to finance its activities, namely the programs and measures necessary to achieve the energy targets defined by the Québec Government. Under the *Regulation respecting the annual share payable to Energy Transition Québec*, 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 Energy Transition Québec and deposited in this Fund during fiscal year 2018 was \$8,937,575, compared to \$4,843,014⁽¹²⁾ for fiscal year 2017.

In fiscal year 2018, 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 (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 2019.

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 36 and 37 of the Valener 2018 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 relatively small quantities 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 renovating natural gas equipment.

4.1.2.1 Green Mountain

(a) 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 2018, 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

(12) The amounts are set by an order-in-council of the Government of Québec. Before this Act came into effect during fiscal year 2017, a portion of the contribution paid by Énergir, L.P. during this fiscal year, was paid to the Ministry of Energy and Natural Resources.

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 49.0% and 50.3% shareholder's equity for fiscal years 2018 and 2017, respectively. Its allowed rate of return was 9.08% and 9.02%, respectively, for the two fiscal years.

(i) Rate Case

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 rate increase of 5.33% partially offset by a year over year residual Power Supply Adjustor decrease of 0.35%, for a net increase in rates of 4.98% for the rate period. On November 9, 2017, Green Mountain reached an agreement with the Vermont Department of Public Service regarding this 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. The agreement was approved by order of the VPUC on December 21, 2017 for rates effective January 3, 2018. On April 13, 2018, Green Mountain filed a traditional rate case for rates to be effective on January 1, 2019. The application requested a nine month rate period through September 30, 2019 to align Green Mountain's rate period with its fiscal year. The application included an allowed rate of return on shareholder's equity of 9.3% on 49.8% equity and a rate increase of 5.45% offset by a 6.0% rate decrease due to a federal income tax savings for a net decrease in rates of 0.5% for the rate period. A decision from the VPUC is expected in December 2018.

(ii) Alternative Regulation Plan

Green Mountain had an Alternative Regulation Plan that expired on December 31, 2017. The Plan's principal elements were similar to previous alternative regulation plans, and included, in pertinent part, the following:

- a 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

- an innovative pilot allowing Green Mountain to offer programs involving products or services, beyond the sale of basic electric service, that advance the State's renewable energy goals.

On May 22, 2017, Green Mountain filed an application seeking temporary continuation of these four elements of the Plan 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 plan. This application was approved by the VPUC on November 29, 2017, and the Interim Plan went into effect January 1, 2018 through December 31, 2018 with an option to petition for extension of that Plan for up to one year. On April 23, 2018, Green Mountain filed an application to extend the term of the Interim Plan until a successor regulation plan goes into effect or by one year, until December 31, 2019, whichever occurs first. On May 24, 2018, the VPUC approved this application.

On June 4, 2018, Green Mountain filed an application for approval of a successor multi-year regulation plan to set Green Mountain's rates and services for three years commencing October 1, 2019 through September 30, 2022. The Multi-Year Regulation Plan application proposes that the traditional rate case filed on April 13, 2018 will serve as the base year for adjustments that will be made in fiscal years 2020 to 2022. The VPUC is expected to issue an order on the application in the summer of 2019. The features of the proposed Multi-Year Regulation Plan are designed to address changes in the energy landscape and include, namely, the following:

- a power supply cost mechanism, under which Green Mountain recovers or credits certain energy costs, similar to the mechanism in the existing Interim Plan but with a new Retail Revenue Adjustor intended to more completely decouple Green Mountain's financial results from short-term changes in retail sales;
- a revised mechanism to recover costs of exogenous factors (like major storms) with annual collection of exogenous costs booked to a regulatory account to improve the predictability and scale of major storm costs given the frequency and severity of storms due to climate change;
- continuation of the synergy savings plan and O&M platform provided for in the existing Interim Plan;
- annual forecasts of non-platform O&M, power and other costs filed three months prior to the rate year;
- fixed capital spending over three-year life of the Multi-Year Regulation Plan with the ability to seek regulatory approval for limited exceptions for extraordinary unforeseen circumstances, to take advantage of new strategic opportunities that would materially benefit customers or to accommodate growth in Green Mountain's innovative programs;
- a mechanism for sharing returns in excess of the return allowed on shareholder's equity;
- sharing of revenue shortfalls when returns are less than those allowed on shareholder's equity; and
- base rate of return indexed off of the return set in the April 13, 2018 rate case with an annual formulaic adjustment.

