Annual Information Form

For the year ended December 31, 2020

March 3, 2021

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GENERAL INFORMATION

Unless otherwise noted, the information contained in this AIF dated March 3, 2021 is stated as at December 31, 2020 and all dollar amounts in this AIF are in Canadian dollars. Unless the context requires, all references to TSU or the Company herein refer to TSU and its subsidiaries on a consolidated basis. Financial information is presented in accordance with United States generally accepted accounting principles. For an explanation of certain terms and abbreviations used in this AIF see the "*Glossary*" of this AIF and under the heading "*Schedule B – Report on Executive Compensation – Frequently Used Terms*".

This AIF refers to certain terms commonly used in the rate-regulated utility industry, such as "rate-regulated", "rate base" and "return on equity". For a description of these terms, see information under the heading *"Business of Company – Utilities Business – Rate Regulation Overview"*. The terms "rate base" and "return on equity" are key performance indicators but are not considered non-GAAP measures. Rate base is an amount that a utility is required to calculate for regulatory purposes, and generally refers to net book value of the utility's assets for regulatory purposes. Return on equity is a percentage that is set or approved by a utility's regulator and represents the rate of return that a regulator allows the utility to earn on the equity component of the utility's rate base. The Company refers to the rate base and return on equity of its utility businesses because it believes that such terms assist in understanding the Company's business and are commonly used by investors and research analysts to help evaluate the performance of rate-regulated utilities.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This AIF contains forward-looking information (forward-looking statements). Words such as "may", "can", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "aim", "seek", "propose", "contemplate", "estimate", "focus", "strive", "forecast", "expect", "project", "target", "potential", "objective", "continue", "outlook", "vision", "opportunity" and similar expressions suggesting future events or future performance, as they relate to TSU or any affiliate of TSU, are intended to identify forward-looking statements. In particular, this AIF contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results.

Specifically, such forward-looking statements included in this document include, but are not limited to, statements with respect to the following: TSU's vision, mission, and objectives; the implementation and success of TSU's strategy as a whole and each of its business segments; expectations regarding arrangements in relation to the PNG Reactivation Application (as defined herein), including the reactivation process and the estimated capital cost for the reactivation, commissioning and system reinforcement; expectations regarding the Salvus to Galloway Project (as defined herein), including the estimated capital cost for the project; expected refund of the interim-approved revenue requirements associated with the Etzikom Lateral Project (as defined herein) within the 2021 annual rates; the GCOC (as defined herein) proceedings announced by the BCUC and the AUC (as defined herein); the PBR (as defined herein) and cost of service reviews initiated by the AUC; expected success of financing plans and strategies, including maintenance of TSU's credit rating; the expected safety and reliability of TSU's operations; the expected good working relationships with stakeholders and governments; sources and terms of natural gas supply; the continued competitiveness of natural gas within TSU's service territories; the expected impacts on TSU's business of applicable environmental regulations and requirements; expectations regarding the impact of the COVID-19 pandemic on TSU's business, including the amortization of COVID-19 revenue deferral accounts; expectations regarding planned expenditures and related investments and capital program from 2021 to 2025 and the expected capital spend in 2021, including the sources of financing for TSU's capital expenditures; expectations regarding HGL's RDA (as defined herein); the payment of dividends to the Company's shareholder; the expected effects of LNG Canada's export project at Kitimat, British Columbia on PNG's (as defined herein) business; TSU's intention to sell RECs (as defined herein) and green attributes from the Bear Mountain Wind Park (as defined herein); and potential growth in TSU's business.

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events and achievements to differ materially from those expressed or implied by such statements. Such statements reflect TSU's current expectations, estimates and projections based on certain material factors and assumptions at the time the statement was made. Material assumptions include: expected commodity supply, demand and pricing; that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; volumes and rates; exchange rates; inflation; interest rates; credit ratings; regulatory approvals and policies; future operating and capital costs; project completion dates; capacity expectations; that there will be no material defaults by the counterparties to agreements with the Company and such agreements will not be terminated prior to their scheduled expiry; the Company will continue to have access to wind and water resources in amounts consistent with the amounts expected by the Company; and the outcomes of significant commercial contract negotiations.

TSU's forward-looking statements are subject to certain risks and uncertainties which could cause results or events to differ from current expectations, including, without limitation: uncertainties faced by regulated companies; volume throughput and the impacts of commodity pricing, supply, composition and other market risks; natural gas demand; prevailing economic conditions; legislative and regulatory environment; impacts of climate change and carbon taxing; cost of compliance with environmental regulation; weather, hydrology and climate changes; TSU's relationships with external stakeholders, including indigenous stakeholders; the potential for service interruptions; TSU's ability to maintain, replace and expand infrastructure on a timely basis; increased competition; loss of franchise grants; TSU's ability to economically and safely develop, contract and operate assets; TSU's dependence on certain partners; access to and use of capital markets; TSU's ability to service or refinance its debt and manage its credit ratings and risk; underinsured losses; cybersecurity risks; failure to achieve benefits of business acquisitions; pension liabilities; impact of labour relations and reliance on key personnel; ability to maintain compliance with borrowing covenants; interest rate, exchange rate and counterparty risks; potential litigation; effects of decommissioning, abandonment and reclamation costs; impacts of the COVID-19 pandemic; TSU's ability to pay dividends; potential volatility in market price of securities; and the other factors discussed under the heading "*Risk Factors*".

The Company believes the forward-looking statements are reasonable. However, such statements are not a guarantee that any of the actions, events or results of the forward-looking statements will occur, or if any of them do occur, their timing or what impact they will have on the Company's results of operations or financial condition. Many factors could cause TSU's or any particular business segment's actual results, performance or achievements to vary from those described in this AIF, including, without limitation, those listed above and the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this AIF as intended, planned, anticipated, believed, sought, proposed, estimated, forecasted, expected, projected or targeted and such forward-looking statements included in this AIF should not be unduly relied upon. The impact of any one assumption, risk, uncertainty or other factor on a particular forward-looking statement cannot be determined with certainty because they are interdependent, and TSU's future decisions and actions will depend on management's assessment of all information at the relevant time. Such statements speak only as of the date of this AIF. TSU does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this AIF are expressly qualified by these cautionary statements.

Financial outlook information contained in this AIF about prospective results of operations, financial position or cash flow is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this AIF should not be used for purposes other than for which it is disclosed herein.

GLOSSARY

Unless the context otherwise requires, terms used in this AIF have the following meanings and references to agreements include any amendments, restatements, modifications or supplements in effect as of the date hereof:

"**Acquired Assets**" has the meaning given to it under the heading "*General Development of the Business – 2018 – Acquisition of Assets from AltaGas";*

"**Acquired Indebtedness**" has the meaning given to it under the heading *"General Development of the Business – 2018 – Acquisition of Assets from AltaGas"*;

"**Acquisition**" has the meaning given to it under the heading "*General Development of the Business – 2018 – Acquisition of Assets from AltaGas*";

"**AHI**" means AltaGas Holdings Inc.;

"**AIF**" means this Annual Information Form;

"**AltaGas**" means AltaGas Ltd., including, where the context requires, the affiliates of AltaGas Ltd.;

"**Applicable Utilities Commission**" means the AUC, the BCUC, the NSUARB and the NWTPUB;

"**Arrangement**" has the meaning given to it under the heading "*General Development of the Business – 2020 – Acquisition of TSU"*;

"**Atlantic Bridge**" means the pipeline capacity and related facilities infrastructure constructed by Enbridge Inc. to provide additional capacity on its Algonquin Gas Transmission and Maritimes & Northeast Pipeline systems to move natural gas to specific end use markets in the Canadian Maritime provinces;

"**ATRF**" means the Alberta Teachers' Retirement Fund Board;

"**AUC**" means the Alberta Utilities Commission;

"**Audit Committee**" means the audit committee of the Board;

"**AUI**" means Apex Utilities Inc.;

"**BC CPI**" means the Consumer Price Index for British Columbia, All Items (Not Seasonally Adjusted) as published by Statistics Canada;

"**BC Hydro**" means British Columbia Hydro and Power Authority;

"**BCUC**" means British Columbia Utilities Commission;

"**Bear Mountain Wind Park**" means the 102 MW generating wind facility located near Dawson Creek, British Columbia;

"**BMWLP**" means Bear Mountain Wind Limited Partnership;

"**BMWPC**" means Bear Mountain Wind Power Corporation, the general partner of BMWLP;

"**Board of Directors**" or "**Board**" means the board of directors of TSU, as from time to time constituted;

"**Canadian CPI**" means the Consumer Price Index for Canada, All Items (Not Seasonally Adjusted) as published by Statistics Canada;

"**C&G Committee**" means the compensation and governance committee of the Board;

"**C&I**" means commercial and industrial;

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C 44, and the regulations promulgated thereunder, each as amended;

“**CMH Group**” means CMHLP and its general partners, Coast Mountain Renewable Energy Inc., Coast Mountain Renewable Energy #2 Inc. and Coast Mountain Hydro Corporation;

“**CMHLP**” means Coast Mountain Hydro Limited Partnership;

“**Coast GP**” means Northwest Hydro GP Inc., the general partner of Coast LP;

“**Coast LP**” means Northwest Hydro Limited Partnership;

“**COD**” means commercial operation date, being the first date on which a facility is considered substantially complete and selling power;

“**Common Shares**” or “**Shares**” means common shares of TSU;

“**CRP**” has the meaning given to it under the heading “*Business of the Company – Utilities Business – Regulatory Deferral Accounts*”;

“**DBRS**” means DBRS Morningstar and its successors;

“**Degree Day**” means the amount that the daily mean temperature deviates below 15 degrees Celsius at AUI, below 18 degrees Celsius at HGL, such that a one degree difference equates to one Degree Day;

“**E&Y**” means Ernst & Young LLP;

“**EHS Committee**” means the environment, health and safety committee of the Board;

“**EHS Management System**” means TSU’s Environmental, Health & Safety Management System;

“**EPA**” means electricity purchase agreement;

“**Etzikom Lateral Project**” has the meaning given to it under the heading “*General Development of the Business – 2020 – Material Regulatory Developments and Applications – Alberta*”;

“**Final Order**” means the final order of the Court of Queen’s Bench of Alberta dated December 20, 2019 approving the Arrangement;

“**Forrest Kerr**” means the 214 MW run-of-river hydroelectric facility, one of the three run-of-river hydroelectric facilities in northwest British Columbia that forms part of the Northwest Hydro Facilities;

“**GCOC**” means Generic Cost of Capital;

“**GHG**” means greenhouse gas;

“**GHGRP**” means Greenhouse Gas Reporting Program;

“**GJ**” means gigajoule or 1,000,000,000 joules;

“**GWh**” means gigawatt-hour or 1,000,000,000 watt-hours; the watt-hour is equal to one watt of power flowing steadily for one hour;

“**HGL**” means Heritage Gas Limited;

“**HoldCo**” has the meaning given to it under the heading “*Corporate Governance – Board Effectiveness – Nomination of Directors*”;

“**Ikhil Joint Venture**” means the joint venture between TSU’s subsidiary, Utility Group Facilities Inc., Inuvialuit Petroleum Company and ATCO Midstream NWT Ltd., which owns and operates two gas wells, a processing facility and a pipeline that delivers natural gas to Inuvik Gas and the Northwest Territories Renewable Energy Company;

“**Inuvik Gas**” means Inuvik Gas Ltd.;

“**IPO**” means the initial public offering by TSU of its Common Shares completed on October 25, 2018;

“**km**” means kilometer;

“**LNG**” means liquefied natural gas;

“**Mcf**” means a thousand cubic feet of natural gas at standard imperial conditions of measurement;

“**McLymont Creek**” means the 72 MW run-of-river hydroelectric facility, one of the three run-of-river hydroelectric facilities in northwest British Columbia that forms part of the Northwest Hydro Facilities;

“**MGA**” means the *Municipal Government Act* (Alberta);

“**MTNs**” means medium term notes issued from time to time under the trust indenture dated November 15, 2018 between TSU and Computershare Trust Company of Canada;

“**MTN Trust Indenture**” means the trust indenture between TSU and Computershare Trust Company of Canada dated November 15, 2018, as supplemented, related to the issuance and sale of MTNs pursuant to TSU’s medium term note program;

“**MW**” means megawatt; one MW is 1,000,000 watts; the watt is the basic electrical unit of power;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

“**Northeast System**” means the PNG(N.E.) distribution utility in the northeast part of British Columbia;

“**Northwest Hydro Facilities**” means the three run-of-river hydroelectric facilities in northwest British Columbia, being Forrest Kerr, McLymont Creek and Volcano Creek, approximately 10 percent of which is indirectly owned by TSU;

“**NSUARB**” means the Nova Scotia Utility and Review Board;

“**NWTPUB**” means the Northwest Territories Public Utilities Board;

“**Order**” has the meaning given to it under the heading “*Corporate Governance – Cease Trade Orders, Bankruptcies, Penalties and Sanctions*”;

“**Over-Allotment Note**” means the unsecured promissory note dated October 18, 2018 issued by TSU to AltaGas bearing interest at 3.3 percent per annum in the principal amount of $35.9 million (adjusted to approximately $34.0 million following the exercise of the Over-Allotment Option in full);

“**Over-Allotment Option**” has the meaning given to it under the heading “*General Development of the Business – 2018 – Initial Public Offering of Common Shares*”;

“**PBR**” means performance-based regulation;

“**PBR 2**” has the meaning given to it under the heading “*General Development of the Business – 2018 – Material Regulatory Developments and Applications – Alberta”*;

“**Person**” means any individual, company (including any limited liability company), partnership, joint venture, association, trust, unincorporated organization or government or any agency or political subdivision thereof;

“**PJ**” means Petajoule which is one million GJ;

“**PNG Reactivation Project**” has the meaning given to it under the heading “*General Development of the Business – 2020 – Material Regulatory Developments and Applications – British Columbia*”;

“**PNG**” means Pacific Northern Gas Ltd.;

“**PNG(N.E.)**” means Pacific Northern Gas (N.E.) Ltd.;

“**Preferred Shares**” means preferred shares in the capital of the Company, issuable in one or more series;

“**PSP Investments**” means the Public Sector Pension Investment Board;

“**Purchase and Sale Agreement**” means the purchase and sale agreement among TSU, AltaGas and AHI dated October 18, 2018 pursuant to which TSU acquired, for the purchase price of approximately $889.1 million, the Acquired Assets and certain indebtedness of TUGI and PNG;

“**Purchase Price Long-Term Note**” means the unsecured promissory note dated October 18, 2018 issued by TSU to AltaGas bearing interest at 4.5 percent per annum in the principal amount of $351.2 million with a term of 30 months, the interest to be increased by 0.25 percent on the 18 and 24 month anniversaries of the issuance date;

“**Purchase Price Short-Term Note**” means the unsecured promissory note dated October 18, 2018 issued by TSU to AltaGas bearing interest at 4.5 percent per annum in the principal amount of approximately $316.3 million;

“**Purchaser**” means TriSummit Cycle Inc. (formerly PSPIB Cycle Investments Inc.);

“**RDA**” means revenue deficiency account;

“**RECs**” means Renewable Energy Credits;

“Revolving Credit Facility” means the Company’s $200 million unsecured revolving credit facility dated October 25, 2018 with a syndicate of lenders, with a term of four years subject to customary extension provisions. On February 13, 2020, the maturity date was extended to December 31, 2023;

“**ROE**” means return on equity;

“**Salvus to Galloway Project**” has the meaning given to it under the heading “*General Development of the Business – 2020 – Material Regulatory Developments and Applications – British Columbia*”;

“**SEDAR**” means System for Electronic Document Analysis and Retrieval, at *www.sedar.com*;

“**Shareholders**” means the holders of Common Shares;

“**Shareholders Agreement**” has the meaning given to it under the Company’s By-Laws;

“**TCEHGP**” means TriSummit Canadian Energy Holdings GP Ltd.;

“**TCEHL**” means TriSummit Canadian Energy Holdings Ltd.;

“**TCEHLP**” means TriSummit Canadian Energy Holdings Limited Partnership;

“**Term Loan**” means the Company’s $250 million unsecured term loan dated October 25, 2018 with a syndicate of lenders, with a term of two years;

“**TSU**” or the “**Company**” means TriSummit Utilities Inc.;

“**TUGI**” means TriSummit Utility Group Inc.;

"**Type 1 Capital Tracker**" has the meaning given to it under the heading "*General Development of the Business – 2018 – Material Regulatory Developments and Applications – Alberta*";

"**Volcano Creek**" means the 17 MW run-of-river hydroelectric facility, one of the three run-of-river hydroelectric facilities in northwest British Columbia that forms part of the Northwest Hydro Facilities; and

"**Western System**" means PNG's regulated natural gas transmission and distribution utility in the west central portion of northern British Columbia.