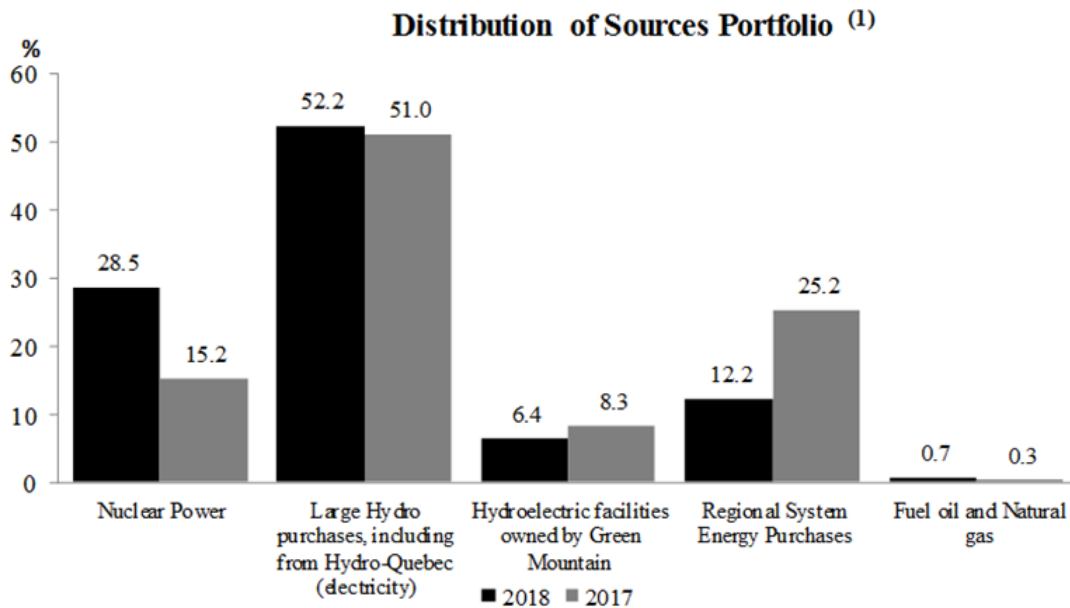
(iii) New Rate Design

On August 3, 2018, Green Mountain filed an application for a new rate design. This proposed rate design seeks to assign just, reasonable, and fair allocations among all classes of Green Mountain’s customers (residential, commercial, and industrial) for the total costs Green Mountain incurs to serve all customers. The proposal recommends a reallocation of less than 4.0% of Green Mountain’s total cost of service. The Proposal also is revenue-neutral such that the total amount Green Mountain collects will not increase even though the allocation to any individual customer class may increase or decrease. Green Mountain filed this proposal to fulfill the requirements of a previous VPUC proceeding which ordered Green Mountain to update its customer class allocations after its last traditional cost of service rate case, which concluded in December 2017.

Additional information regarding Green Mountain’s regulatory framework can be found in section O) *Segment Results* on pages 38 to 40 of the Valener 2018 MD&A.

(b) **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.⁽¹³⁾ The following graph illustrates the breakdown of Green Mountain’s power sources for fiscal years 2018 and 2017:



(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(c)iv Renewable Energy Programs and GHG) and other carbon free-generation attributes were purchased or sold. Accordingly, the amount of energy attributable to the various sources could be significantly lower or higher without consideration of the RECs or other attributes.*

(13) 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.

Green Mountain met essentially all of its load requirements in fiscal year 2018 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 Énergir, L.P.* on page 28 of the Valener 2018 MD&A.

(i) Hydro-Québec Contract

In August 2010, Green Mountain 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. 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. The HQUS contract provides Green Mountain with 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. In fiscal year 2018, 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. Green Mountain also has a long-term contract to purchase renewable energy from Deerfield Wind Power, LLC's southern Vermont facility, which commenced operation December 2017, at stable, long-term prices until 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.

(iv) Electric Facilities

Green Mountain owns 44 small hydroelectric generating facilities throughout New England, and the output of these facilities is included in Green Mountain's supply portfolio.

(v) Kingdom Community Wind Generation Facility

The output generated by the 63 MW Kingdom Community Wind generation facility owned by Green Mountain and located in the Town of Lowell, State of Vermont is included in Green Mountain's supply portfolio.

(c) **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 its facilities. 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 three years, and was recertified on January 10, 2017.

Green Mountain actively seeks out opportunities to minimize the impacts of all wastes through reduction, reuse and recycling. For example, Green Mountain ships retired electrical equipment to facilities capable of decontaminating and recycling nearly all of the component parts and ships waste mineral oil dielectric fluid to a facility that decontaminates and re-refines it for use in new electric equipment. Through these efforts, in calendar year 2017, Green Mountain recycled 25,000 U.S. gallons of oil. Green Mountain will soon begin purchasing bulk mineral oil used for refilling equipment from this same facility resulting in an almost complete elimination of waste at a reduced cost for customers.

(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.

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 2018, Green Mountain incurred approximately US\$777,000 related to such site, compared to approximately US\$692,000 in fiscal year 2017. 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 met or exceeded all three tiers of its calendar year 2017 RES obligations and is well-positioned to comply with the RES and expects to meet the 2018 goals.

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 and retired 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 one 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 and retired.

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\$29.4 million in fiscal year 2018, compared to approximately US\$22.2 million in fiscal year 2017. 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 and energy storage, Green Mountain is in late-stage permitting for three new projects that pair utility-scale solar with battery storage and will be used to target peak loads to reduce power supply and transmission costs for customers. The projects are planned for 2019 commissioning and will complement two solar/storage facilities that were constructed in 2013 and 2016. Green Mountain also has four other utility-scale solar generation facilities in Vermont.

- *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 four 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 (CO₂) 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. RGGI compliance occurs in three-year control periods. RGGI's fourth three-year control period took effect on January 1, 2018 and extends through December 31, 2020. At the end of each control period, each regulated power plant must submit one RGGI CO₂ allowance for each ton of CO₂ emitted over the preceding three years. Green Mountain anticipates purchasing approximately 10,000 CO₂

allowances in fiscal year 2019 for approximately US\$50,000, allowing it to offset at least 50.0% of the total expected CO₂ emissions of the Berlin facility for the fourth control period.