METRIC CONVERSION

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply by	To Convert From	To	Multiply by
Mcf	cubic meters	28.174	meters	feet	3.281
cubic meters	cubic feet	35.494	miles	km	1.609
tonnes	long tons	0.984	km	miles	0.621
feet	meters	0.305	acres	hectares	0.405
GJ	Mcf	0.9482	hectares	acres	2.471

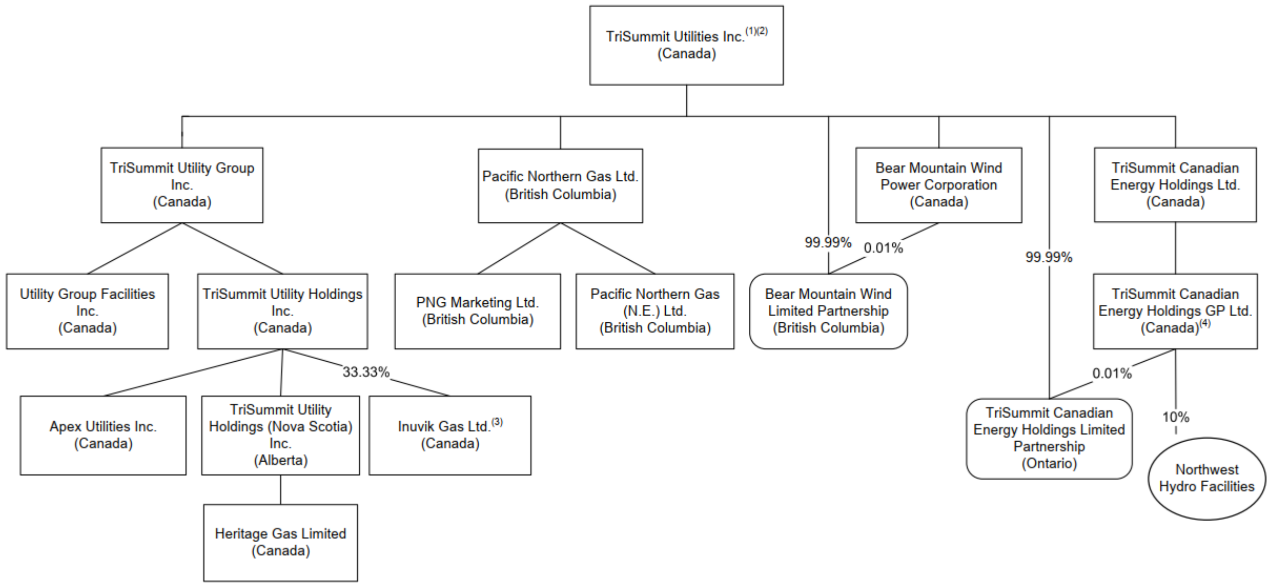
CORPORATE STRUCTURE

INCORPORATION AND AMENDMENTS TO ARTICLES

TSU was incorporated under the CBCA on October 27, 2011 as AltaGas Utility Holdings (Pacific) Inc. On September 5, 2018, the Company amended its articles to, among other things, amend its authorized capital, consolidate its outstanding Common Shares on a one for 28 basis and change its name to "AltaGas Canada Inc.". On March 31, 2020, in conjunction with the completion of the Arrangement, the Company changed its name to "TriSummit Utilities Inc.". TSU maintains its head, principal and registered office in Calgary, Alberta currently located at 2100, 444 – 5th Avenue SW, Calgary, Alberta T2P 2T8.

INTERCORPORATE RELATIONSHIPS

The following organization diagram presents the name and the jurisdiction of incorporation of TSU and its subsidiaries as at December 31, 2020.



Notes:

(1) The names of certain subsidiaries changed subsequent to year end.

(2) Unless otherwise stated, ownership is 100 percent.

(3) Ikhil Resources Ltd. (a wholly owned subsidiary of Inuvialuit Petroleum Corporation) and ATCO Midstream NWT Ltd. each own a 33.33 percent interest in Inuvik Gas Ltd.

(4) TCEHGP holds an indirect 10 percent ownership in the Northwest Hydro Facilities through Coast LP.

EMPLOYEES

As at December 31, 2020, TSU had 447 employees.

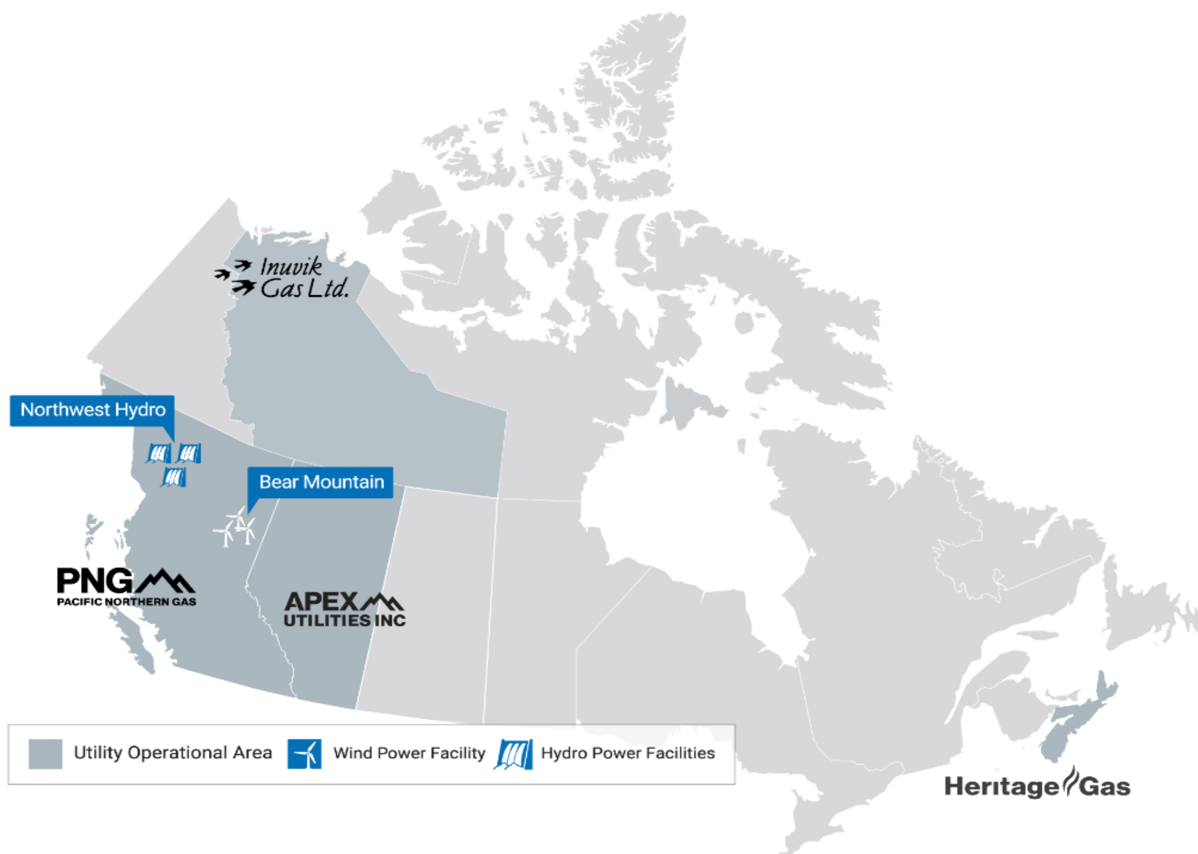
OVERVIEW OF THE BUSINESS

TSU is a Canadian corporation with diversified rate-regulated natural gas distribution and transmission utilities assets and long-term contracted renewable power generation assets. TSU has three reporting segments:

- Utilities, which owns and operates utility assets that deliver natural gas to end-users in Alberta, British Columbia and Nova Scotia. TSU also owns a one-third equity interest in the utility that delivers natural gas to end-users in Inuvik, Northwest Territories. In aggregate, the utilities have approximately $990 million of rate base inclusive of construction work in progress as at December 31, 2020 and serve approximately 132,000 customers across Canada.
- Renewable Energy, which includes the Bear Mountain Wind Park and an approximately 10 percent indirect interest in the Northwest Hydro Facilities.
- Corporate, which primarily includes the cost of providing shared services, financing and access to capital, and general corporate support.

The Company's vision is to be a premier growing North American utility and renewable energy company. The Company's mission is to be a clean and reliable energy provider of choice in each of the jurisdictions in which it operates through being a leader in safety, cost effectiveness and customer service. To achieve its vision and mission, the Company's strategy is to make disciplined, smart expansion choices that are consistent with a transitioning energy industry while safeguarding its existing businesses and driving organic growth within them.

TSU'S GEOGRAPHIC FOOTPRINT



GENERAL DEVELOPMENT OF THE BUSINESS

Below is a summary of key events that have influenced the general development of the business of TSU over the last three completed financial years as well as certain recent developments in 2021.

2021

Material Regulatory Developments and Applications

Alberta

On March 1, 2021, the AUC released Bulletin 2021-04 announcing the initiation of two streamlined related processes. The first is a review and assessment of legacy PBR performance, which will include gathering input and feedback to evaluate the successes and shortcomings of the PBR framework in Alberta. The AUC has also determined to proceed with a one-year cost-of-service review based on forecast costs to establish 2023 rates. The rates approved under the 2023 cost-of-service initiative may also be used to establish going-in rates for a subsequent PBR term, depending on the outcome of the PBR evaluation initiative.

British Columbia

In January 2021, the BCUC issued notice that it would be initiating a GCOC proceeding in the spring of 2021 to address the appropriate common equity component and return on equity for the utilities it regulates, and that the determinations from this proceeding would apply to rate setting effective January 1, 2022.

2020

Acquisition of TSU

On March 31, 2020, PSP Investments and ATRF completed the acquisition of all of the issued and outstanding Common Shares by the Purchaser, with an all-cash transaction pursuant to a plan of arrangement (the "Arrangement"). The Company is now a wholly-owned subsidiary of the Purchaser. In connection with the completion of the Arrangement, the Company changed its name to "TriSummit Utilities Inc.". The Common Shares were delisted from the Toronto Stock Exchange at the close of trading on April 1, 2020.

Issuance of MTNs

On April 7, 2020, TSU completed the issuance of $100 million of MTNs with a coupon rate of 3.13 percent (3.13 percent yield to maturity) and a maturity date of April 7, 2027. The net proceeds were used (a) as to approximately $96 million, to repay amounts outstanding under the Revolving Credit Facility, and (b) as to the remainder, for general corporate purposes.

Filing of Base Shelf Prospectus

TSU filed with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada on November 16, 2020 a final short form base shelf prospectus allowing TSU to offer and issue, from time to time: (a) Preferred Shares; (b) notes or other types of unsecured debt securities which may be issuable in series; or (c) any combination of the foregoing, up to an aggregate offering price of $1,000,000,000 during the 25-month period that such short form base shelf prospectus, including any amendments, remains effective.

Material Regulatory Developments and Applications

Alberta

In March 2020, the Government of Alberta announced a program for Albertans who were experiencing financial hardship directly related to the COVID-19 pandemic to be able to defer payment of electricity and natural gas bills until June 18, 2020 without any late fees or added interest payments. In addition, no Albertans could be disconnected from these services or see their services reduced during this period due to non-payment. Albertans who have enrolled in the bill deferral program must repay the deferred amount by June 18, 2021. On May 28, 2020, the AUC approved AUI's application to establish deferral accounts for the purposes of administering deferred payments under the *Utility Payment Deferral Program Act* (Alberta).

In 2019, AUI completed the construction of a 17 km pipeline in southeast Alberta serving approximately 1,715 customers (the "Etzikom Lateral Project"). On October 16, 2020, the AUC issued a decision denying Type 1 Capital Tracker treatment of the Etzikom Lateral Project and directed AUI to refund the associated interim-approved revenue requirements in its 2021 annual PBR rates. As a result of this decision, the Company recorded a net income reduction of approximately $0.3 million in the fourth quarter of 2020.

On November 6, 2020, AltaGas Utilities Inc. amended its articles of incorporation under Section 173 of the CBCA to change its corporate name from AltaGas Utilities Inc. to Apex Utilities Inc. On December 7, 2020, the AUC issued a Name Change order to AUI pursuant to Section 8 of the *Alberta Utilities Commission Act* (Alberta).

On April 4, 2019, the AUC issued a letter indicating the scope of the 2021 GCOC proceeding for Alberta utilities would be expanded to include a “traditional” non-formulaic GCOC inquiry for the years 2021 and 2022, as well as considering returning to a formula-based approach to set ROE for 2021 and subsequent years. On October 13, 2020, the AUC issued a decision to extend the 2020 GCOC parameters to 2021 for the full year to maintain prospectivity given the ongoing COVID-19 pandemic and related economic and financial market uncertainty and volatility. On December 22, 2020, the AUC initiated the GCOC proceeding for ROE and equity thickness for 2022 or some other future period that includes 2022 and one or more additional test years. Before establishing the scope and process, the AUC requested comments from parties including maintaining the status quo, test period(s) for consideration, scope of proceeding, and process for proceeding. On January 27, 2021, the AUC issued a letter to acknowledge receipt of parties’ comments and to advise it would provide determinations in relation to the canvassed matters in due course.

British Columbia

On February 28, 2020, the BCUC issued Order G-3-20 granting approval of PNG’s application of a large volume industrial transportation rate required as part of its proposed process for allocation of reactivated capacity on its existing Western System pipeline. The allocation of reactivated capacity is for natural gas deliveries from Station 4a on the Enbridge Westcoast Energy Inc. southern mainline near Summit Lake, British Columbia to three termination points: Terrace, Kitimat, and Prince Rupert, British Columbia. In the third quarter of 2020, PNG completed the execution of firm transportation service agreements (“TSAs”) with counterparties for a total capacity of 65 million standard cubic feet per day over a period of approximately 20 years. PNG has commenced preparation of an application to the BCUC to seek approval for costs related to system reactivation and recommissioning work necessary to return the system back to full utilization (the “PNG Reactivation Project”) and anticipates filing this application in the first quarter of 2021. The counterparties to the TSAs have provided letters of credit for part of the obligations under the TSAs, with the remaining credit obligations to be provided if the application is approved. The estimated capital cost for the PNG Reactivation Project has increased to approximately $75 to $80 million due to more detailed engineering and refinement in cost estimates.

On June 10, 2020, the BCUC approved PNG’s application to offer a bill payment deferral program between April 17, 2020 and June 30, 2020 to residential and small commercial customers that experienced a loss of income or revenue as a result of the COVID-19 pandemic. The BCUC also granted approval for PNG to establish deferral accounts to capture unplanned costs incurred as a result of the COVID-19 pandemic and to capture bad debts that may be incurred specifically as a result of the impact of COVID-19. PNG plans to apply for the amortization of the COVID-19 deferral accounts in future revenue requirement applications. During the second quarter of 2020, PNG also temporarily halted disconnection practices for overdue accounts related to COVID-19 disruption. PNG resumed collection efforts in connection with overdue accounts in late June 2020.

On October 2, 2020, PNG submitted an application to the BCUC seeking approval for a project to repair and refurbish part of its Western System pipeline, specifically the 8” transmission line from Terrace, British Columbia to Prince Rupert, British Columbia (the “Salvus to Galloway Project’), which is required to address aging infrastructure and ensure long-term reliable supply. Project work will be conducted within the existing PNG pipeline corridor and nearby permitted temporary workspace. The Salvus to Galloway Project is expected to cost approximately $80 million, the majority of which is expected to be incurred over a three-year period, between 2021 and 2023.

In October 2020, the BCUC approved PNG’s 2020 to 2021 revenue requirements applications which included the determination of final customer delivery rates for 2020 and 2021. In its decisions, the BCUC approved final delivery rate increases in each of 2020 and 2021 of approximately 2 percent for customers in the Western System, of approximately 10 percent for customers in the Northeast System (Fort St. John/Dawson Creek) service areas, and of approximately 1.5 percent for customers in the Northeast System (Tumbler Ridge) service area.

Nova Scotia

On March 23, 2020, the NSUARB approved HGL’s request to offer discretionary temporary measures to customers impacted by the COVID-19 pandemic. These temporary measures include offering flexible payment plans for its customers, waiving late fees and interest, waiving fixed monthly customer charges for any customers that may temporarily lock their service, temporarily halting the Company's disconnection practices and temporarily suspending collections on overdue accounts. Beginning in early July 2020, HGL resumed collection activities in connection with overdue accounts.

On April 21, 2020, HGL received final approval from the NSUARB to revise the CRP deferral mechanism and to extend the program to the end of 2023 as requested. The decision was effective January 1, 2020.

2019

Announcement of Acquisition of TSU

On October 21, 2019, TSU announced it had entered into a definitive arrangement agreement pursuant to which PSP Investments and ATRF would indirectly acquire, through the Purchaser, all of the issued and outstanding Common Shares for $33.50 in cash per Common Share pursuant to the Arrangement. The Board of Directors, after receiving the unanimous recommendation of an independent committee of the Board of Directors formed to review and consider various strategic and financial options available to TSU, and in consultation with its financial and legal advisors, unanimously determined that the Arrangement was in the best interests of TSU and fair to the Shareholders and therefore unanimously recommended that Shareholders vote in favour of the Arrangement.

On December 19, 2019, the Shareholders voted to approve the Arrangement, and on December 20, 2019, TSU received the Final Order from the Court of Queen's Bench of Alberta approving the transaction.

Issuance of MTNs

On April 3, 2019, TSU completed the issuance of $250 million of MTNs with a coupon rate of 3.15 percent (3.151 percent yield to maturity) and a maturity date of April 6, 2026. The net proceeds were used to repay: (i) as to approximately $210 million, a portion of the Term Loan; and (ii) as to the remainder, amounts outstanding under the Revolving Credit Facility.

Material Regulatory Developments and Applications

Alberta

On December 20, 2019, the AUC issued a decision regarding AUI's 2018 depreciation study application (the "AUI Depreciation Study"). The applied for service life depreciation rate changes were approved as filed while the AUC approved lesser increases than applied for regarding net salvage rates. The change in depreciation rates was effective January 1, 2018 and the cumulative effect has been reflected in the Company's fourth quarter 2019 results.

British Columbia

On June 28, 2019, PNG submitted an application to the BCUC for approval of a large volume industrial transportation rate required in its proposed PNG Reactivation Project. The proposed reactivation involves natural gas deliveries from Station 4a on the Enbridge Westcoast Energy Inc. southern mainline near Summit Lake, British Columbia to three termination points: Terrace, Kitimat, and Prince Rupert, British Columbia. The application was approved by the BCUC on February 28, 2020.

On November 29, 2019, PNG and PNG(N.E.) submitted the 2020 and 2021 revenue requirement applications seeking interim rate increases effective January 1, 2020. PNG received BCUC approval for the interim rate changes on December 18, 2019. Amendments to the applications were filed on February 28, 2020.

Nova Scotia

On November 4, 2019, HGL filed an application with the NSUARB requesting to extend its CRP that was set to expire at the end of 2020 to the end of 2023 and to significantly reduce the degree of deferral currently approved. The program provides HGL with the flexibility to adjust rates for customers consuming between 500 and 5,000 GJs per year. In addition to retaining pricing flexibility, HGL also requested to change the CRP deferral mechanism to defer amounts equivalent to the price discount provided to customers, rather than the current practice of suspension of depreciation and 50 percent capitalization of operating, maintenance and administrative expenses.

2018

Acquisition of Assets from AltaGas (the "Acquisition")

On October 18, 2018, pursuant to the Purchase and Sale Agreement, TSU acquired the following assets from AltaGas for approximately $889.1 million (the "Acquired Assets") through the acquisition of: (a) all of the issued and outstanding common shares of TUGI; (b) all of the issued and outstanding common shares of BMWPC; (c) AltaGas' 99.99 percent partnership interest in BMWLP as a limited partner; (d) AltaGas' 99.99 percent partnership interest in TCEHLP as a limited partner; (e) all of the issued and outstanding common shares of TCEHL; and (f) 10 common shares in the capital of Coast GP:

- Rate-regulated natural gas distribution utility assets in Alberta and Nova Scotia owned by TUGI via its operating subsidiaries, AUI and HGL;
- Minority interests in entities (Inuvik Gas and Ikhil Joint Venture) providing natural gas to the Town of Inuvik, Northwest Territories;
- Fully contracted Bear Mountain Wind Park owned by BMWLP and BMWPC; and
- Approximately 10 percent indirect equity interest in the capital of Coast LP and Coast GP, which indirectly own the Northwest Hydro Facilities by way of the CMH Group.

Pursuant to the Purchase and Sale Agreement, the Company also acquired on October 18, 2018 the indebtedness that TUGI and PNG owed to AltaGas and certain of its subsidiaries in the aggregate amount of approximately $481.6 million (the "Acquired Indebtedness").

The Company satisfied the purchase price of $889.1 million for the Acquired Assets and Acquired Indebtedness by issuing to AltaGas the following:

- 5,912,857 Common Shares;
- the Purchase Price Short-Term Note which was to be repaid upon closing of the IPO;
- the Over-Allotment Note which was to be repaid no later than 30 days after closing of the IPO; and
- the Purchase Price Long-Term Note.

The Purchase Price Short-Term Note, the Over-Allotment Note, and the Purchase Price Long-Term Note were fully repaid as at December 31, 2018.

Immediately prior to the Acquisition:

- The Company paid an eligible dividend of $31.0 million to AltaGas;
- BMWLP distributed cash of $64.6 million to AltaGas; and
- TUGI repaid indebtedness of $28.4 million to AltaGas.

Initial Public Offering of Common Shares

On October 25, 2018, the Company completed its IPO, issuing 16,500,000 Common Shares at a price of $14.50 per Common Share for gross proceeds of $239.3 million.

In connection with the IPO, the Company granted to the underwriters of the IPO an over-allotment option (the "Over-Allotment Option"), exercisable at the underwriters' discretion at any time, in whole or in part, until 30 days following the closing of the IPO, to purchase at $14.50 per Common Share up to an additional 2,475,000 Common Shares (representing 15 percent of the Common Shares offered) to cover over-allotments, if any, and for market stabilization purposes. On November 21, 2018, the Over-Allotment Option was exercised in full for additional gross proceeds of $35.9 million.

Upon closing of the IPO and the exercise of the Over-Allotment Option, 30,000,000 Common Shares were issued and outstanding, of which AltaGas owned approximately 36.8 percent. The Company ceased to be a wholly-owned subsidiary of AltaGas upon completion of the IPO on October 25, 2018.

The net proceeds of the IPO were $223.7 million after deducting the underwriters' fee of $12.6 million and approximately $3.0 million in other expenses. The net proceeds from the exercise of the Over-Allotment Option were $34.0 million after deducting the underwriters' fee of $1.8 million and other expenses of $0.1 million. Pursuant to the Purchase and Sale Agreement, TSU used the net proceeds of the IPO, including the proceeds from the exercise of the Over-Allotment Option, to:

- Repay in full a note issued by TSU to AltaGas bearing interest at 5.0 percent per annum in the principal amount of $157.4 million issued in connection with a return on capital on the Common Shares immediately prior to the Acquisition;
- Repay a portion of the Purchase Price Short-Term Note with the remaining portion of the Purchase Price Short-Term Note being repaid using the proceeds of the Term Loan; and
- Repay in full the Over-Allotment Note. Per the terms of the Over-Allotment Note, if the Over-Allotment Option was exercised, the principal amount would be reduced by the amount of the underwriters' fee and other expenses of approximately $1.9 million. On November 21, 2018, the Company repaid the Over-Allotment Note in full.

Filing of Base Shelf Prospectus and Issuance of MTNs

TSU filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada on November 14, 2018 a final short form base shelf prospectus allowing TSU to offer and issue, from time to time: (a) Common Shares; (b) Preferred Shares; (c) subscription receipts (d) warrants to purchase securities; (e) notes or other types of unsecured debt securities which may be issuable in series; (f) units comprising any combination of the foregoing; or (g) any combination of the foregoing, up to an aggregate offering price of $1,000,000,000 during the 25-month period that such short form base shelf prospectus, including any amendments, remains effective.

A prospectus supplement was filed on November 15, 2018 to the short form base shelf prospectus allowing TSU to offer and issue, from time to time, MTNs having maturities of not less than one year from the date of issue to be issued in denominations of $5,000 and multiples of $1,000 above such amount. The MTNs could either be interest bearing or non-interest bearing and issued at par, a discount or at a premium. A pricing supplement was filed on December 3, 2018 and TSU issued $300 million of MTNs on December 5, 2018 with a coupon rate of 4.26 percent (4.269 percent yield to maturity) and maturity date of December 5, 2028. The net proceeds of approximately $298.6 million were used to partially repay the Purchase Price Long-Term Note.

Material Regulatory Developments and Applications

Alberta

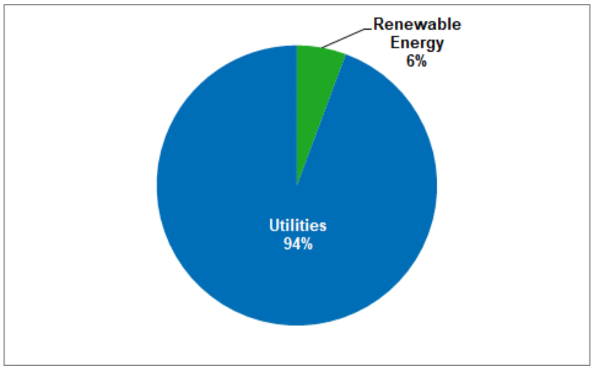
Effective January 1, 2018, the AUC approved a second PBR plan term from 2018 to 2022 ("PBR 2"). Under the PBR 2 plan, rates continue to be set under a revenue cap per customer formula with annual adjustments for customer growth and inflation less expected productivity improvements. As revenues are generally decoupled from costs, a utility is incentivized to achieve cost efficiencies during the PBR plan term. In addition, the PBR 2 plan continues to allow for recovery of costs determined to flow through directly to customers, recovery of items related to material exogenous events, and re-opener threshold provisions that allow an application to be re-opened in order to address specific problems with the design or operation of the PBR plan. Incremental capital funding is largely determined formulaically based on historical capital additions with an additional mechanism available for cost recovery of specific capital projects that are extraordinary, not previously included in rate base, and required by a third party ("Type 1 Capital Tracker"). As a result of its formulaic design, the PBR framework provides a level of regulatory certainty throughout the PBR period, allowing the utility to manage its costs and to allocate and plan capital spending accordingly.

On August 2, 2018, the AUC issued its decision on the 2018 GCOC proceeding, approving a ROE of 8.5 percent for all Alberta utilities and a deemed capital structure for the utilities, with AUI set at 39 percent equity. The decision applies to 2018, 2019 and 2020.

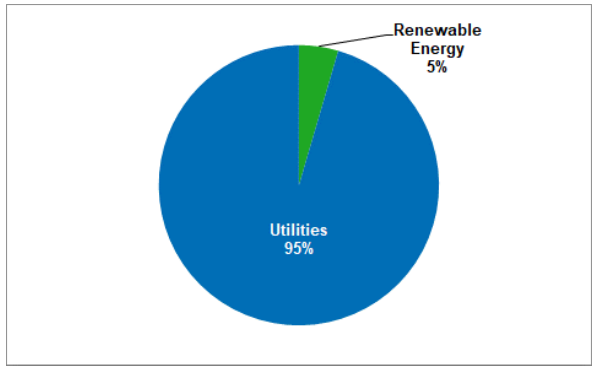
BUSINESS OF THE COMPANY

The revenue for TSU's assets for the year ended December 31, 2020 was approximately $322.8 million, compared to $326.3 million for the year ended December 31, 2019.

Revenue by Business for 2020[1)]



Revenue by Business for 2019[(1)]



Note:

(1) Excluding Corporate segment and intersegment eliminations.

UTILITIES BUSINESS

TSU's Utilities business contributed revenue of $304.5 million for the year ended December 31, 2020 (2019 - $311.5 million), representing approximately 94 percent (2019 – 95 percent) of TSU's total revenue before Corporate segment and intersegment eliminations.

Rate Regulation Overview

The rates charged for natural gas distribution services are regulated in Canada. The term "rate-regulated" is used to refer to a utility whose rates for distribution, transmission or other services are subject to approval by a regulator. The Applicable Utilities Commissions are the regulators responsible for approving natural gas distribution rates in their respective jurisdictions.

In Canada, regulators generally use two different models for approving the rates charged by rate-regulated utilities: (a) a "cost of service" model; and (b) a "performance-based" model (sometimes also referred to as an "incentive-based" model).

In a cost of service model, a utility charges rates for its services that allow it the opportunity to recover the costs of providing its services, earn an allowed ROE and over time recover its invested capital. The costs of providing its services must be prudently incurred. Cost savings are typically passed on to customers in the form of lower rates reflected in future rate decisions.

In a performance-based model, a utility also charges rates for its services that allow it the opportunity to recover the costs of providing its services, earn an allowed ROE and over time recover its invested capital. However, the rates charged by the utility in a performance-based model assume that the utility becomes increasingly efficient over time, resulting in lower costs to provide the same service. If a utility achieves cost savings in excess of those established by the regulator, the utility may retain some or all of the benefits of those cost savings for a longer period of time, which may permit the utility to earn more than its allowed ROE during the performance term(s).

Value Drivers for a Rate Regulated Utility

Management believes the key drivers of value for a rate-regulated utility are:

- a skilled and experienced workforce delivering safe, reliable service;
- constructive and transparent relationships with the respective utility regulators;
- prudent capital investments which ultimately add to the utility's rate base;
- the utility's deemed capital structure and allowed ROE, as set by the regulator; and
- the ability to generate efficiencies and cost savings in the operations of the utility.

Safe, Reliable Service

The ability to provide safe, reliable service is a fundamental value driver for a utility. Utilities must develop operating practices and procedures, asset integrity management plans, natural gas supply strategies, workforce development plans and safety management plans, all driven towards safe delivery of their product to customers while ensuring the safety of its employees, contractors and the general public in the short, medium and long-term. Success in this area attracts and retains customers to the business, builds the trust and confidence of the regulators, reduces repair, maintenance and emergency costs, and allows the utility to perform its obligations under its franchise agreements. See the heading "*Business of the Company – Utilities Business – Franchise Agreements and Approvals*".

Relationship with the Regulator

The ability of a utility to maintain constructive and transparent relationships with its regulator is a key driver of value. This relationship lays the foundation for all decisions made by the regulator in respect of the utility's business, including approval of its revenue requirement and the return the utility is allowed to earn on equity.

Rate Base and Capital Expenditures

The rate base of a rate-regulated utility generally refers to the net book value of the utility's assets for regulatory purposes. A utility's rate base must be calculated in accordance with the requirements of the utility's regulator and is generally approved by the regulator as part of the utility's rate application. The rate base for a natural gas utility in British Columbia, Alberta and Nova Scotia includes the gross cost of the Company's utility assets, less contributions paid by customers, less accumulated depreciation, plus an allowance for working capital. Utilities make capital investments to service new customers and to meet their obligations to deliver natural gas safely and reliably. Capital investments are included in a utility's rate base after the assets are placed into service. The rate base of a utility is reduced by depreciation of the utility's regulated assets being recorded in rates charged to customers. An increase in the utility's rate base will usually result in an increase in the utility's net income, all other things being equal.

Capital Structure and Return on Equity

Rate-regulated utilities have a "deemed" or approved capital structure that is set by the regulator. This is typically expressed as a ratio of debt-to-equity. For instance, in Alberta, the deemed capital structure for AUI set by the AUC is 61/39, which means that, for rate making purposes, AUI is considered to have a capital structure consisting of 61 percent debt and 39 percent equity. This capital structure is applied to the utility's rate base. As an example, if a utility has a rate base of $100 million and a 61/39 capital structure, this means the regulated assets of the utility are deemed to be capitalized with $61 million of debt and $39 million of equity. The deemed capital structure is important to a utility because it is used to calculate the dollar amount of a utility's net income that the utility is afforded the opportunity to earn through rates. A utility's deemed capital structure also reflects the regulator's view of the amount of debt that a utility should have in order to operate prudently.

A utility's allowed ROE is the rate of return that a regulator allows the utility the opportunity to earn on the equity portion of the utility's rate base. ROE is expressed as a percentage. A utility's allowed ROE represents the amount, over and above a utility's costs associated with providing services that a utility has the opportunity to earn as its net income after tax. A utility's allowed ROE is therefore a significant factor that affects the financial performance of rate-regulated utilities.

In order to calculate its allowed ROE as a dollar amount, the utility applies the allowable ROE percentage set by the regulator to the equity portion of its rate base. The equity portion of its rate base is, in turn, determined by multiplying the utility's rate base by the percentage of equity reflected in its deemed capital structure (e.g., 39 percent for AUI).

Operational Cost Savings and Efficiencies

Utilities seek greater efficiency and cost savings, including from economies of scale, productivity improvements or the use of new technology and systems. These cost savings are typically passed on to customers in the form of lower rates. In a cost of service model, this means the lower costs may be reflected in a lower revenue requirement approved by the regulator in the utility's next rate application. In other words, in a cost of service model without deferral mechanisms, cost savings, if any, are only retained by the utility until new rates are approved by the regulator. In performance-based rate makings, the utility has the potential to retain some or all of the benefit of cost savings achieved in excess of those established by the regulator, thereby increasing its ROE during the performance term. The ability to demonstrate greater efficiency and cost savings in the operations of a utility is a key factor in a regulator's decision to approve rates. This, together with the utility's desire to increase profitability while keeping rates low, provides incentives for utilities to continue to seek more efficient ways to deliver their service to customers.

Rate Applications

Framework

The Applicable Utilities Commissions are the regulators that approve rates for utilities in their respective jurisdictions. In Alberta, rates are currently determined using a PBR methodology, with a potential for reverting back to cost of service at the end of the respective PBR term. In British Columbia and Nova Scotia, rates are typically set on a cost of service basis. In the Northwest Territories, rates are normally set on a cost of service basis but are regulated on a light-handed complaint-based framework where competition exists within a franchise area. These models are reviewed and modified by the Applicable Utilities Commissions from time to time.

Application Process

A utility must file a rate application with the Applicable Utilities Commission to seek approval of its revenue requirement, which forms the basis for the rates to be charged for the approved period. The period between a utility's application for rates may vary and depends on the type of application process employed by the Applicable Utilities Commission.

A rate application is generally comprised of two phases: (a) to set the revenue requirement; and (b) to set specific rates to be charged to different classes of consumers and determine the terms and conditions of service.

A rate application is supported by pre-filed evidence, which contains details on the various categories of expenses proposed to be incurred by the utility, including, but not limited to, operations, maintenance and administration costs, depreciation and amortization, costs of debt and income taxes. A rate application will also include details on the capital expenditures proposed to be made based on available information and assumptions made at the time of the rate application. A utility must demonstrate to the Applicable Utilities Commission that capital investments are appropriate and prudent for inclusion in the utility's rate base and that the costs of providing service are also appropriate and prudent.

Rate applications for utilities such as PNG, AUI and HGL are generally based on "forward test years" whereby the utility must forecast and make assumptions regarding its expected costs and consumer demand during the periods covered by the rate application. The utility must support its application with information about prior or historical years and the current year.

Intervenors, such as consumer groups and other industry participants (including land owners and indigenous groups), and commission staff of the Applicable Utilities Commission, may also participate in the applicant's stakeholder activities, in technical conferences, and in the tribunal process itself, and they may also file questions and their own evidence. The parties may attempt to negotiate a full or partial settlement of the issues raised by the application. Unsettled issues are referred to a hearing in which the applicant is required to defend its rate application through written or oral submissions. After the completion of the hearing, the Applicable Utilities Commission issues a decision with reasons. The Applicable Utilities Commission will approve the final rate order or request revisions to better reflect its decision.