(d) 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, 2018, approximately US\$21.4 million had been invested in the CEED Fund, and approximately US\$6.6 million of that amount has been recovered from customers through Green Mountain’s rates, totalling a net amount of US\$14.8 million.

(e) Equity Interest in Transco and VELCO

As at September 30, 2018, Green Mountain owned a 72.07% direct ownership interest in Transco⁽¹⁴⁾ 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 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.

(f) Customers and Competitive Position

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 2018 and 2017:

(14) VELCO has a 3.97% direct ownership interest in Transco. Green Mountain’s indirect ownership interest in Transco through VELCO, together with its direct ownership interest, totals 73.6%.

Electricity Deliveries and Revenues Generated								
	Deliveries (in GWh)		% Of GWh Delivered by Customer Class		Revenues (millions of US\$)		% Revenues by Customer Class	
	2018	2017	2018	2017	2018	2017	2018	2017
Residential Customers	1,520.5	1,463.0	36.0	35.3	269.5	249.0	43.6	42.9
Small & Medium Consumption Commercial & Industrial Customers	1,527.4	1,504.7	36.2	36.4	227.4	214.7	36.8	37.0
High Consumption Commercial & Industrial Customers	1,166.9	1,168.9	27.7	28.2	118.6	114.2	19.2	19.7
Other Customers	4.1	4.5	0.1	0.1	2.5	2.5	0.4	0.4
TOTAL	4,218.9	4,141.1	100.0	100.0	618.0	580.4	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.

Green Mountain's largest customer, GlobalFoundries Inc., accounted for 9.6% of megawatt hour deliveries, and 6.1% of retail revenues for the period of October 1, 2017 to September 30, 2018. The next largest customer accounted for 4.4% of megawatt hour deliveries, and 2.7% of retail revenues for the period of October 1, 2017, to September 30, 2018. Only one other customer accounts for more than or equal to 1.0% of its megawatt hour deliveries.

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, 2018, approximately 157 MW of self-generation was installed on behalf of Green Mountain's customers, compared to approximately 130 MW in fiscal year 2017. This represented approximately 4.0% of Green Mountain's total deliveries in fiscal year 2018, compared to approximately 3.0% in fiscal year 2017, 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 July 2018. 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 partnerships and innovative products and services can be found in section O) *Segment Results* on page 41 of the Valener 2018 MD&A.

(g) Nuclear Investments

Green Mountain has a 1.7% ownership interest in Unit #3 of the Millstone Nuclear Power Station, a 1,229 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 Energy 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 currently sufficiently funded 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, 2018. 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 years 2018 and 2017. Its authorized rate of return on common equity was 8.50% for fiscal years 2018 and 2017.

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 38 and 39 of the Valener 2018 MD&A.

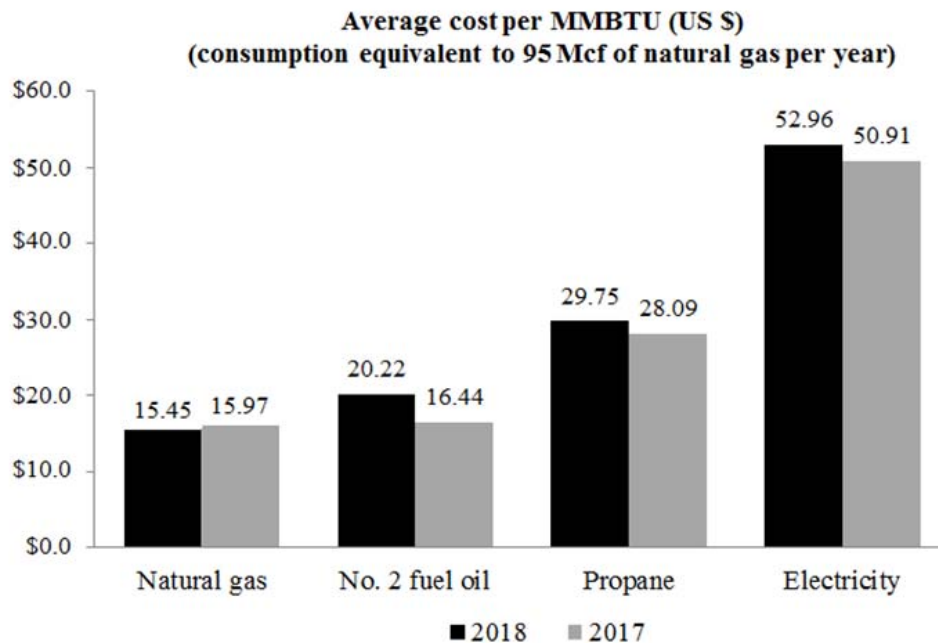
(b) Supply Sources and Storage

Vermont Gas obtains all of its natural gas supply from Canada. During fiscal year 2018, Vermont Gas had four 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 2018, Vermont Gas delivered 13.0 Bcf of natural gas to its customers, compared to 12.0 Bcf in fiscal year 2017. The marked increase in Bcfs in fiscal year 2018 is explained primarily by the colder weather as well as the increased use by a large industrial customer. Based on Vermont Gas and Green Mountain VPUC-approved residential rates and Vermont-specific data from the Vermont Department of Public Service for No. 2 fuel oil and propane, the average cost per MMBTU in fiscal years 2018 and 2017 was as follows:



(d) Energy Efficiency

Since the early 1990s, Vermont Gas has offered a comprehensive portfolio of energy efficiency programs. In fiscal year 2018, Vermont Gas invested almost US\$2.8 million in its energy efficiency programs, an amount similar to the amount invested in fiscal year 2017. In fiscal year 2018, annual savings were in excess of approximately 0.0584 Bcf, compared to annual savings of approximately 0.07870 Bcf in fiscal year 2017. Fiscal year 2018 exceeded the participants of fiscal year 2017 by more than 20.0% but fell short in commercial savings due to smaller sized customers participating. The residential programs exceeded fiscal year 2017 savings by almost 65.0% due to i) custom residential projects, which are projects unique to the residential customers and differentiate from Vermont Gas' more prescriptive programs like rebates for equipment replacement or smart thermostats, as well as ii) an increase in the number of participants.

Since the inception of the energy efficiency programs, Vermont Gas has assisted close to 36,000 of its customers through programs covering equipment replacement, retrofit and new constructions. Vermont Gas has completed two full years operating as an Energy Efficiency Utility and is currently in its third year of providing 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. system. 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.

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 northwestern 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 established at 46.0% for fiscal year 2018 (the same as for fiscal year 2017); its authorized rate of return was 8.29% for fiscal year 2018 (8.36% for fiscal year 2017).

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's 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.

PNGTS

Additional information regarding the regulatory framework of TQM and the systems reinforcement projects of TQM and PNGTS can be found in section O) *Segment Results* on page 42 of the Valener 2018 MD&A.

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, as well as the activities of Standard Solar.

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., based in Maryland, is a vertically integrated American corporation in the U.S. solar power industry. It is active in the commercial, institutional and industrial markets and operates in multiple states in the U.S.

Standard Solar develops and owns solar power systems, the power from which is sold to customers that have signed long-term power-purchase agreements. Standard Solar also 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.

Additional information regarding Standard Solar can be found in section O) *Segment Results* on page 43 of the Valener 2018 MD&A.

4.4 ENERGY SERVICES, STORAGE AND OTHER

4.4.1 Energy Services and Other

Énergir L.P., through its subsidiaries, (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 Montréal 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. Gaz Métro LNG continues to market, both

inside and outside Québec, the LNG produced using the LSR Plant's new infrastructure. Short- and medium-term contracts have been signed with various customers, including natural gas distributors. The various initiatives of Gaz Métro LNG include:

- developing a market for LNG as marine fuel: agreements were entered into with Groupe Desgagnés and Société des traversiers du Québec to supply their ships and to participate in the development of the existing LNG supply solution for the Montréal and Québec City ports;
- using LNG as an alternative to fuel oil in the industrial and mining markets: a pilot project with ArcelorMittal to convert a portion of its manufacturing procedure to LNG began in November 2018; and
- developing the U.S. market: canvassing for new customers and maintaining existing contractual relations.

4.4.1.2 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 and maritime 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.

4.4.1.3 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 and services associated with the installation, sale, rental, maintenance and repair of natural gas equipment. This subsidiary is also active in the residential, commercial and institutional market.

Énergir, chaleur et climatisation urbaines s.e.c., an indirect wholly owned subsidiary of Gaz Métro Plus, owns and operates three separate steam, hot water and cool water networks that are used to meet the heating, hot water and air conditioning needs of office towers, shopping centres, hotels, railroad stations, campuses and prestige apartments. Its network extends over three kilometers and services 1.8 million m² of commercial area in downtown Montréal.

4.4.2 Storage

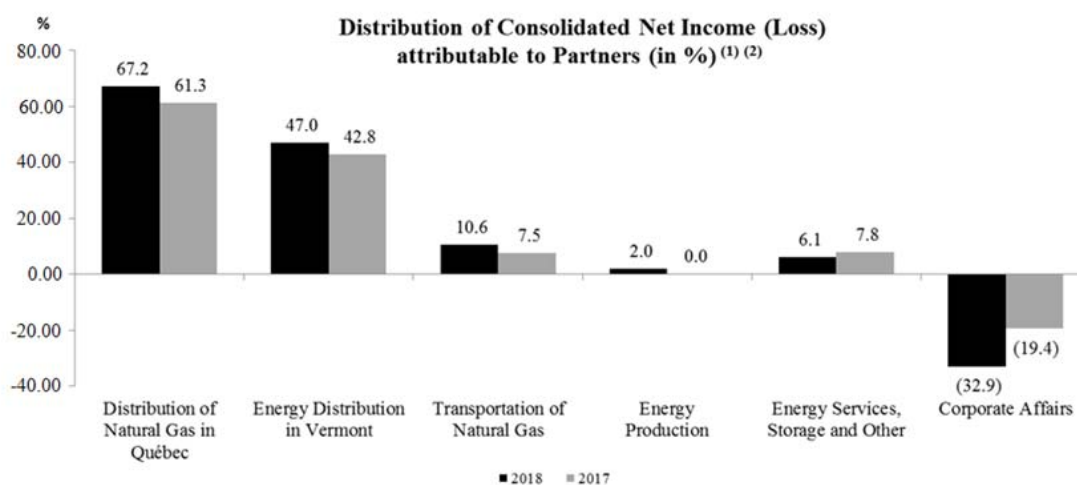
Énergir, L.P. owns an indirect interest in Intragas, whose main activity is underground natural gas storage. This activity fits within Énergir, L.P. overall mission, as natural gas storage is an integral part of its supply chain. The respective ownership interests of Énergir, L.P. and ENGIE, the other 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' only customer. Intragas sets its rates using the cost-of-service method.