Applicable Utilities Commissions can instigate generic proceedings where topics are addressed for all utilities in the respective jurisdiction. The proceedings follow the same process as an individual utility application, however all utilities file evidence, take part in the hearing and are bound by the Applicable Utilities Commission's decision.

A utility may apply to the Applicable Utilities Commission for the approval of "deferral accounts" or "variance accounts", which are accounts used by the utility to record amounts due to, or amounts to be received from, rate payers at a future date. These type of accounts may be used to track, among other items, unforeseen capital expenditures or particular operation, maintenance and administration costs incurred during that period that were not included in the utility's last application for rates. The Applicable Utilities Commission will determine in connection with a subsequent rate application whether to allow a utility to include the assets produced from these capital expenditures in the utility's rate base or to recover such costs in rates.

Cost of Service Model

In a cost of service model for determining rates, a utility applies to the Applicable Utilities Commission for approval of its revenue requirement through a rate application. The revenue requirement covers the anticipated annual costs of providing the service, which includes an amount that represents the allowable ROE approved by the Applicable Utilities Commission.

Revenue Requirement

($)

Return on Equity	Calculated by multiplying the allowed ROE set by the Applicable Utilities Commission by the equity component of the utility's rate base.
Income Taxes	The allowance for the recovery of income taxes paid in respect of the regulated operations of the utility.
Cost of Debt	The approved cost of debt for the utility at the deemed capital structure.
Depreciation & Amortization	The depreciation on the rate base assets that is determined based on depreciation studies filed by a distribution utility, and approved by the Applicable Utilities Commission, which is net of any customer contribution amortization.
Operating Costs, Administrative Costs & Property Taxes	The costs associated with operating a utility that are determined to be prudent by the regulator.

The total revenue requirement is primarily collected through distribution rates. Other revenue generated by the utility through its regulated operations makes up the difference between the total revenue requirement and the amount collected through the distribution rates.

Performance-Based Model

The process for applying for distribution revenue requirements under a PBR framework differs from the process for applying for traditional cost of service revenue requirements in the following ways, under a PBR model:

- the revenue requirement is effectively decoupled from the utility's cost of providing service, and the utility must effectively manage its business to earn its allowed ROE over the period covered by the rate decision. Under this model, revenues earned from rates may not correspond to the utility's actual costs;
- the period covered by a PBR rate application in Alberta is typically five years, which is longer than the typical period covered by a cost of service rate application of one or two years;
- the utility applies for the "going-in rates" based on either a traditional cost of service rebasing model, a continuation of the rates in effect just prior to the new PBR period or as otherwise directed by the Applicable Utilities Commission;

- the revenue requirement for each of the subsequent years during the PBR period is generally determined based on a formula that multiplies the going-in rate by an inflation factor less certain productivity factors set by the regulator, multiplied by a factor for customer growth, plus a factor for capital funding. The revenue requirement in these subsequent years is set on the assumption that the utility is lowering its cost of service over the period covered by the rate decision due to efficiency or productivity improvements;
- certain capital expenses outside of the normal course of business or which cannot be foreseen are typically not included in PBR rates and are considered separately;
- the revenue requirement is also adjusted for the effect of other decisions of the regulator such as GCOC proceedings; and
- the utility is permitted to retain all or a portion of the cost savings achieved in excess of those established by the regulator during the period covered by the rate decision, thereby allowing the utility to earn more than its allowed ROE.

Complaints-Based Model

Under a complaints-based model, a transmission or distribution utility does not file its rates for review or approval by the Applicable Utilities Commission. Rates are typically only reviewed upon the complaint of a ratepayer. Distribution providers in franchise areas with multiple providers in the Northwest Territories are typically regulated by the NWTPUB on a “light-handed” or complaints-based model.

Franchise Agreements and Approvals

In British Columbia, Alberta, Nova Scotia and the Northwest Territories, rate-regulated utilities may provide service within designated areas (i.e., franchise territories and areas), under the authority granted by franchise or operating agreements or otherwise granted as permits or approvals issued pursuant to applicable statutes by the Applicable Utilities Commissions. Franchise agreements or approvals grant the rate-regulated utility the exclusive right to provide utility services in the applicable franchise area.

Seasonality

The natural gas distribution business in Canada is highly seasonal, as the majority of natural gas demand occurs during the winter heating season that extends from November to March. Natural gas delivered during the winter heating season typically accounts for approximately two-thirds of annual natural gas deliveries, typically resulting in profitable first and fourth quarters and weaker second and third quarters. Accordingly, annualized individual quarterly revenues and earnings are not indicative of annual results.

Delivery rates for AUI and HGL are based on the 20-year rolling average Degree Days expected for the application period. Positive variances relative to expected levels lead to increased delivery volumes.

Delivery rates for PNG are set based on the 10-year rolling average Degree Days expected for the application period. PNG is authorized by the BCUC to maintain a rate stabilization adjustment mechanism regulatory account to mitigate the effect on its earnings of deliveries to certain customers caused principally by volatility in weather and the impact on deliveries. Balances in the account are recovered in customer rates over a two-year period based on forecast deliveries.

Competition

Natural gas competes with other forms of energy available to the Company’s customers. The primary competitive factor is price. The commodity cost of natural gas has traditionally been volatile. When prices are high, the prospects of fuel-switching and increased energy conservation pose a risk to levels of demand for natural gas, as other energy sources can become more cost-competitive. It is anticipated that natural gas will continue to have a competitive advantage in British Columbia and Alberta, where virtually all potential customers in PNG and AUI’s franchise areas are connected to natural gas. However, over time, material natural gas price increases may result in material decreases in the use of natural gas by customers. Within their respective current franchise areas, PNG and AUI have nearly achieved complete market saturation, with the exception of those consumers choosing alternate fuel sources or living in more remote areas where natural gas service is cost-prohibitive at this time.

In Nova Scotia, where customers face costs to convert to natural gas, there is competition from alternative energy sources. HGL is a relatively new utility, having started with a single customer in 2003, and natural gas has a small share of the energy market in Nova Scotia. The dominant fuel source for space and water heating is oil, followed by electricity, then propane and wood fuel, used by smaller residential customers. In Nova Scotia, natural gas offers a competitive advantage relative to fuel oil and electricity due to its affordability, cleanliness, versatility, reliability and safety. HGL has responded to competitive propane prices in its small commercial rate class (500 to 4,999 GJ/year) by adjusting its distribution rates. The improving competitive position of natural gas relative to propane has allowed HGL to increase its distribution rates three times since the CRP was put in place.

The rate-regulated utility sector is also affected by competition ranging from large utilities to independent power producers, as well as private equity and international conglomerates. In British Columbia and Alberta, the natural gas distribution market is dominated by a major distributor that serves a majority of customers. Although the Company holds a relatively small share of the overall market in its relevant jurisdictions, through its franchise agreements, permits and approvals, it has a monopoly within its noted service areas.

Utilities Business Key Utility Metrics

The following table summarizes the capital expenditures for the Utilities business for the years ended December 31, 2020 and 2019:

	2020	2019
($ millions)		
New business	**15.9**	**15.8**
System betterment and gas supply	**43.1**	**45.1**
General plant	**20.2**	**15.5**
Total	**79.2**	76.4

The following table summarizes the nature of regulation applicable to each utility (other than Inuvik Gas) as at December 31, 2020:

Regulated Utility Applicable Utilities Commission	$ Rate Base(1) (% of the Company's Consolidated Rate Base)	Allowed Common Equity (%)	Allowed ROE (%) 2020	Allowed ROE (%) 2019	Significant Features/Material Regulatory Development
AUI ***AUC***	$422 million (43%)	39	8.50	8.50	• Effective January 1, 2018, second generation PBR term 2018 – 2022 was approved. • Cost recovery and return on rate base through revenue per customer formula. • GCOC decision to extend existing allowed ROE and capital structure for 2021. • Authorized to invest approximately $41 million per year over the five-year plan term. • 2018 AUI Depreciation Study decision received on December 20, 2019.
PNG ***BCUC***	$250 million (25%)				• Permanent rates approved for test years 2020 and 2021 in the 2020/2021 revenue requirement application. • Permanent rates approved for test year 2019 in the 2018/2019 revenue requirement application. • Primarily protected from weather related volatility through revenue stabilization adjustment account.
Western System		46.50	9.50	9.50	
Northeast System (Fort St. John/ Dawson Creek)		41.00	9.25	9.25	
Northeast System (Tumbler Ridge)		46.50	9.50	9.50	
HGL ***NSUARB***	$318 million(2) (32%)	45	11.00	11.00	• Distribution rates approved under a cost of service model. • No regulatory lag; earn immediately on invested capital. • RDA of up to $50 million. • CRP approved in September 2016 resulting in a decrease in distribution rates for certain commercial customers and deferral of certain costs while the program is in place. • Extension for the CRP to the end of 2023 was approved in April 2020, which also significantly reduced the degree of deferral approved in 2016. • The incremental deferrals arising from the CRP are allowed a return of 4 percent.

Notes:

(1) Inclusive of construction work in progress.

(2) Inclusive of CRP deferrals of approximately $40 million, which earn a return of 4%.

Regulatory Deferral Accounts

The Applicable Utilities Commissions have approved a number of deferral accounts for each of AUI, PNG and HGL to record costs and revenues for various items for recovery from customers, or refund to customers, over a future time period. The general purpose of a deferral account is to keep a company or its customers whole in respect of the subject matter of the deferral account. As at December 31, 2020, the Company's deferral accounts in assets were $261.1 million ($236.6 million as at December 31, 2019) and were $39.6 million in respect of liabilities ($33.7 million as at December 31, 2019). The period over which the accounts will be realized or settled depends upon the type of account. Recovery of deferral accounts may occur as quickly as the following month (as for certain deferral cost of gas amounts) or extend many decades (as for recovery of deferred income tax amounts).

Each of AUI, PNG and HGL have a gas cost variance account. The difference between the forecast gas cost charged to customers and the actual gas cost incurred is recorded in these accounts. If actual gas costs exceed forecast gas costs, the difference will be recovered from customers by an increase in future rates. If actual gas costs are lower than forecast gas costs, the difference will be refunded to customers through a reduction in future rates. In this way, customers, over time, pay the same cost for gas as is paid by the utility.

Each of AUI and PNG have an account with respect to recovery of deferred income taxes, which taxes reflect the future revenues required to fund the deferred tax liabilities. HGL is not yet subject to paying income taxes, as it has accumulated tax loss carryforwards which are used to reduce taxable income to zero. As such, income taxes are not yet reflected in HGL's distribution rates.

PNG forecasts the revenue it will receive from customers based on an annual forecast of gas deliveries to customers. As it is not possible to forecast deliveries to customers with complete accuracy for a variety of reasons, including the effect of weather on gas consumption, PNG is allowed by the BCUC to record the difference between forecast and actual use per account realized from residential and small commercial customers in a rate stabilization adjustment mechanism deferral account. If actual use per account exceeds forecast use per account, the resulting difference will be recorded in the rate stabilization adjustment mechanism deferral account and refunded to customers in future rates. If actual use per account is less than forecast use per account, the resulting revenue difference will be recorded in the rate stabilization adjustment mechanism deferral account and recovered from customers in future rates.

HGL has approval from the NSUARB to use an RDA until it is fully recovered, subject to a maximum of $50 million, which may be increased subject to approval by the NSUARB. The RDA is revenue required to afford HGL the opportunity to earn the rates of return on its rate base, as approved by the NSUARB. In HGL's customer development stage, it is expected that the actual revenue billed will be less than the revenue required to earn the approved rates of return and, therefore, an RDA asset will accumulate. As the distribution network matures, the actual revenue billed is expected to exceed the revenue required to earn the approved rates of return and the RDA will be drawn down.

In September 2016, the NSUARB approved the customer retention program ("CRP") allowing HGL to reduce the base energy charges for customers who consume between 500 and 4,999 GJs/year and the flexibility to increase the base energy charges up to $8.69/GJ (the previously approved rates), deferral of depreciation expense and a deferral of an additional approximately 25 percent of maintenance and administrative expenses while the program is in place. The deferred amounts under the CRP earn a return of 4 percent. The CRP was scheduled to expire on December 31, 2020. On April 21, 2020, HGL received final approval from the NSUARB to revise the CRP deferral mechanism and to extend the program to the end of 2023 as requested. The decision was effective January 1, 2020. See "*General Development of the Business – 2020 – Material Regulatory Developments and Applications – Nova Scotia*".

Alberta

AUI commenced operations as an Alberta, provincially regulated, natural gas distribution utility in 1954. Its head office is located in Leduc, Alberta. AUI delivers natural gas to residential, farm, and C&I consumers in more than 90 communities throughout Alberta. At the end of 2020, AUI served approximately 81,500 customers. AUI also owns transmission facilities, including, without limitation, high-pressure pipelines that deliver natural gas from gas sources to the distribution systems.

AUI operates in a mature market and has achieved nearly 100 percent saturation within its franchise areas, with the exception of a few consumers choosing alternate fuel sources or living in remote areas where natural gas service is cost-prohibitive. The Alberta natural gas distribution market is dominated by a major distributor that serves approximately 85 percent of natural gas consumers. AUI serves approximately 6 percent of Alberta customers, with the remaining market served by member-owned natural gas cooperatives and municipally owned systems. AUI expands its customer base through economic expansion and growth in its franchise areas and also pursues opportunities to develop service areas not currently served with natural gas. AUI may pursue the acquisition of municipal and co-op systems as they become available.

Operations

AUI's distribution system consists of 21,065 km of pipeline. There are 671 small and mid-sized metering and pressure regulating stations throughout AUI's distribution network. AUI operates its gas distribution systems through a network of 14 district offices. AUI's market consists primarily of residential and small commercial consumers located in smaller population centres or rural areas of Alberta.

The following table sets out, by customer category, AUI's gas deliveries:

	2020	2019
Deliveries: (PJ)		
Residential	**7.0**	**7.1**
Rural	**3.0**	**3.0**
Commercial	**5.2**	**5.4**
Small industrial (Rate 2 - Large General Services)	**1.3**	**1.4**
Large industrial (Rate 3 - Demand)	**2.4**	**2.7**
Producers	**0.3**	**0.6**
Total deliveries	19.2	20.2

The following table sets out, by customer category, AUI's customers:

	2020	2019
Customers at Year End:		
Residential	**59,744**	**58,943**
Rural	**14,047**	**13,962**
Commercial	**7,478**	**7,435**
Small industrial (Rate 2 - Large General Services)	**142**	**145**
Large industrial (Rate 3 - Demand)	**62**	**62**
Producers	**2**	**2**
Total customers	81,475	80,549

Under the MGA, municipal councils have the authority to grant a right, exclusive or otherwise, to a person to provide utility service in all or part of the municipality, for not more than 20 years. Under the MGA, AUI negotiates an initial franchise agreement with municipalities based on a standard template approved by the AUC. Each initial franchise agreement sets a negotiated initial term and also defines the rights and obligations of both the municipality and AUI.

The distribution franchise agreements granted to AUI under the MGA are exclusive to AUI, granted under initial terms for a minimum of 10 years, and up to 20 years, and are typically renewed for periods of 10 years. If any franchise agreement is not renewed, it remains in effect until such time as either party, with the approval of the AUC, terminates it. Upon termination of a municipal franchise agreement, the municipality may purchase AUI's distribution facilities system within the municipality at a price to be agreed upon or, failing agreement, on a price to be fixed by the AUC. A prior Supreme Court of Canada decision supports a purchase price calculated at the full replacement cost, less loss in value of the system due to wear and tear and obsolescence.

As at December 31, 2020, AUI currently has 44 municipal distribution franchises granted pursuant to the MGA; nine permits granted by Indigenous and Northern Affairs Canada under the authority of the *Indian Act* (Canada); and 21 rural franchise approvals issued under the authority of the *Gas Distribution Act* (Alberta), with remaining terms that vary from 3.7 years to perpetual and are renewed from time to time in the ordinary course of AUI's business. The top three municipalities contributing to AUI's total revenue in 2020 were the City of Leduc, City of Beaumont and Town of Morinville, which collectively accounted for approximately 25 percent of AUI's total revenue and 21 percent of energy delivered in 2020.

AUI currently buys the majority of its natural gas under monthly and daily arrangements from a number of producers. The price paid for the natural gas on a monthly basis is based on market value provided in the Canadian Gas Price Reporter. AUI receives the majority of its natural gas from ATCO Gas and Pipelines Ltd.'s and NOVA Gas Transmission Ltd.'s Alberta gas transportation systems. Deliveries are made at various Alberta delivery points into the AUI system for delivery to its customers. AUI's natural gas supply and transportation arrangements are such that most of the third party transportation charges are paid by the natural gas customers. The cost of gas purchased is flowed through to the distribution customers and does not impact net income.

British Columbia

PNG's head office is located in Vancouver, British Columbia and its principal operating office is located in Terrace, British Columbia. PNG's wholly owned subsidiary, PNG(N.E.) has its main operating offices in Fort St. John, British Columbia and Dawson Creek, British Columbia.

PNG owns and operates the Western System, a regulated natural gas transmission and distribution utility within the west central portion of northern British Columbia. PNG(N.E.) owns and operates the Northeast System, a distribution utility in northeast British Columbia.

Substantially all of PNG's and PNG(N.E.)'s pipeline facilities are located across Crown land or privately-owned property under rights-of-way granted by the Crown or the owners in perpetuity or for so long as they are used for pipeline purposes. Approximately three kilometers of main pipelines and approximately nine kilometers of lateral transmission pipelines cross reserves established under the *Indian Act* (Canada), for which PNG has appropriate land rights. Compressor and metering stations are principally located on land owned by PNG. PNG owns its local offices in Terrace, Prince Rupert, Kitimat, Burns Lake, Smithers, Summit Lake, Dawson Creek, Tumbler Ridge and Fort St. John, British Columbia and leases office space in Vanderhoof and Vancouver, British Columbia.

All of the property and assets of PNG and PNG(N.E.) are subject to the lien of a deed of trust and mortgage dated as of April 15, 1982 between PNG and Computershare Trust Company of Canada, as trustee, as amended and supplemented from time to time, under which PNG's secured debentures have been issued.

All of PNG's and PNG(N.E.)'s residential customers, most of their commercial customers and a number of their smaller industrial customers continue to rely on PNG and PNG(N.E.) for arrangement of their gas supply, and such customers pay tariffs which include PNG's and PNG(N.E.)'s gas supply commodity and delivery costs. The large industrial customers, the majority of small industrial customers and a number of commercial customers purchase their own gas supply requirements from third party gas suppliers and contract for gas transportation service on the PNG and PNG(N.E.) pipeline systems. In addition, some of the smaller commercial customers purchase their gas supply requirements directly from gas marketers. Since PNG's income is earned from the distribution of natural gas and not from the sale of the commodity, distribution margin is not adversely affected by this practice as the gas commodity costs are passed through to customers without a mark-up.

In the Western System service area, PNG has a very high penetration of available energy customers. With the final investment decision made by joint venture partners of LNG Canada's export project at Kitimat, British Columbia, PNG expects that economic spin-offs will be realized in the associated communities, including additional residential housing and business requirements in PNG's franchise areas, which could provide a basis for additional growth for the Company's business.

In the Northeast System service area, PNG(N.E.) continues to build out its distribution system to new communities and to capture new housing and commercial developments in its existing serviced communities.

Operations

PNG's transmission pipeline system in the Western System service area connects with the British Columbia pipeline system operated by Enbridge Westcoast Energy Inc. (formerly Spectra Energy) near Summit Lake, British Columbia, and extends 587 km to the west coast of British Columbia at Prince Rupert, British Columbia. The pipeline between Summit Lake, British Columbia and Terrace, British Columbia has been partially paralleled, or looped, with a second line to increase throughput capacity. PNG also owns and operates over 300 km of lateral transmission pipelines extending into the various communities served by PNG, the most significant being dual lines extending approximately 57 km into Kitimat, British Columbia. The Western System distribution system is comprised of approximately 960 km of distribution pipelines. Five compressor units maintain pressure on PNG's Western System transmission pipeline system (four of which are presently deactivated).

The Northeast System serves the Fort St. John and Dawson Creek areas of British Columbia through connections with the Enbridge Westcoast Energy Inc. pipeline system at several locations. The Northeast System also connects with pipelines owned by Canadian Natural Resources Limited to obtain supply for the Fort St. John area, a producer's pipeline to serve the Dawson Creek area, and a Canadian Natural Resources Limited gas supply pipeline to serve the Tumbler Ridge area of British Columbia. The entire Northeast System consists of approximately 243 km of transmission lines, 2,202 km of distribution lines and a gas processing plant near Tumbler Ridge with a capacity of 120,000 cubic meter of natural gas per day.

The following table sets out, by customer category, PNG's gas deliveries:

	2020	2019
Deliveries: (PJ)		
Residential	**3.2**	**3.1**
Commercial	**3.0**	**3.0**
Small industrial	**2.8**	**2.4**
Large industrial	**1.7**	**2.0**
Total deliveries	10.7	10.5

The following table sets out, by customer category, PNG's customers:

	2020	2019
Customers at Year End:		
Residential	**36,856**	**36,587**
Commercial	**5,482**	**5,447**
Small industrial	**37**	**41**
Large industrial	**2**	**2**
Total customers	42,377	42,077

Under the *Utilities Commission Act* (British Columbia), municipal councils and utilities negotiate franchise agreements, which are then subject to approval by the BCUC through a certificate of public convenience and necessity.

Under the *Community Charter* (British Columbia), a council of a municipality may enter into an agreement to grant an exclusive or limited franchise for the provision of gas, electrical or other energy supply system for terms of not more than

21 years. If any franchise agreement is not renewed, it remains in effect and the utility may not discontinue operations except on the approval of the BCUC. Furthermore, any disposition of a utility's property, franchises, licences, permits, concessions, privileges or rights also requires the approval of the BCUC.

PNG currently has exclusive franchise agreements with the municipalities of Prince Rupert, Port Edward, Kitimat, Terrace, Smithers, Burns Lake, Houston, Fort St. James, Fraser Lake and Vanderhoof, entitling it to supply and distribute natural gas within those municipalities. Each of the franchise agreements has a term of 21 years, expiring in 2032 (except in the cases of Port Edward, where the agreement expires on October 5, 2031, Prince Rupert and Fraser Lake, where both agreements expire in 2036, and Fort St. James, where the agreement expires June 30, 2038).

PNG also has an operating agreement with the municipality of Telkwa, British Columbia that entitles PNG to install and operate gas distribution facilities in the municipality. The initial term of this operating agreement has expired, and PNG is operating within ten year renewal terms which will expire in 2021. The operating agreement provides for an unlimited number of ten year renewal terms, which take effect automatically on the expiry of the preceding renewal term. If the parties cannot agree on alterations to an operating agreement for a renewal term, the BCUC may determine such alterations.

PNG(N.E.) has exclusive franchise agreements with the city of Fort St. John, the District of Taylor, the City of Dawson Creek, and the Village of Pouce Coupe for 21-year terms, expiring in 2018, 2033, 2036, and 2037, respectively. PNG(N.E.) currently has an interim operating agreement with the city of Fort St. John and has filed an application for approval of the franchise agreement negotiated with the city of Fort St. John on December 10, 2019. PNG(N.E.) operates its gas distribution facilities in the Tumbler Ridge area pursuant to a certificate of public convenience and necessity issued by the BCUC. The franchise agreement with the District of Taylor gives the municipality the right to purchase the distribution system within the municipality on expiry of the franchise agreement, at the fair market value of the assets as a going concern.

Tenaska Marketing Canada has managed most of PNG's natural gas supply arrangements since March 2013. Tenaska Marketing Canada's gas management services include gas supply planning and resource selection analysis, gas supply contract negotiation and administration, daily energy management services, and the monitoring and reporting of credit, hedging positions and gas prices. The contract expires on March 31, 2021. The cost of gas purchased is flowed through to the distribution customers and does not impact net income.

PNG meets its gas demand requirements using a balanced approach and contracts for supply from different counterparties for both daily and monthly priced supply. Most of the gas purchased by PNG is taken from the pooled gas stream available from the Enbridge Inc. pipeline system. This includes all of the supply to PNG's transmission line serving its Western System service area and most of the supply for the Fort St. John and Dawson Creek, British Columbia service areas. In addition, the Fort St. John system incorporates two interconnections with Canadian Natural Resources Limited's West Stoddart Pipeline and the Dawson Creek area connects to a producer's pipeline. In Tumbler Ridge, British Columbia, all of the gas supply is obtained in the form of raw gas production from Canadian Natural Resources Limited and PNG operates its own gas processing facilities.

PNG also includes natural gas storage in its gas supply portfolio and has a storage agreement with Tenaska Marketing Canada for storage at the Aitken Creek Gas Storage Facility of up to 1,000,000 GJs which has been renewed until March 31, 2022 to assist in managing gas supply during peak demand.

Nova Scotia

HGL is a natural gas distribution utility in Nova Scotia with a head office located in Dartmouth, Nova Scotia. HGL's franchise was granted in 2003 and gives it the exclusive right to distribute natural gas through its distribution system to all or part of seven counties in Nova Scotia, including the Halifax Regional Municipality, until December 31, 2028.

Natural gas currently provides less than 10 percent of total energy used in Nova Scotia, with electricity and fuel oil being the dominant energy sources. In 2020, HGL's customer base grew by 5 percent and ended the year at approximately 8,100 customers. HGL currently has approximately 4,600 residential and approximately 3,500 commercial customers representing approximately 31 percent of all homes and 44 percent of all commercial buildings that currently have access to natural gas. HGL is focused on increasing penetration levels within the area currently served by its existing network.

The following table sets out, by customer category, HGL's gas deliveries:

	2020	2019
Deliveries: (PJ)		
Residential	**0.3**	**0.3**
Small commercial	**2.2**	**2.5**
Large commercial	**2.5**	**2.6**
Industrial	**2.6**	**3.5**
Non-regulated compressed natural gas distribution	**1.3**	**1.2**
Total deliveries	8.9	10.1

In 2020, HGL's gas deliveries declined compared to 2019, largely due to the closure of a significant industrial customer. Significantly warmer weather in 2020, compared to 2019, and the effects of COVID-19 also contributed to lower deliveries during the year.

The following table sets out, by customer category, HGL's customers:

	2020	2019
Customers at Year End:		
Residential	**4,582**	**4,344**
Small commercial	**3,209**	**3,081**
Large commercial	**260**	**250**
Industrial	**15**	**16**
Non-regulated compressed natural gas distribution	**3**	**3**
Total customers	8,069	7,694

Natural gas prices are very competitive with other energy sources in Nova Scotia for large commercial and industrial customers. HGL currently has a CRP in place which was approved by the NSUARB in 2016 for commercial customers with consumption between 500 and 4,999 GJ per year. In the fall of 2017, HGL implemented an increase to the distribution rates that were previously reduced as provided under the CRP decision. An additional increase was made to distribution rates in the spring of 2018 and again in the fall of 2018 to partially restore the rates to previously approved cost of service levels. Due to delays in gas infrastructure projects that are expected to further reduce the cost of natural gas in the Maritimes, in the fall of 2019, HGL filed an application to extend its CRP to the end of 2023. On April 21, 2020, HGL received final approval from the NSUARB to revise the CRP deferral mechanism and to extend the program to the end of 2023 as requested, effective January 1, 2020. To date the program has been successful in curtailing the migration of customers to propane. Since the implementation of the CRP, HGL has continued to add residential and commercial customers. The program has enabled HGL to remain competitive for this customer class during a period of low propane prices.

Operations

Under the *Gas Distribution Act* (Nova Scotia), a utility must apply for a franchise before the NSUARB, subject to approval by the Governor in Council. Franchises granted by the NSUARB provide the franchise holder the exclusive right to construct and operate a gas delivery system within the geographical area of the franchise (subject to limited exceptions) for a term of 25 years. Franchises are renewable by application to the NSUARB. In the event that a franchise is not renewed, the NSUARB may require the franchise holder to continue to provide service for such time as will allow users to convert to another energy source.

The franchise currently held by HGL is for a 25-year term, issued on February 7, 2003 for Cumberland, Colchester, Pictou, and Halifax Counties (now Halifax Regional Municipality), the Municipality of the District of East Hants, and the Goldboro area of Guysborough County. In addition, in 2014, HGL was granted the franchise rights for Antigonish County.

HGL's distribution system consists of approximately 470 km of pipeline mains infrastructure of which approximately 355 km is located in the Halifax Regional Municipality, approximately 60 km is located in Amherst, Nova Scotia, approximately 45 km is located in the New Glasgow/Pictou area and approximately 10 km is located in Oxford, Nova Scotia.

Historically over its first 15 years of operation, HGL received much of its natural gas supply from offshore Nova Scotia through the Sable Offshore Energy project and Ovintiv Inc.'s Deep Panuke project. When both producers ceased operations in 2018, HGL entered into gas supply and transportation contracts to secure supply from other supply basins in North America to provide relative price stability.

HGL has 20 years remaining in a contract with Portland Natural Gas Transmission System for natural gas transportation capacity from the Dawn Hub in Ontario to Nova Scotia on a pipeline path that consists of Union Gas Limited Pipeline, TransCanada pipeline, Portland Natural Gas Transmission System and the Maritimes and Northeast Pipeline system. This agreement enhances security of supply and reduces gas price volatility. The agreement provides for 10,550 GJ per day beginning November 1, 2020.

Through an agreement with AltaGas, HGL purchased gas under negotiated contracts with wholesale gas marketers until November 30, 2020. Effective December 1, 2020 HGL assumed responsibility for all gas supply procurement activities, procuring supply and services through negotiated agreements with wholesale gas marketers. In 2020, HGL's supply was delivered via the TransCanada pipeline, the Portland Natural Gas Transmission system and the Maritimes & Northeast U.S.

and Canadian pipeline systems from supply sources in central and western Canada and the United States. The cost of gas purchased is passed through to the distribution customers and does not impact net income.

In December 2019, HGL entered into two agreements with Maritimes & Northeast Pipeline Limited Partnership. One agreement was for 7,500 GJ per day of firm transportation capacity for 25 months. The second agreement is for interruptible transportation service with a $12.5 million commitment over the 25-month term expiring on December 31, 2021.

In 2014, HGL signed an agreement with Enbridge Inc. for the Atlantic Bridge expansion project, on the Algonquin Gas Transmission pipeline system. The contract is a 15-year commitment for 10,550 GJ per day of transportation that provides HGL an opportunity to diversify suppliers and provide access to other supply basins until the end of its term. The Atlantic Bridge expansion project commenced service on October 1, 2020.

HGL has a 20-year gas storage agreement with Alton Natural Gas Storage L.P. for storage capacity at the Alton Natural Gas Storage Project in Nova Scotia. The project timeline is subject to Crown-led consultations with First Nations and regulatory approvals which may impact service availability to HGL.

INUVIK GAS AND IKHIL JOINT VENTURE

TUGI has an approximate one-third interest in Inuvik Gas and the Ikhil Joint Venture natural gas reserves, which have historically supplied Inuvik Gas with natural gas for the Town of Inuvik. With the Ikhil Joint Venture natural gas reserves approaching the end of their life, a propane air mixture system producing synthetic natural gas was implemented as the main source of energy supply for Inuvik Gas with the Ikhil Joint Venture serving as the main energy supply during shoulder seasons when the two Dempster Highway river crossings are closed. These shoulder seasons are in the early winter when the ferries are unable to run and the ice bridges are not formed yet as well as in the spring when the ice bridges melt prior to the ferries being able to run. Winter shoulder season lasts approximately two months and spring shoulder season lasts approximately one month.

Under the *Public Utilities Act* (Northwest Territories) and the *Cities Towns and Villages Act* (Northwest Territories), municipal councils have the authority to grant a utility the right to operate within a municipality. Where a utility plans to operate outside of a municipality, this authority rests with the Minister responsible for the *Public Utilities Act* (Northwest Territories). Under the *Cities Towns and Villages Act* (Northwest Territories), franchise agreements may not have initial terms greater than 20 years and may be renewed for terms not to exceed 10 years. Upon expiry of a franchise, with the approval of the Minister under the *Cities Towns and Villages Act* (Northwest Territories), the municipality may purchase the property used in connection with a franchise on terms to be agreed to by the parties or by arbitration under the *Arbitration Act* (Northwest Territories).

In December 2016, Inuvik Gas notified the Town of Inuvik of its intention to terminate the gas distribution franchise agreement effective December 2018. The franchise agreement was terminated on December 8, 2018. Through an in-person meeting in December 2018, Inuvik Gas agreed to continue to provide service to its customers in accordance with the previous franchise agreement and the NWTPUB approved terms and conditions of service.

RENEWABLE ENERGY BUSINESS

TSU's Renewable Energy business contributed revenue of $18.3 million for the year ended December 31, 2020 (2019 – $14.8 million), representing approximately 6 percent (2019 – 5 percent) of TSU's total revenue before Corporate segment and intersegment eliminations. The revenue from the Renewable Energy segment also excludes revenue from the Northwest Hydro Facilities as the investment is accounted for using the equity method accounting.

At December 31, 2020, TSU has installed power capacity from a combination of hydro and wind generation, as more particularly set forth in the below table.

Facility	Interest (%)	Installed Capacity (MW)	Type	Geographic Region	Contracted Expiry Date
Bear Mountain Wind Park	100	102	Wind	British Columbia, Canada	2034
Forrest Kerr(1)	10	214	Hydro	British Columbia, Canada	2074
McLymont Creek(1)	10	72	Hydro	British Columbia, Canada	2075
Volcano Creek(1)	10	17	Hydro	British Columbia, Canada	2074

Note:

(1) TSU owns a 10 percent indirect interest in the Northwest Hydro Facilities, which are comprised of Forrest Kerr, McLymont Creek and Volcano Creek.

The following chart provides a summary of the volumes sold for the last two years:

	2020	2019
Bear Mountain Wind Park power sold (GWh)	**189.8**	**141.9**
Northwest Hydro Facilities power sold (GWh)(1)(2)	**97.5**	**120.5**

Notes:

(1) Representing 10 percent of the total power sold by the Northwest Hydro Facilities.

(2) Inclusive of 1.5 GWh and 2.7 GWh of deemed energy for the year ended December 31, 2020 and 2019, respectively, related to BC Hydro's curtailment.

Bear Mountain Wind Park

The Bear Mountain Wind Park, owned by the Company through BMWLP and BMWPC, is a 102 MW generating wind facility consisting of 34 turbines, a substation and transmission and collector lines, which are connected to the BC Hydro transmission grid. The Bear Mountain Wind Park is British Columbia's first fully-operational wind park, delivering enough electricity to power most of British Columbia's South Peace region.

The turbine manufacturer, Enercon GmbH of Germany, provides operating and maintenance services to BMWLP under a service agreement that expires in December 2021 on a fixed fee basis, escalating with reference to specified pricing indices. Enercon GmbH provides various warranties in respect of the turbines, including with respect to minimum levels of availability. Each of the 3 MW Enercon E-82 wind turbine generators supplied to the Bear Mountain Wind Park has a 78 metre hub height and a 82 metre rotor diameter.