4.5 CORPORATE AFFAIRS

Among other things, this segment includes the activities of NNEEC, a subsidiary in which Énergir, L.P. and NNEEC Québec Inc. respectively hold an 96.34% and 3.66% interest (NNEEC Québec Inc. being a wholly owned subsidiary of Énergir, L.P.), and includes the costs incurred to finance the interests held by Énergir, L.P. and NNEEC as well as the development costs of certain Énergir, L.P. projects.

4.6 CONSOLIDATED NET INCOME BY BUSINESS SEGMENT



- (1) Consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2018 includes a \$23.0 million unfavourable impact related to the December 2017 U.S. Tax Reform as well as a \$4.3 million gain generated by the sale, by Gaz Métro Plus, of its assets associated with server hosting activities. For more information on these items, see the 2018 MD&A. Had it not been for these items, the distribution of consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2018 would have been as follows: Distribution of Natural Gas in Québec, 61.8%; Energy Distribution in Vermont, 45.5%; Transportation of Natural Gas, 8.6%; Electricity Production, 1.9%; and Energy Services, Storage and Other, 3.8%.

Consolidated net income attributable to the partners of Énergir, L.P. relating to Corporate Affairs was (-32.9%) for fiscal year 2018. Had it not been for the items described above, consolidated net income attributable to the partners of Énergir, L.P. for fiscal year 2018 relating to Corporate Affairs would have been (-21.6%).

- (2) In the first quarter of fiscal year 2018, changes were made to the financial reporting structure for segment disclosures to reflect the manner in which it is analyzed by Management. Data for fiscal year 2017 were therefore reclassified in order to comply with the new reporting structure adopted. 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 2018 MD&A. Had it not been for these items, 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, 64.7%; Energy Distribution in Vermont, 45.2%; Transportation of Natural Gas, 7.9%; Electricity Production, (0%); and Energy Services, Storage and Other 2.8%.

Consolidated net income attributable to the partners of Énergir, L.P. relating to Corporate Affairs was (-19.4%) 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 (-20.6%).

Additional information regarding Énergir, L.P.'s consolidated net income and assets can be found in Note 22 to the Énergir, L.P. 2018 Financial Statements.

ITEM 5 HUMAN RESOURCES MANAGEMENT

As at September 30, 2018, Valener did not have any employees.

As at September 30, 2018, Énergir, L.P. had, on a consolidated basis, 2,312 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.	1,508	894	3
→ Green Mountain	511	278	1
→ Vermont Gas	127	42	1
Natural Gas Transportation⁽¹⁾	0	0	0
Electricity Production	59	0	0
Energy Services, Storage and Other	103	61	4
Corporate Affairs	4	0	0
Total:	2,312	1,275	9

(1) This segment has no employees owing to the existence of services 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 renewed on December 11, 2017, effective retroactively to September 1, 2015, and will be in effect until August 31, 2020. The collective agreement for sales representatives, who are also affiliated with the SEPB-Québec union, was renewed on September 18, 2018, and will remain in effect until September 30, 2021. 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 was renewed on January 1, 2018, and will be in effect until December 31, 2022. The collective agreement for the unionized employees of Vermont Gas was renewed on June 1, 2018, and will be in effect until May 31, 2023.

The businesses of the Energy Services, Storage and Other segment are party to four collective agreements. One of the collective agreements for the employees of that segment will remain in effect until May 13, 2019, another will be in effect until August 31, 2019, a third will be in effect until December 31, 2018, and the fourth will be in effect until March 31, 2022.

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 were once again 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, 2018 and 2017 are included in the Valener 2018 MD&A, which should be read in conjunction with the Valener 2018 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, 2018	Year ended September 30, 2017	Year ended September 30, 2016
Dividends declared on the Common Shares (\$ millions)	45.3	43.8	41.6
Dividends per Common Share declared to the shareholder (\$)	1.16	1.13	1.08

6.1.3 Declaration of Dividends on Series A Shares

For the fiscal years ended on September 30, 2018, 2017 and 2016, Valener declared the following dividends on Series A Shares.