The Bear Mountain Wind Park was commissioned and fully connected to the British Columbia power grid in 2009. All of the power from the Bear Mountain Wind Park is sold to BC Hydro under a 25-year EPA expiring in 2034 with an escalation factor of 50 percent of Canadian CPI calculated at the beginning of each year. The facility is an EcoLogo certified facility and generates RECs. BMWLP has retained the green attributes and RECs and sells them, and intends to continue to sell them, to provide an additional revenue stream.

The Bear Mountain Wind Park covers approximately 25 hectares and, as the turbines require limited surface land space, the facility continues to be used for cattle grazing and by the public for hiking, snowmobiling, cross-country skiing and other recreational activities.

There are royalty agreements in place with the Peace Energy Cooperative (a community-based group), Aeolis Wind Renewable Energy Company and AltaGas for a total of 1.712 percent of the project revenues and varying participation in REC sales above a cumulative threshold amount.

Northwest Hydro Facilities

The Northwest Hydro Facilities, located in Tahltan First Nation territory approximately 1,000 kilometres northwest of Vancouver, British Columbia, are comprised of three run of the river hydro facilities, namely Forrest Kerr, McLymont Creek, Volcano Creek and all associated transmission and related support facilities.

The Northwest Hydro Facilities, with a combined installed capacity of approximately 303 MW, are contracted under three separate 60-year EPAs with BC Hydro that are fully indexed to BC CPI, meaning there is no direct commodity risk on contracted power. Each EPA expires 60 years from the facility's respective date of COD.

The CMH Group is owned by Coast LP, its general partner Coast GP and the Tahltan First Nation. The Company's indirect ownership is through limited partnership units of Coast LP and common shares of Coast GP. Impact benefit agreements are in place for all three Northwest Hydro Facilities, supporting a cooperative and mutually beneficial relationship between the Tahltan First Nation and the CMH Group.

The Company has agreed with AltaGas that it will not directly or indirectly dispose of any of its interest in Coast LP or Coast GP prior to November 1, 2028 without the prior consent of AltaGas.

Competition

Wind power generated from the Bear Mountain Wind Park is not currently exposed to power price volatility as the power generated is sold at a fixed price for 25 years, with an escalation factor of 50 percent of Canadian CPI calculated at the beginning of each year. Renewable energy sold from Forrest Kerr, McLymont Creek and Volcano Creek are sold at a predetermined price as contracted under the 60-year EPAs with BC Hydro. The EPAs for Forrest Kerr, McLymont Creek, and Volcano Creek are fully indexed to BC CPI.

Seasonality

The renewable energy business of TSU is cyclical due to the nature of wind and run-of-river hydroelectric resources, which fluctuate based on both seasonal patterns and annual weather variation. Typically, run-of-river hydroelectric facilities generate most of their electricity and revenues during May to October when snowpack melt starts and increases in precipitation feed the watersheds and the rivers. Inversely, wind speeds are historically greater during the cold winter months when winter storms are prevalent. Accordingly, annualized individual quarterly revenues and earnings are not indicative of annual results.

CAPITAL STRUCTURE

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares and such number of Preferred Shares issuable in series at any time as have aggregate voting rights either directly or on conversion or exchange that in the aggregate represent less than 50 percent of the voting rights attaching to the then issued and outstanding Common Shares. As at December 31, 2020, TSU had 30,000,000 Common Shares issued and outstanding and no Preferred Shares issued and outstanding.

The summary below of the rights, privileges, restrictions and conditions attaching to the Common Shares and the Preferred Shares is subject to, and qualified by reference to, TSU's articles and by-laws.

Common Shares

Holders of Common Shares are entitled to notice of, to attend and to one vote per share held at any meeting of the Shareholders (other than meetings of a class or series of shares of the Company other than the Common Shares as such). Subject to prior satisfaction of all preferential rights to dividends attached to shares of other classes of shares of the Company ranking in priority to the Common Shares in respect of dividends, the holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors on the Common Shares as a class. In the event of any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among the Shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Company ranking in priority to the Common Shares in respect of return of capital on dissolution, the holders of Common Shares are entitled to share rateably, together with the holders of shares of any other class of shares of the Company ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of the Company as are available for distribution. The Common Shares are not convertible into any other class of shares.

Preferred Shares

The Preferred Shares may at any time or from time to time be issued in one or more series. Before any shares of a particular series are issued, the Board of Directors shall, by resolution, fix the maximum number of shares that will form such series and shall, subject to the limitations set out in the Company's articles, by resolution fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series. The Preferred Shares of each series will rank on parity with Preferred Shares of every other series with respect to accumulated dividends and return of capital and the holders of Preferred Shares will rank prior to the holders of Common Shares and any other shares of TSU ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of TSU, whether voluntary or involuntary or any other distribution of the assets of TSU among its shareholders for the purpose of winding-up its affairs.

The rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class may be repealed, altered, modified, amended or amplified or otherwise varied only with the sanction of the holders of the Preferred Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution in writing executed by all holders of Preferred Shares entitled to vote on that resolution or passed by the affirmative vote of at least 66⅔ percent of the votes cast at a meeting of holders of Preferred Shares duly called for such purpose.

Medium Term Notes

TSU has issued senior unsecured notes in the form of MTNs. On December 5, 2018, TSU issued $300 million of MTNs with a coupon rate of 4.26 percent (4.269 percent yield to maturity) and maturity date of December 5, 2028. On April 3, 2019, TSU completed the issuance of $250 million of MTNs with a coupon rate of 3.15 percent (3.151 percent yield to maturity) and a maturity date of April 6, 2026. On April 7, 2020, TSU completed the issuance of $100 million of MTNs with a coupon rate of 3.13 percent (3.13 percent yield to maturity) and a maturity date of April 7, 2027. Details with respect to the issued and outstanding MTNs can be found in Note 11 to TSU's consolidated financial statements as at and for the year ended December 31, 2020 filed on SEDAR at *www.sedar.com*. The MTNs are not listed or quoted on any exchange.

CORPORATE GOVERNANCE

Information contained in this AIF under the section titled "*Corporate Governance*" is given as at the date of this AIF unless otherwise specifically stated.

DIRECTORS AND EXECUTIVE OFFICERS

As at March 3, 2021: (a) the directors and executive officers of TSU, as a group, owned beneficially, directly or indirectly, or exercised control or direction over none of the outstanding Common Shares; and (b) 30,000,000 Common Shares were issued and outstanding.

Directors

Composition of the Board of Directors

The number of directors of TSU is to be determined from time to time by resolution of the Board. The number of directors is currently ten, of which six are independent directors as defined under Canadian securities laws.

The term of office of any director continues until the annual Shareholder meeting following the director's election or appointment or (if an election or appointment of a director is not held at such meeting or if such meeting does not occur) until the date on which the director's successor is elected or appointed, or earlier if the director dies or resigns or is removed or disqualified, or until the director's term of office is terminated for any other reason in accordance with the constating documents of TSU. The Shareholder is entitled to annually elect the Board.

The following table sets forth the names of the directors of TSU as of March 3, 2020, their places of residence and their principal occupations within the last five years.

Name and Residence of Directors	Principal Occupation During the Past Five Years	Director Since
David W. Cornhill[(1)] Alberta, Canada Chair of the Board of Directors	Mr. Cornhill is Chair of the Board of Directors of TSU. Mr. Cornhill served as Chairman of the board of directors of AltaGas, from inception in 1994 until 2019. He is also a founding shareholder of AltaGas (and its predecessors). He remains on the board of directors of AltaGas as a director. He was Chief Executive Officer of AltaGas from 1994 until 2016 and served as interim co-chief executive officer from July to December 2018. Prior to forming AltaGas, Mr. Cornhill served in various capacities with Alberta and Southern Gas Co. Ltd, including Vice President, Finance and Administration, Treasurer and President and Chief Executive Officer.	September 5, 2018
Gregory A. Aarssen[(1)] Ontario, Canada	Mr. Aarssen is an entrepreneur and independent businessman and has been President of Aarssen Management Service Inc. since 1997. Mr. Aarssen was Co-President Gas of AltaGas from 2010 until his retirement in 2012, and prior thereto held senior roles with AltaGas and PremStar Energy Canada Inc.	September 5, 2018
Judith J. Athaide[(1)] Alberta, Canada	Ms. Athaide is a Professional Engineer. She has been the President and Chief Executive Officer of The Cogent Group Inc. since 1999. Prior to co-founding The Cogent Group, Ms. Athaide held a variety of senior commercial and technical roles in the energy industry, including Vice-President, Bow Engineering and Project Execution of EnCana Leasehold Limited Partnership. She is a member of the Institute of Corporate Directors.	September 5, 2018
Patrick Chabot Québec, Canada	Mr. Chabot is Director, Infrastructure Investments at PSP Investments, a position he has held since 2019, and prior thereto held the position of Manager, Infrastructure Investments at PSP Investments from 2017 to 2019 and Associate, Infrastructure Investments at PSP Investments from 2015 to 2017. Mr. Chabot holds a Master of Science in Finance and a Bachelor of Business Administration from Laval University and is a CFA Charterholder.	March 31, 2020
William J. Demcoe[(1)] Alberta, Canada	Mr. Demcoe is a Chartered Accountant and independent businessman. He was President of Willbren & Company Ltd. from 1993 until 2019. He has over 30 years' experience as an executive officer, including positions with Maryn International Ltd., Alberta & Southern Gas Ltd., and Consolidated Natural Gas Company Ltd. Mr. Demcoe was also an instructor at the University of Calgary, Faculty of Business and has past board experience. Mr. Demcoe holds a Master of Business Administration from the University of Chicago. He is a member of Financial Executives International and the Institute of Chartered Professional Accountants of Alberta.	September 5, 2018
Andrea Goertz[(1)] Alberta, Canada	Ms. Goertz is an independent businessperson and corporate director. She was Chief Operating Officer of Anstice Communication Inc. from April to October 2020. Prior thereto, Ms. Goertz held the position of Chief Communications and Sustainability Officer at TELUS from 2011 to 2018. Ms. Goertz holds a Bachelor of Commerce in Finance (Distinction) and a Master of Business Administration, both from the University of Alberta, and is a graduate of the ICD Directors Education Program.	November 17, 2020
Jared B. Green Alberta, Canada	Mr. Green is the President and Chief Executive Officer of TSU. See *"Executive Officers"* below for Mr. Green's biography.	October 5, 2017

Name and Residence of Directors	Principal Occupation During the Past Five Years	Director Since
Dietz Kellmann[(1)(2)] British Columbia, Canada	Mr. Kellmann is an entrepreneurial executive and corporate director. He most recently served as the President and Chief Operating Officer of Global Remediation Technology, a British Columbia-based environmental services company from February to August 2020. Also, since 2018, Mr. Kellmann has been the Principal of DCLK Consulting Corp., which provides technical and advisory services to the utility, infrastructure and sustainable communities sectors. Prior thereto, Mr. Kellmann was Chief Development Officer and Chief Operating Officer of Corix Group of Companies from 2007 to 2018. Mr. Kellmann holds a Bachelor of Arts (Honours) in Economics and a Master of Arts in Economics, both from the University of Western Ontario, and a Master of Business Administration from Simon Fraser University. Mr. Kellmann is also a member of the Institute of Corporate Directors.	March 31, 2020
Samuel Langleben Québec, Canada	Mr. Langleben is Director, Strategy & Corporate Development at PSP Investments, a position he has held since January 2021, and prior thereto held the position of Director, Infrastructure Investments at PSP Investments from 2018 to 2021. Prior to joining PSP Investments, Mr. Langleben held the position of Principal, Infrastructure at CPP Investments from 2016 to 2018. Mr. Langleben has a Master of Public Administration in International Energy Policy Management from Columbia University's School of International & Public Affairs and a Bachelor of Commerce from McGill University.	March 31, 2020
Jason Munsch Alberta, Canada	Mr. Munsch is Director, Infrastructure and Renewable Resources at Alberta Investment Management Corporation (AIMCo), a position he has held since February 2021. Prior to his current position, Mr. Munsch was the Head of Infrastructure at Alberta Teachers' Retirement Fund (ATRF) from 2018 to 2021. Prior thereto, Mr. Munsch held the position of Managing Director at ATRF from 2014 to 2018. Mr. Munsch has a Master of Business Administration from the University of Calgary, is a CFA Charterholder and holds an ICD.D designation.	March 31, 2020

Notes:

(1) Independent director.

(2) Senior Director.

The following table sets forth any TSU directors holding other public company directorships.

Director	Other Public Company Boards
David W. Cornhill	AltaGas Ltd. Imperial Oil Limited
Judith J. Athaide	Computer Modelling Group Ltd. HSBC Bank Canada (private reporting issuer) PHX Energy Services Corp.
Andrea Goertz	Boardwalk REIT

Executive Officers

The names, residence, and position of each of the current executive officers of TSU, and the presidents of the utilities, are as follows:

Name of Officer, Residence and Position	Principal Occupation During the Past Five Years
Jared B. Green Alberta, Canada President and Chief Executive Officer	Mr. Green is the President and Chief Executive Officer of TSU, a position he has held since 2018. Prior to his current role, Mr. Green served as AltaGas' President, Canadian Utilities, with responsibility for PNG, AUI and HGL, plus its interest in Inuvik Gas, from 2017 to 2018. From 2014 to 2017, Mr. Green was President of ENSTAR Natural Gas Company and President of Cook Inlet Natural Gas Storage, AltaGas' Alaska utility and natural gas storage businesses. Mr. Green originally joined AltaGas in 2004, serving in progressively more senior roles through the organization. Mr. Green is a Chartered Professional Accountant.
Shaun W. Toivanen Alberta, Canada Executive Vice President and Chief Financial Officer	Mr. Toivanen is the Executive Vice President and Chief Financial Officer of TSU, a position he has held since 2018. Prior to his current role, Mr. Toivanen served as AltaGas' Vice President and Controller from 2017 to 2018. Prior thereto, Mr. Toivanen served as the Vice President and Treasurer of AltaGas from 2011 to 2017. Mr. Toivanen originally joined AltaGas in 2006, serving in progressively more senior roles through the organization. He is a Chartered Financial Analyst and a Chartered Professional Accountant.
Leigh Ann Shoji-Lee British Columbia, Canada Executive Vice President Utility Operations and President of PNG	Ms. Shoji-Lee is the Executive Vice President Utility Operations of TSU and the President of PNG. Ms. Shoji-Lee has been the Executive Vice President Utility Operations of TSU since 2018 and the President of PNG since 2016. From 2014 to 2016, she was Vice-President, Manufacturing and Shared Services for Britco LP. Prior thereto, Ms. Shoji-Lee was President and Chief Executive Officer of Canadian Utility Construction Corporation. She also held senior roles with BC Hydro and Union Gas Limited. Ms. Shoji-Lee is a Professional Engineer and currently serves as the Chair of the board of directors of the Canadian Gas Association.
Kelly Cantwell Alberta, Canada Executive Vice President, Corporate Strategy and Business Development	Ms. Cantwell is the Executive Vice President, Corporate Strategy and Business Development of TSU, a position she has held since November 2020. Prior to her current position, Ms. Cantwell was the President of Frame Consulting from June to November 2020, and prior thereto she held progressively more senior roles at Emera Inc. from 1999 to 2020, most recently as Vice President, Business Development.
Autumn Howell Alberta, Canada General Counsel and Corporate Secretary	Ms. Howell is the General Counsel and Corporate Secretary of TSU, a position she has held since 2019. Prior to her current position, Ms. Howell was Senior Legal Counsel at Simplex Legal LLP, and prior thereto she held legal positions at Veresen Inc. from 2010 to 2017, most recently as Senior Legal Counsel and Corporate Secretary.
John Hawkins Nova Scotia, Canada President of HGL	Mr. Hawkins is the President of HGL, a position he has held since 2017. He was Vice President Engineering, Construction and Operations at HGL from 2014 to 2017. He is a Professional Engineer and currently serves on the board of directors of the Canadian Gas Association.
Graeme Feltham Alberta, Canada President of AUI	Mr. Feltham is the President of AUI, a position he has held since December 2020. Prior to his current position, Mr. Feltham was Vice President of Customer Experience and Innovation at ATCO Gas & Pipelines Limited from 2018 to 2020, and prior thereto he was Vice President, Engineering and Construction at ATCO Pipelines from 2015 to 2018. He also held senior roles with ATCO Gas. Mr. Feltham is a Professional Engineer and currently serves on the board of directors of the Canadian Gas Association.

CEASE TRADE ORDERS, BANKRUPTICES, PENALITIES AND SANCTIONS

Cease trade orders

To the knowledge of TSU, no director or executive officer of TSU is, as of March 3, 2021, or was within ten years before March 3, 2021, a director, chief executive officer or chief financial officer of any company (including TSU), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an ''Order''), and that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of TSU, no director or executive officer of TSU, nor a Shareholder holding a sufficient number of securities of TSU to affect materially the control of TSU (nor any personal holding company of any of such Persons): (a) is, as of March 3, 2021, or has been within the ten years before March 3, 2021, a director or executive officer of any company (including TSU) that, while that Person was acting in that capacity, or within a year of that Person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before March 3, 2021, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

Penalties or sanctions

To the knowledge of TSU, no director or executive officer of TSU, nor a Shareholder holding a sufficient number of securities of TSU to affect materially the control of the TSU (nor any personal holding company of any of such Persons), has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

TSU is authorized to issue an unlimited number of Common Shares. As at the date hereof, 30,000,000 Common Shares were issued and outstanding and owned as noted below.

Name of Holder	Type of Ownership	Number of Voting Securities Owned	Percentage of Issued and Outstanding Shares
TriSummit Cycle Holding Inc.	Beneficial	30,000,000	100%

GOVERNANCE OVERSIGHT

The Board discharges its responsibilities directly and through its committees. The responsibilities of the Board and each committee are set out in written mandates, which are reviewed and approved regularly by the Board. The Board has also developed governance guidelines which further delineate the roles and responsibilities of the Board, its committees and management.

The chair of each committee is responsible for ensuring their respective mandates are fulfilled. In addition, the mandates for the committees include position descriptions for their respective chairs. For a summary of the roles and responsibilities of the various committees, see the disclosure under the heading "*Board Committees*".

Board of Directors

Independence

Under NI 58-101, a director is considered to be independent if he or she is independent within the meaning of NI 52-110. Pursuant to NI 52-110, an independent director is a director who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a director's independent judgment. Based on information provided by each director concerning his or her background, employment and affiliations, the Board has considered and determined that:

- David W. Cornhill, Gregory A. Aarssen, Judith J. Athaide, William J. Demcoe, Andrea Goertz and Dietz Kellmann are independent.
- As CEO, Jared B. Green is not independent.
- As indirect shareholder nominee directors, Patrick Chabot, Samuel Langleben and Jason Munsch are not independent.

Committee Independence

Six of the ten members of the Board are currently considered independent (60%). Further details on committee composition are set forth below:

Director	Audit Committee	C&G Committee	EHS Committee
Independent			
David W. Cornhill			
Gregory A. Aarssen	✓	Chair	
Judith J. Athaide		✓	Chair
William J. Demcoe	Chair	✓	
Andrea Goertz	✓		✓
Dietz Kellmann	✓		✓
Non-Independent			
Patrick Chabot	✓		✓
Jared B. Green			✓
Samuel Langleben		✓	✓
Jason Munsch	✓	✓	

Governance Policies and Practices

Compensation

Refer to "*Schedule B – Report on Executive Compensation – Director Compensation*" and "*Schedule B – Report on Executive Compensation – Executive Compensation*" for the process by which the Board determines the compensation for TSU's directors and executive officers.

Ethical Business Conduct

The Board encourages and promotes an overall culture of ethical business conduct. In connection with its commitment to ensuring the ethical operation of TSU, the Board has adopted a code of business ethics, a copy of which is available on TSU's website at *www.trisummit.ca* and under TSU's profile on SEDAR at *www.sedar.com*.

Each director, officer, employee, contractor, consultant, representative and agent of TSU must comply with the code of business ethics. The Board monitors compliance with the code of business ethics through reports of management to the Board and requires that all persons subject to the code of business ethics provide an annual certification of compliance with the code of business ethics.

The Board has adopted a number of other policies that support ethical conduct, including a Whistleblower Policy. The Whistleblower Policy provides employees, clients and contractors of TSU or its operating subsidiaries with the ability to report, on a confidential and anonymous basis, any violation of law or policy, including criminal conduct, fraud, falsification of financial records, or any conduct or activity that is ethically, morally or legally questionable. A copy of the Whistleblower Policy is publicly available on TSU's website at *www.trisummit.ca* or by request to the Corporate Secretary. Reports can be made by phone at 1-844-783-5361 or through the website at *www.trisummit.ethicspoint.com.*

The Board receives quarterly reports of any complaints received under the code of business ethics or the Whistleblower Policy that are received by the Chair of the Board, any committee chair or through Ethicspoint.

A director who has a material interest in a matter before the Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it and may be required to absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. Directors will also be required to comply with the relevant provisions of the CBCA regarding conflicts of interest. Executive officers are also required to disclose any material interest in a transaction or agreement being considered by the Board and would not be present at the Board meeting at which such transaction is being considered.

BOARD EFFECTIVENESS

Performance Assessment

The C&G Committee's mandate includes establishing practices for measuring Board performance and for evaluating the performance of the Board, its committees and the individual directors.

The Board, in conjunction with the C&G Committee, requires its members to complete a confidential questionnaire. The questionnaire is designed to evaluate how effectively the Board, its committees and the individual directors are operating and provide directors with the opportunity to make suggestions for improvement. Questions may address the composition of the Board and its committees, effectiveness of the Board, its committees, the Chair, the Senior Director, the chairs of the committees, the quality of information provided at, and effectiveness of, meetings, and the quality and quantity of director orientation and continuing development. Directors' input is summarized on an anonymous basis and reported to the Board. Areas for potential improvement or areas of concern will be addressed.

Nomination of Directors

In its role as "nominating committee", subject to the Shareholders Agreement, the C&G Committee is responsible for assessing the necessary qualifications and experience required for a diverse and effective Board. The competencies of individual directors and the Board as a whole, including those identified in a skills matrix maintained by the C&G Committee, are considered by the C&G Committee in assessing potential nominees and making recommendations to the Board.

When conducting assessments of the current Board or potential nominees, the Board considers various criteria including qualifications, skills, experience, areas of expertise, gender and other diversity criteria, number of other public company boards and board interlocks. The C&G Committee will consider the level of representation of women on the Board, and diversity in general, when making recommendations for nominees to the Board and in general with regard to succession planning for the Board.

The C&G Committee reviews the experience and qualifications of the Board to identify any gaps relative to the skills, expertise and experience identified by the Board as being important to TSU's business, operations and strategic objectives. The C&G Committee also takes into account succession planning necessitated by changes in ownership, age and tenure. Under the Shareholders Agreement and the By-Laws of the Corporation, shareholders of TriSummit Cycle Holding Inc. ("HoldCo") have indirect rights to nominate directors to the Board and each committee of the Board, as well as the Chair of the Board.

Areas of Expertise

The Board has developed a skills matrix which is used by the C&G Committee to identify gaps in the experience and qualifications of the Board relative to the skills, expertise and experience identified by the Board as being important to TSU's business, operations and strategic objectives.

In order to promote diversity on the Board, in addition to diversity and depth of expertise, the Board considers the gender, age and tenure of its members.

Director Orientation, Development and Continuing Education

The C&G Committee is responsible for the orientation and continuing education of the members of the Board. As new directors join the Board, they are provided with, among other things, board and committee mandates, board governance guidelines, corporate policies, historical information about TSU, information on TSU's performance and its strategic plan and an outline of the general duties and responsibilities entailed in carrying out their duties. New directors are provided the opportunity to meet with the Chair of the Board, the Senior Director, the CEO, the CFO and other members of management to discuss the role and responsibilities of individual directors, the Board and its committees and to gain an understanding and appreciation for TSU's business, operations, strategic objectives and core values. Directors are provided with such other orientation and information as requested.

TSU encourages directors to attend, enroll or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters. Each director has the responsibility for ensuring that he or she maintains the skill and knowledge necessary to meet his or her obligations as a director.

As part of continuing education, Board meetings are often coordinated with operations updates and site visits, where directors may meet and consult with management and local employees. Directors are provided with articles and other reading material on an ongoing basis on topics of interest relating to TSU's business, strategy and good industry practices (including in the area of corporate governance). Directors may participate in safety stand-downs. Dinners are often held with management in advance of meetings of the Board. Other forms of ongoing education will be offered where a need is perceived or based on input obtained from directors as part of the annual Board assessment process.

BOARD COMMITTEES

The Board has three standing committees: the Audit Committee, the C&G Committee and the EHS Committee. The majority of the members of each of the Audit Committee and the C&G Committee is considered independent within the meaning of NI 52-110.

Audit Committee

The Audit Committee operates under the terms of its mandate, which is attached hereto as Schedule A.

All members of the Audit Committee are "financially literate" and have "accounting or related financial expertise" and four of the six members are "independent", each as described in NI 52-110. For details of their relevant experience, see *"Corporate Governance – Directors and Executive Officers – Directors"*.

In presenting information regarding the Audit Committee, TSU is relying on the venture issuer exemption set out in Section 6.1 of NI 52-110.

Pre-Approval Policies and Procedures

As set forth in the Audit Committee's mandate, the Audit Committee must pre-approve all non-audit services provided by the external auditor and has direct responsibility for overseeing the work of the external auditor.

External Auditor Service Fees by Category

The fees billed by E&Y, TSU's external auditors, during 2020 and 2019 were as follows:

Category of External Auditor Service Fee	2020 ($)	2019 ($)
Audit Fees[(1)]	788,387	832,650
Audit-Related Fees[(2)]	74,830	107,598
All Other Fees[(3)]	70,245	89,200
Total	933,462	1,029,448

Notes:

(1) Represents the aggregate fees for services related to the audit of annual financial statements of TSU, AUI, PNG and HGL, and annual pension audits of the TSU Salaried Employees' Pension Plan, AUI Bargaining Unit Pension Plan, and PNG Pension Plan.

(2) Represents the aggregate fees billed by E&Y for assurance and related services that were reasonably related to the performance of the audit or review of TSU's financial statements and were not reported under "Audit Fees". During 2020 and 2019, the nature of the services provided included review of prospectuses and security filings, research of accounting and audit-related issues, and registration costs for the Canadian Public Accountability Board.

(3) Represents the aggregate fees billed by E&Y for products and services, other than those reported with respect to the other categories of service fees. During 2020 and 2019, the nature of the services provided was for translation services.

Compensation and Governance Committee

The C&G Committee is responsible for assisting the Board with oversight of the overall governance framework and standards of TSU, the overall human resources and compensation framework and standards of TSU, and TSU's approach to environmental, social and governance matters. It also manages the process for identifying, recruiting and appointing new directors, subject to certain indirect nomination rights in the Shareholders Agreement.

Refer to the disclosure under the heading "*Schedule B – Report on Executive Compensation – Compensation Discussion and Analysis*" for details of how the C&G Committee fulfills its mandate with respect to compensation.

Environment, Health and Safety Committee

The EHS Committee's mandate is to oversee the development of the environment, health and safety programs for TSU, to assess environment, health and safety matters and to make recommendations to the Board regarding the Corporation's approach to environment, health and safety matters.

OTHER INFORMATION

Indebtedness of Directors and Executive Officers

TSU is not aware of any current or former directors, executive officers or employees of TSU or any of TSU's subsidiaries, or any associate of any individuals who are, or who at any time during 2020 were, directors or executive officers of TSU, who are, or have been at any time since the beginning of the most recently completed financial year, indebted to TSU or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by TSU or any of its subsidiaries.

RISK FACTORS

Set forth below is a summary of certain risk factors relating to TSU and the business of the Company. The risks described below are not an exhaustive list of all risks, nor should they be taken as a complete summary of all the risks associated with the applicable business being conducted. Security holders and prospective security holders of TSU should carefully review and consider the risk factors set out below in this AIF before making a decision on investment and should consult their own experts where necessary.

Regulations

TSU's businesses are subject to extensive and complex laws and regulations in the jurisdictions in which they carry on business. Regulations and laws are subject to ongoing policy initiatives, and TSU cannot predict the future course of regulations and their respective ultimate effects on TSU's businesses. Changes in the regulatory environment may be beyond TSU's control and may significantly affect TSU's businesses, results of operations and financial conditions.

AUI, PNG, and HGL operate in regulated marketplaces where regulatory approval is required for the regulated returns that permit a reasonable opportunity to recover on a timely basis the estimated costs of providing services. This includes a fair return on and of rate base to provide for recovery of costs and a return on capital. Regulatory approvals may limit the ability to make and implement independent management decisions, including, without limitation, setting rates charged to customers, determining methods of cost recovery and issuing debt. Earnings of TSU's regulated utilities may be impacted by a number of factors, including, without limitation: (i) changes in the regulator-approved allowed ROE and the deemed capital structure; (ii) changes in rate base; (iii) changes in gas delivery volumes; (iv) changes in the number and composition of customers; (v) variances between actual expenses incurred and forecast expenses used to determine revenue requirements and set customer rates; and (vi) recovery of unplanned costs through rate cases. A failure to either obtain rates that recover the costs of providing service or that provide a reasonable opportunity to earn an expected ROE and capital structure as applied for may adversely affect the business carried on by the Company. These adverse affects can include, without limitation, the undertaking or timing of proposed upgrades or expansion projects, ratings assigned by rating agencies, the issue and sale of securities, and other matters that may, in turn, have a material adverse effect on the Company's results of operations and financial position. See information under the heading "*Business of the Company – Utilities Business – Rate Regulation Overview*".

Weather and Wind Resource

The natural gas distribution business is highly seasonal, with the majority of natural gas demand occurring during the winter heating season, the length of which varies in each jurisdiction in which TSU's utilities operate. Natural gas distribution revenue during the winter typically accounts for the largest share of annual natural gas distribution revenue. There can be no assurance that the long-term historical weather patterns will remain unchanged. Annual and seasonal deviations from the long-term average can be significant.

Wind is naturally variable. Therefore, the level of electricity production from the Bear Mountain Wind Park will also be variable. In addition, the strength and consistency of the wind resource at the Bear Mountain Wind Park may vary from what the Company anticipates due to a number of factors including: the extent to which site-specific historic wind data and wind forecasts accurately reflect actual long-term wind speeds, strength and consistency; the potential impact of climatic factors; the accuracy of assumptions relating to, among other things, weather, icing and soiling of wind turbines, site access, wake and line losses and wind shear; and the potential impact of topographical variations. Variations in weather may be impacted by climate change which may impact the Bear Mountain Wind Park. A reduced amount of wind at the location of the Bear Mountain Wind Park over an extended period may reduce the production from such facility, as well as any environmental attributes that accrue to the Company, and reduce the Company's revenues and profitability.

General Economic Conditions

Adverse changes in general economic and market conditions such as changes in employment levels, personal disposable income, energy prices, housing starts and customer growth could negatively impact demand for electricity, natural gas, revenue, operating costs, timing and extent of capital expenditures, the net recoverable value of plant, property and equipment, results of financing efforts, credit risk and counterparty risk, which could cause the Company to suffer a material adverse effect. Natural gas and crude oil prices are closely correlated with natural gas and crude oil exploration and production activity in certain of TSU's service territories. The level of these activities can influence energy demand, which could have a material adverse effect on TSU.

Climate Change

Some of TSU's significant facilities may be subject to future provincial or federal climate change regulations or both to manage greenhouse gas emissions. See section "*Environmental Regulation*" of this AIF. The direct or indirect costs of compliance with these regulations may have a material adverse effect on TSU's business, financial condition, results of operations and prospects. TSU's business could also be indirectly impacted by laws and regulations that affect its customers or suppliers; to the extent such changes result in reductions in the use of natural gas by its customers or limit the operations of, or increase the costs faced by, producers. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation, development and transportation of fossil fuels. Given the evolving nature of the debate related to climate change and the control of greenhouse gas emissions and resulting requirements, it is difficult to predict the impact on TSU and its operations and financial condition.

Operating Risk

TSU's business and associated infrastructure investments are subject to physical risks such as fires, floods, explosions, leaks, sabotage, terrorism, equipment malfunction, natural disaster, and severe weather conditions, many of which are beyond the control of the TSU. Climate change can increase the frequency and severity of any extreme weather events. Any of these hazards can interrupt operations, impact the Company's reputation, cause loss of life or personal injury, result in loss of or damage to equipment, property, information technology systems, related data and control systems, and cause environmental damage that may include polluting water, land or air. Unplanned outages or prolonged downtime for maintenance and repair typically increase operation and maintenance expenses and reduce revenues. Losses resulting from repair costs and lost revenues could substantially exceed insurance coverage and any increased rates.

Infrastructure Maintenance, Replacement and Expansion

The Company's regulated assets require on-going maintenance, replacement and expansion. Accordingly, to ensure the continued performance of such physical assets, the Company determines expenditures that should be made to maintain, replace and expand the assets. The Company could experience service disruptions and increased costs if it is unable to maintain or replace its rate base. The inability to recover, through approved rates, the costs of capital expenditures that the Company believes are necessary to maintain, replace, expand and remove its regulated assets, the failure by the Company to properly implement or complete approved capital expenditure programs or the occurrence of significant unforeseen equipment failures could have a material adverse effect on the Company's results of operations and financial position.

The Bear Mountain Wind Park is subject to operational risks, including unplanned outages or prolonged downtime for maintenance and repair, which typically increase operation and maintenance expenses and reduce revenues due to selling less electricity. Although the Bear Mountain Wind Park has generally operated in accordance with expectations, there can be no assurance that the wind park will continue to do so. To the extent that the facility's equipment requires longer than forecasted down times for maintenance and repair, or suffers disruptions of renewable power production for other reasons, TSU's business, operating results, financial condition or prospects could be adversely affected.

The Company continually updates its capital expenditure programs and assesses current and future operating, maintenance, replacement, expansion and removal expenses that will be incurred in the ongoing operation of its business. Management's analysis is based on assumptions as to costs of services and equipment, regulatory requirements, revenue requirement approvals, and other matters, which involve some degree of uncertainty. If actual costs exceed regulatory-approved capital expenditures, it is uncertain as to whether such additional costs, if found imprudent, will receive regulatory approval for recovery in future rates. The inability to recover these additional costs could have a material adverse effect on the Company's results of operations and financial position.

There can be no assurance that the Company's maintenance program will be able to detect potential failures in its facilities prior to occurrence or able to eliminate all adverse consequences in the event of failure. In addition, weather related interference, work stoppages and other unforeseen problems may disrupt the operation and maintenance of the Bear Mountain Wind Park and may materially and adversely affect the Company.