	Year ended September 30, 2018	Year ended September 30, 2017	Year ended September 30, 2016
Dividends declared on the Series A Shares (\$ millions)	4.6	4.4	4.4
Dividends per Series A share declared to the shareholders (\$)	1.155	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 2018:

Date dividend declared	Date dividend paid	Amount of dividend per Common Share (in \$)	Cash amount (in millions of \$)
November 24, 2017	January 15, 2018	0.29	9.7
February 8, 2018	April 16, 2018	0.29	9.7
May 9, 2018	July 16, 2018	0.29	9.7
August 8, 2018	October 15, 2018	0.29	9.8

These cash dividends declared during fiscal year 2018 to the holders of Common Shares and the Common Shares issued under the DRIP, represent a total amount of \$1.16 per Common Share for fiscal year 2018.

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 22, 2018, the Valener Board approved an increase of the annual dividend from \$1.16 to \$1.20 per Common Share. Also, it declared a quarterly dividend of \$0.30 per Common Share payable on January 15, 2019 to the common shareholders of record at the close of business on December 31, 2018.

Item 1.2.4.4 *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 2018:

Date dividend declared	Date dividend paid	Period covered	Amount of dividend per Series A Preferred Share (in \$)	Cash amount (in millions of \$)
November 24, 2017	January 15, 2018	October 17, 2017 to January 15, 2018	0.288750	1.2
February 8, 2018	April 16, 2018	January 16, 2018 to April 16, 2018	0.288750	1.2
May 9, 2018	July 16, 2018	April 17, 2018 to July 16, 2018	0.288750	1.2
August 8, 2018	October 15, 2017	July 17, 2018 to October 15, 2018	0.288750	1.2

On November 22, 2018, the Valener Board also declared a dividend of \$0.28875 per Series A Share, for the period of October 16, 2018 to January 15, 2019, payable on January 15, 2019 to the holders of Series A Shares of record at the close of business on January 8, 2019.

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 2018 was 2.0%. The Valener Board also approved a discount of 2.0% for the dividend declared on November 22, 2018 and payable on January 15, 2019.

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, 2018 and 2017 are included in the Valener 2018 MD&A, which should be read in conjunction with the Énergir, L.P. 2018 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 1.2.4.4 *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		
	2018	2017	2016
Distributions declared to partners (in millions of \$)	206.16	198.36	194.01
Distributions per Unit declared to partners (in \$)	1.20	1.17	1.16

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 entered into an amended and restated credit agreement with the Bank of Montreal and a syndicate of lenders. This credit agreement was initially entered into on September 30, 2010 and authorized a \$200 million term loan maturing on September 30, 2020 that is secured by the Units and the Valener Éole shares held by Valener. Subject to the lenders' approval, the expiry date of this credit agreement may be extended annually by one year. In April 2018, the expiry date of this credit agreement was once again extended by a year, to March 2023. Pursuant to the terms of this credit agreement, Valener is required to maintain a minimum level of ownership in Énergir, L.P. and Beaupré Éole, 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.

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 September 14, 2018, Green Mountain entered into a credit agreement with KeyBank National Association and a syndicate of lenders for US\$140 million that expires on September 13, 2021. The term of this credit agreement can be extended annually for one year on notice by the lenders to Green Mountain, subject to the latter's acceptance.

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 April 2018, the expiry date of this credit agreement was extended by a year, to March 2023. The credit agreement is 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 September 19, 2018, Green Mountain entered into a Bond Purchase Agreement with investors. Under this agreement it issued, by way of private placement, first mortgage bonds for an aggregate principal amount of US\$45.0 million, namely a series for US\$25.0 million issued on September 19, 2018, and a series for US\$20.0 million issued on December 3, 2018. These bond series yield interest at an annual rate of 3.84% and 4.20%, respectively, and will mature on September 19, 2030 and December 3, 2048, respectively.

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 67 of the Valener 2018 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 2018:

Common Shares

VNR/TSX (Source: Bloomberg)				
	High (\$)	Low (\$)	Close (\$)	Volume (shares)
October 17	22.37	21.91	22.15	650,298
November 17	23.14	21.95	23.11	721,167
December 17	23.28	22.51	22.71	768,195
January 18	22.87	21.98	22.37	817,106
February 18	22.36	20.12	20.52	1,557,126
March 18	21.21	20.10	20.22	808,544
April 18	20.73	19.73	20.13	970,174
May 18	20.81	20.03	20.47	771,771
June 18	20.86	19.96	20.22	1,015,385
July 18	20.48	20.00	20.21	940,169
August 18	20.68	19.98	20.05	1,592,858
September 18	20.11	19.00	19.09	1,453,216

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 2018:

VNR.PR.A/TSX (Source: Bloomberg)				
	High (\$)	Low (\$)	Closing (\$)	Volume (shares)
October 17	23.49	22.92	23.49	286,407
November 17	24.77	23.39	24.65	69,691
December 17	25.06	24.28	25.02	45,318
January 18	25.46	24.90	25.00	99,751
February 18	25.11	24.20	24.52	39,938
March 18	24.88	24.45	24.63	28,391
April 18	24.69	24.35	24.55	300,880
May 18	24.95	24.51	24.95	31,480
June 18	28.31	24.80	24.95	27,250
July 18	25.04	24.33	25.04	58,940
August 18	25.16	24.80	25.15	41,922
September 18	25.06	24.44	24.75	35,370

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, 2018, there were 39,179,713 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, 2018, 4,000,000 Series A Shares were issued and outstanding.

As at September 30, 2018, 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) Description of Series A Shares

(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 April 16, 2018, 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.

This credit rating is not a recommendation to buy, sell or hold securities positions 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. No additional payment was made to 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, 2018.

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 1.2.4.5 *Representation on the Énergir Inc. Board*.

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

Name and place of residence ⁽¹⁾	Principal Occupation	Director since
Mary-Ann Bell Québec, Canada	Corporate Director	January 13, 2014
François Gervais Québec, Canada	Corporate Director	September 10, 2010
Gwen Klees Québec, Canada	Senior Vice president, Business Support, Ovivo Inc.	August 10, 2016
Pierre Monahan Québec, Canada	Corporate director and corporate management consultant	June 15, 2010
Serge Régnier Québec, Canada	Corporate Director	March 21, 2017

(1) All of the directors are also members of the Audit Committee, which is the only Board Committee.

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 voting on any matter that could affect his or her interest. These rules are strictly followed. For additional information, see Item 9.5 *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.

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 1.2.4 *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 Éric Lachance, Senior Vice President, Regulatory, IT, Logistics 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.

Ms. Brochu has held the position indicated hereinabove for the past five years. Mr. Lachance has held the position of regional director for Europe from January 2014 to December 2016 at CDPQ Paris, a subsidiary of the Caisse de dépôt et placement du Québec, where he held various positions until January 2014.

9.3 SHAREHOLDING OF THE DIRECTORS AND OFFICERS

As at September 30, 2018, all of the directors and officers of Énergir Inc., acting as general partner of the Manager, were the beneficial owners, directly or indirectly, or had control over 67,437 Common Shares, representing approximately 0.17% of the issued and outstanding Common Shares.

9.4 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

The directors of Valener and officers of Énergir Inc., as general partner of the Manager, have stated that there are no corporate cease trade orders or bankruptcies of public corporations of which they are or have been a director or officer within the 10 years preceding the date hereof.

9.5 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 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.

9.6 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 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 10.1.1 *Audit Committee Charter and Mandate*.

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:

<p>Mary-Ann Bell</p>	<p>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. During her career, she participated in different trainings related to finance, including at École des HEC and Harvard University. 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 also sits on the boards of Cogeco Inc., where she has been a member of the Audit Committee since January 2018, of Nav Canada, where she was a member of the Audit Committee from June 2014 to March 2015, and of the IGOPP, where she chairs the Audit Committee. She was a member of the board of Cominar Inc., where she was a member of the Audit Committee from November 2012 to May 2017, and has chaired the Board of Directors and its Audit Committee. She has also chaired the Énergir Inc. Audit Committee since January 2018.</p>
<p>François Gervais</p>	<p>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. 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.</p>

Gwen Klees	Ms. Gwen Klees is an executive officer at Ovivo Inc., where she serves as Senior Vice President, Business Support. Ms. Klees has participated in many mergers and acquisitions over the course of her career. She has been a member of Ovivo inc.'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.
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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 a member of the Énergir Inc. Audit Committee.
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Serge Régnier	Mr. Serge 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.
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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 2018, 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.

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 2018.

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 2018, 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 2018 and 2017:

Fees (by category)	2018 (\$)	2017 (\$)
Audit fees	55,700	53,000
Audit-related fees	-	-
Tax fees	-	2,000
All other fees	-	-
Total	<u>55,700</u>	<u>55,000</u>

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 2018 and 2017:

Fees (by category)	2018 (\$)	2017 (\$)
Audit fees	1,725,004	1,741,565
Audit-related fees	103,390	115,285
Tax fees	54,420	53,989
All other fees	69,229	118,051
Total	<u>1,952,043</u>	<u>2,028,890</u>

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, 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 2018 Financial Statements and the Énergir, L.P. 2018 Financial Statements.

10.3 MATERIAL CONTRACTS

Material contracts entered into by Valener or its subsidiaries and in effect as at September 30, 2018 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 1.2.4 *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, 2018, Énergir, L.P. billed Valener \$0.7 million, the same amount as in fiscal year 2017.

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, 2018, the same amount as in fiscal year 2017.

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,⁽¹⁵⁾ 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, 2018, 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

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

Projects option agreement.⁽¹⁶⁾ 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, 2018, no expenses were charged to Valener for the Second Additional Services Agreement for the Seigneurie Project.

10.3.6 Credit Agreement

On September 30, 2015, Valener entered into a credit agreement with the Bank of Montreal and a syndicate of lenders, secured by the Units and shares of Valener Éole held by Valener, which agreement was amended on April 6, 2018, as more fully described under item 6.3.1 *Valener's Financial Management*.

10.3.7 Financing of Wind Farms 2 and 3

On May 3, 2016, Wind Farms 2 and 3 GP entered into an amended and restated credit agreement for non-recourse refinancing of Wind Farms 2 and 3 for a total amount of \$617.5 million consisting 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 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 and in effect as at September 30, 2018:

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 guaranteed by Énergir, L.P. as regards payment of principal and interest, and 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

(16) 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.

guaranteed by Énergir, L.P. as regards payment of principal and interest, and 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 guaranteed Énergir, L.P. as regards payment of principal and interest, and 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 guaranteed Énergir, L.P. as regards payment of principal and interest, and 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 guaranteed Énergir, L.P. as regards payment of principal and interest, and 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 guaranteed Énergir, L.P. as regards payment of principal and interest, and 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, and on April 6, 2018, 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 guaranteed Énergir, L.P. as regards payment of principal and interest, and 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 30 supplemental trust deeds. Such Trust Deed governs the issuance of the first 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.

10.3.9 Operating Contracts (Énergir, L.P.)

Transportation Contracts with TCPL

- Énergir, L.P. and TCPL have entered into 13 transportation contracts.⁽¹⁷⁾ The first one was signed on October 31, 1988. The contract that first comes to maturity will expire on October 31, 2021, and the last one to come to maturity will expire on October 31, 2032. 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, 2024. 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

- 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, 2019, and the last one to come to maturity will expire on March 31, 2021. Under these contracts, Union Gas must store natural gas for Énergir, L.P. based on Union Gas's Market Price

(17) Including the transportation contract entered into after the precedent agreement entered into on February 23, 2015, between Énergir, L.P. and TCPL as part of TCPL's construction of new transportation capacity infrastructures in the Dawn (Ontario) region, which contract expired on October 31, 2017.

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 12 transportation contracts.⁽¹⁸⁾ 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, 2032. 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.

GasEDI Contracts 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 five transactions pursuant to which such counterparties shall deliver natural gas to the delivery point specified in the transaction. The first of these transactions is dated June 26, 2012. The first to mature will expire on October 31, 2022 and the last to mature will expire on October 31, 2024.

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)⁽¹⁹⁾

- On September 19, 2018, Green Mountain entered into a Bond Purchase Agreement with investors. These first mortgage bonds were issued for an aggregate principal amount of US\$45.0 million, i.e. a series of US\$25.0 million and a series of US\$20.0 million. These series yield interest at an annual rate of 3.84% and 4.20%, respectively, and will mature on September 19, 2030 and December 3, 2048, respectively.
- On September 14, 2018, Green Mountain entered into a credit agreement with KeyBank National Association and a lending syndicate, as more fully described under Item 6.3.2 *Énergir, L.P.'s Financial Management*.

(18) Including the transportation contract entered into on March 2, 2015 as part of the precedent agreement entered into on March 2, 2015, between Énergir, L.P. and Union Gas as part of the construction, by Union Gas, of new transportation capacity infrastructures, which contract expired on October 31, 2017.

(19) For the purposes of this Item 10.2.4.5, Green Mountain refers either to (i) Green Mountain Power Corporation after the Merger, or (ii) Green Mountain Power Corporation or to CVPS, or both.

- 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 27, 2029 and April 26, 2047, respectively.
- 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, respectively.
- 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 first mortgage bonds bearing the date February 1, 1955. This 23rd supplemental trust indenture has been amended by five 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 (one of the corporations included in the Merger) 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, Green Mountain 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 Green Mountain. 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, 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 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 principal 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 3.0% to 5.0%, 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 6.0% 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 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 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 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 entered into two long-term supply contracts 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 2018 MD&A, in section E) *Risk Factors relating to Valener* and in section R) *Risk Factors relating to Énergir, L.P.* on pages 12 to 14 and 53 to 62, which sections are incorporated by reference into this Annual Information Form.

The Valener 2018 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 2018 Financial Statements and the Valener 2018 MD&A. Copies of the Valener 2018 MD&A, the Valener 2018 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.

VALENER INC.
(the “Corporation”)
AUDIT COMMITTEE MANDATE

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⁽²⁰⁾ (“**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.

(20) Pursuant to an Administration and Management Support Agreement between Valener and Énergir, L.P. dated September 30, 2015, Énergir, L.P. acts as manager of Valener.

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.

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 relating to the declaration of dividends and recommending they be approved by the Board;
- (bb) reviewing the Declaration of the Manager's Chief Financial Officer regarding the quarterly dividend declaration and recommending that the Board approve the quarterly dividend;
- (cc) 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;
- (dd) 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;
- (ee) each quarter reviewing copies of the minutes of the audit committees of the subsidiaries, as applicable;

◆ **Internal Audit**

- (ff) reviewing the quarterly report on the work performed by the Manager's internal auditors;

◆ **Financial Risk Management**

- (gg) 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;
- (hh) reviewing other risk management issues that the Board may, from time to time, specifically delegate to the Committee;
- (ii) each quarter reviewing a report on the tax issues and the related follow-up being done, and reviewing the major disputes with tax authorities;
- (jj) 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;

◆ **Certifications and Compliance Reports**

- (kk) receiving on a timely basis and reviewing the certifications of the Chief Executive Officer and the Chief Financial Officer of the Manager;
- (ll) receiving from the Manager a report on compliance with applicable financial reporting standards and securities laws and regulations;

◆ **Complaints and Concerns**

- (mm) establishing procedures concerning:

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

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:

- (nn) evaluate and review its effectiveness and report thereon to the Board;
- (oo) review and revise its mandate and make its recommendations to the Board;
- (pp) prepare an annual work plan that it shall revise during the year if necessary;
- (qq) review the corporate policies, in particular with respect to financial reporting;
- (rr) 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;

- (ss) 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:

- (tt) 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.