Natural Gas Supply Risk

AUI, PNG and HGL are supplied gas from regions where they have not been granted franchises for natural gas distribution. These purchases are transported through pipeline infrastructure. If adequate supply of natural gas cannot be maintained, this could have a material adverse effect on the Company's business, financial position and cash flow.

Franchise grants may not be renewed upon their expiry

Most of the Company's natural gas distribution businesses operate within a franchise territory that has been granted under the terms of franchise and other agreements. This means that there is virtually no competition for natural gas distribution within such service areas during the terms of the agreements. This enables the applicable utility to grow organically for the term of the franchise with little threat of competition other than from alternative energy sources. There are ongoing risks that the various franchise grants will not be renewed upon their expiry. The consequence of expiry differs depending upon the jurisdiction in which the franchise is granted, but in some cases may result in the loss of revenue from the franchise area after the franchise agreement expires, which could have a material adverse effect on the Company's business, financial position and cash flow.

EPA

The Bear Mountain Wind Park sells power under a long-term EPA expiring in 2034. The EPA and any replacement EPA may be subject to termination in certain circumstances, including default by the facility owner or operator. When an EPA expires or is terminated, it is possible that the price received for power under subsequent selling arrangements may be reduced significantly. It is also possible that any EPA negotiated in replacement of the initial EPA may not be at prices that permit the continued operation of the facility on a profitable basis. If this occurs, the affected facility may be forced to permanently cease operations.

The ability of the Bear Mountain Wind Park to generate the maximum amount of power which can be sold under the EPA is an important determinant of the revenues of the Company. If the Bear Mountain Wind Park delivers less than the required quantity of electricity in any given month within a contract year, penalty payments may be payable to the purchaser by the Company. The payment of any such penalties by the Company could materially and adversely affect the revenues and profitability of the Company.

Dependence on Third Parties

The Company's renewable assets sell all of their power to government entities under long-term EPAs. If, for any reason, the purchaser of power under such EPAs is unable or unwilling to fulfill its contractual obligations, or if it refuses to accept delivery of power pursuant to the relevant EPA, the Company's assets, liabilities, business, financial condition, results of operations and cash flow could be materially and adversely affected as the Company may not be able to replace the agreement with another agreement on equivalent terms and conditions.

In addition, the Company's renewable power facilities will enter into contracts with third parties for materials and other equipment, which often require deposits to be made prior to equipment being delivered and other goods and services being provided. Should one or more of these third parties be unable to meet their obligations under the contracts, such an occurrence would result in possible loss of revenue, delay in return to service and an increase in operating costs.

The Bear Mountain Wind Park depends on electric transmission systems and related facilities owned and operated by government entities to deliver the electricity the assets generate to the downstream markets. These grids operate with both regulatory and physical constraints which in certain circumstances may impede access to electricity markets. There may be instances in system emergencies in which the Bear Mountain Wind Park is physically disconnected from the power grid, or its production curtailed, for short periods of time.

Changes in Laws

Applicable laws, including, without limitation, environmental laws, policies or government incentive programs may be changed in a manner that adversely affects TSU through the imposition of restrictions on its business activities or by the introduction of regulations that increase TSU's operating costs. There can be no assurance that applicable laws, policies or government incentive programs will not be changed in a manner that can adversely affect TSU.

Income tax laws relating to TSU may be changed in a manner that adversely affects its Shareholder. This includes, without limitation, taxation and tax policy changes, tax rate changes, new tax laws, and revised tax law interpretations that may individually or collectively cause an increase in TSU's effective tax rate.

Capital Markets

TSU may have restricted access to capital and increased borrowing costs. TSU's future capital expenditures will be financed out of cash generated from operations and borrowings. TSU's ability to finance such expenditures is dependent on, among other factors, the overall state of capital markets and investor demand for investments in the energy industry generally and in TSU's securities in particular.

To the extent that external sources of capital become unavailable or available on onerous terms or otherwise limited, TSU's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition, results of operations and dividends may be materially and adversely affected as a result.

If cash flow from operations is lower than expected or capital costs for projects exceed current estimates, or if TSU incurs major unanticipated expenses related to construction, development or maintenance of its existing assets, TSU may be required to seek additional capital to maintain its capital expenditures at planned levels. Failure to obtain financing necessary for TSU's capital expenditure plans may result in a delay in TSU's capital program.

Debt and Refinancing Risk

The Company plans to maintain debt arrangements on an ongoing basis as part of its capital structure. The Company's indebtedness could have significant effects on its business. For example, it could: (a) increase the Company's vulnerability to adverse changes in general economic, industry and competitive conditions; (b) require the Company to dedicate a substantial portion of its cash flow from operations to make payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures and other general corporate purposes; and (c) restrict the Company from exploiting new business opportunities. Furthermore, loans to TSU are subject to customary covenants and financial tests which may in certain circumstances restrict TSU's ability to make dividends to its Shareholder.

The Company's business plan is subject to the availability of additional debt financing to refinance existing debt obligations and to finance expansion, which financing may not be available, or may not be available on favourable terms. The Company's ability to refinance debt obligations and access financing will be subject to conditions in credit markets which are beyond the Company's control, and will also be affected by credit ratings, if any, assigned to the Company and its debt. If the Company is not able to raise capital to replace existing debt on maturity or to pay required capital expenditures or finance acquisitions, this could impede its growth and could materially and adversely affect the business, financial condition and results of operations of the Company.

External Stakeholder Relations

Negative public or community response to renewable power facilities could adversely affect the Company's ability to operate the Bear Mountain Wind Park. Successful challenges or appeals to permits issued could adversely affect the Company's operations and financial position. Legal requirements, changes in scientific knowledge and public complaints regarding issues such as noise generated by wind turbines could impact the operation of the Bear Mountain Wind Park in the future as well as the Company's reputation.

Health and Safety

The ownership and operation of the Company's regulated utilities and the Bear Mountain Wind Park carries an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes), and the requirements of licenses, permits and other approvals will remain material to the Company's businesses. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

Underinsured and Uninsured Losses

The Company maintains insurance coverage with respect to potential liabilities and the accidental damage to or loss of certain of its assets, in amounts and with such insurers as is considered appropriate, taking into account all relevant factors, including the practices of owners of similar assets and operations. It is anticipated that such insurance coverage will be maintained. However, there can be no assurance that the Company will be able to obtain or maintain adequate insurance in the future at rates it considers reasonable. Further, there can be no assurance that available insurance will cover all losses or liabilities that might arise in the conduct of the Company's business. The occurrence of a significant uninsured claim or a claim in excess of the insurance coverage limits maintained by the Company or a claim that falls within a significant self-insured retention could have a material adverse effect on the Company's results of operations and financial position. In the event of an uninsured loss or liability in respect of its regulated assets, the Company would apply to the Applicable Utilities Commissions to recover the loss (or liability) through an increased tariff. However, there can be no assurance that any Applicable Utilities Commission would approve any such application, in whole or in part. Any major damage to the Company's facilities could result in repair costs, increased insurance premiums and customer claims that are substantial in amount and which could have a material adverse effect on the Company's results of operations and financial position.

Indigenous Peoples Land and Rights Claims

Indigenous peoples have claimed rights to a substantial portion of the lands in Canada. TSU operates in territories in which such claims have been advanced. Such claims, if successful, could have a significant adverse effect on the development of natural gas projects and power development and generation in the jurisdictions in which these operate. This could have a materially adverse effect on TSU's business and operations, including, without limitation, the renewable energy produced by TSU's facilities or on the operation or development of facilities for natural gas distribution and renewable power.

TSU has concluded agreements with many indigenous communities. These agreements support an approach of active engagement with indigenous communities that serves to ensure the identification of issues and facilitates constructive problem-solving. Further, TSU has taken a proactive approach to enhance the economic participation of indigenous groups in its operations where feasible and reasonable. The agreements and the measures taken by TSU strengthen relationships between the parties while respecting the evolving regulatory and judicial relationship between Canada's governments and indigenous peoples. However, TSU cannot predict whether future indigenous land claims and the assertion of other rights will affect its ability to conduct its business and operations as currently undertaken or as may be undertaken in the future in such regions. Furthermore, any failure to reach an agreement, or a conflict or disagreement with an indigenous group, could have a material adverse effect on TSU's business, financial condition and results of operations.

Crown Duty to Consult with Indigenous Peoples

The federal and provincial governments in Canada have a duty to consult and, where appropriate, accommodate indigenous peoples where their interests may be affected by a Crown action or decision. Accordingly, the Crown's duty may result in regulatory approvals being delayed or not being obtained, which could have a material adverse effect on TSU's business.

Cybersecurity, Information, and Control Systems

TSU's business processes are increasingly reliant upon information systems, data and communications. A failure within TSU's information systems could lead to the impairment of business processes. There is a risk that multiple business processes could be simultaneously impaired should certain critical systems, data or communications become unavailable. Cyber-attacks are occurring with increasing regularity, and threat actors have targeted the industry in the past.

A breach of TSU's information technology infrastructure, including, without limitation, cyber-attacks, cyber-terrorism, malware/ransomware or other failures of TSU's information technology infrastructure could result in operational outages, an inability to operate safely, delays, damage to assets, the environment or to TSU's reputation, diminished customer confidence, lost profits, lost data (including confidential information), increased regulation and other adverse outcomes, including, without limitation, material legal claims and liability or fines or penalties under applicable laws and adversely affect its business operations and financial results.

TSU's cybersecurity strategy focuses on information technology security risk management which includes, without limitation, perimeter security, threat detection, continuous monitoring, timely updating of security patches, ongoing cybersecurity awareness training for staff, conducting third-party vulnerability and security tests, along with subsequent action on findings, security-focused solution and system design and an incident response protocol. However, there is no assurance that TSU will not suffer a cyber-attack or an information technology failure notwithstanding the implementation of this strategy and the measures taken pursuant to that strategy, including, without limitation, as set forth above, and the occurrence of any of these cyber events could adversely affect TSU's financial condition and results of operations. In order to reduce the impact of such an event, TSU has purchased cybersecurity insurance coverage.

Technical Systems

The ability of the Company to operate effectively is dependent upon managing and maintaining information systems and infrastructure that support the operation of distribution, transmission, storage facilities and power generation; provide customers with billing and consumption information; and support the financial and general operating aspects of the business. The reliability of the communication infrastructure and supporting systems are also necessary to provide important safety information. System failures could have a material adverse effect on the Company.

Defined benefit pension plans and supplemental pension agreements

TSU is subject to obligations under defined benefit pension plans and supplemental pension arrangements. Future payments under the plans are intended to be fixed. Market driven changes impacting the performance of the plan assets may result in material variations in actual return on plan assets from the assumed return on the assets causing material changes in net benefit costs. Net benefit cost is impacted by, among other things, the discount rate, changes in the expected mortality rates of plan members, the amortization of experience and actuarial gains or losses, and expected return on plan assets. Market driven changes impacting other assumptions, including the assumed discount rate, may also result in future contributions to pension plans that differ significantly from current estimates as well as causing material changes in net benefit cost.

There is also measurement uncertainty associated with net benefit cost, future funding requirements, the net accrued benefit asset and projected benefit obligation due to measurement uncertainty inherent in the actuarial valuation process.

Net benefit cost variances from forecasts for rate-setting purposes are recovered through future rates using regulatory deferral accounts approved by the applicable utilities commissions. There can be no assurance that such deferral mechanisms will exist in the future as they are dependent on future regulatory decisions and orders. An inability to flow through these costs could have a material adverse effect on the Company's results of operations and financial position.

Key Personnel

TSU's success depends in large measure on the skills and expertise of its key personnel. The loss of their services could disrupt the Company's operations. Access to a sustained labour market from which to attract the required expertise, knowledge and experience is a critical factor to TSU's success. Costs associated with attracting and retaining key personnel could adversely affect TSU's business operations and financial results.

Labour Relations

TSU employs members of labour unions within AUI and PNG. The Company has entered into collective bargaining agreements with these labour unions. There can be no assurance that current relations will continue in future negotiations or that the terms under the present collective bargaining agreements will be renewed. The inability to maintain, or to renew, the collective bargaining agreements on acceptable terms could result in increased labour costs or service interruptions arising from labour disputes that are not provided for in approved rates and that could have a material adverse effect on the Company's results of operations and financial position.

Interest Rates

TSU is exposed to interest rate fluctuations on its variable rate debt. Interest rates are influenced by Canadian, U.S. and global economic conditions beyond TSU's control and, accordingly, could have a material adverse effect on TSU's business, financial condition and cash flow.

Regulated interest expense variances from forecast for rate-setting purposes are recovered through future rates using a regulatory deferral account approved by the applicable utilities commissions. There can be no assurance that such deferral mechanisms will exist in the future as they are dependent on future regulatory decisions and orders. An inability to flow through these costs could have a material adverse effect on the Company's results of operations and financial position.

Foreign Exchange Risk

TSU is exposed to changes in the Canadian dollar. Substantially all of TSU's revenues are paid in Canadian dollars, while a portion of its purchases of supplies and services are obtained from foreign suppliers. A sustained decrease in the value of the Canadian dollar relative to the currencies of TSU's foreign suppliers may have a material negative impact on the results of operations and financial position of TSU.

Counterparty and Credit Risk

TSU is exposed to credit-related losses in the event that counterparties to contracts fail to fulfill their present or future obligations to TSU. Financial instruments that are subject credit risk consist primarily of accounts receivable and derivative financial instruments. Accounts receivable credit risk is reduced due to a large and diversified customer base, customer deposits for at-risk customers and the ability to recover the majority of uncollectible accounts through approved rates. In addition, for non-wholly-owned subsidiaries, TSU relies on other investors to fulfill their commitments and obligations in respect of the project or facility. In the event such entities fail to meet their contractual obligations to TSU, such failures may have a material adverse effect on TSU's business, financial condition, results of operations and prospects. TSU mitigates these increased risks through diversification and a review process of the creditworthiness of their counterparties. Entering into derivative financial instruments, such as foreign exchange and gas price hedges, may also result in exposure to credit risk. The Company enters into risk management transactions primarily with counterparties that have investment grade credit ratings.

Effect of COVID-19 and other infectious diseases, pandemics or similar health threats

TSU is exposed to the effects of COVID-19 and other infectious diseases, pandemics or similar health threats. An outbreak of infectious disease, a pandemic or a similar public health threat, such as the recent outbreak of a novel strain of coronavirus, COVID-19, or a fear of any of the foregoing, could adversely impact the Company by causing operating, supply chain and project development delays, disruptions and challenges, labour shortages and challenges and shutdowns (including as a result of government regulation and prevention measures), and increased costs to the Company. In addition, the recent COVID-19 outbreak and prevention measures related thereto, may have an impact on the economic activity in the markets in which the Company and its subsidiaries operate, causing negative impacts on the Company's business and financial results. Given the unprecedented and changing developments surrounding the COVID-19 pandemic, it is not possible to reliably estimate the impact of the COVID-19 pandemic on the financial results and condition of the Company in future periods, but the impact could be significantly adverse.

Litigation

In the normal course of its business, TSU is subject to legal proceedings and other claims. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company, which could have a material adverse effect on the Company. Even if the Company prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the Company's business operations, which could adversely affect the Company.

Decommissioning, Abandonment and Reclamation Costs

TSU is responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its infrastructure at the end of its economic life, the costs of which may be substantial. It is not possible to predict these costs with certainty since it will be a function of regulatory requirements at the time of decommissioning, abandonment and reclamation and the actual costs may exceed current estimates which are the basis of the asset retirement obligation shown in TSU's financial statements.

TSU's Minority Interest in Northwest Hydro Facilities

The unanimous shareholder agreement governing Coast GP, and the limited partnership agreement governing Coast LP, provide governance rights to the shareholders and partners thereto. As an approximate indirect 10 percent security holder, TSU has very limited rights outside the right to receive regular distributions and does not have the ability to influence decision making. Accordingly, any decisions made by the majority security holder may negatively impact TSU.

The revenue and cash flow generated by TSU's investment in the Northwest Hydro Facilities are dependent on the ability of the facilities to generate the amount of power expected. A number of different factors, including: water flows, equipment failure, latent defect, design error, operator error, and slow response to outages due to underperforming monitoring systems, could adversely affect the amount of power produced, and thus the revenues and cash available for distribution. TSU, as a minority interest holder in the Northwest Hydro Facilities, is indirectly subject to these, as well as additional, risk factors, including, but not limited to, regulatory risks, counterparty risks, litigation risks, health and safety risks, debt and refinancing risks, labour relations risks and risks in relation to the expiry of the EPAs.

Business Acquisitions

The Company may consider acquisitions and dispositions of assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. The Company may also enter into other industry related activities or new geographical areas or acquire different utility-related assets that may result in unexpected or significantly increased risk to the Company, which could materially adversely affect the Company's business and financial condition. Additionally, management will continually assess the value and contribution of the various properties and assets within its portfolio. Depending on the state of the market for such assets, certain assets of the Company, if disposed of, may realize less than what the market may expect for such disposition or their carrying value on the financial statements of the Company.

The Company's structure and organization following the Arrangement

As significant indirect shareholders of the Company, PSP Investments and ATRF are able to exert influence on the Company through the indirect exercise of voting rights. In addition, PSP Investments currently has an indirect right to nominate two directors to the Board, as well as the chair of the Board. The person nominated as chair shall be independent of the Company, PSP Investments and ATRF. Similarly, ATRF currently has an indirect right to nominate one director to the Board. Subject to limited exceptions, for a matter to be approved by the Board, it requires approval of (a) a majority of the directors who are independent of PSP Investments and ATRF, (b) at least one of PSP Investments' nominee directors, and (c) ATRF's nominee director. As a result, PSP Investments' and ATRF's respective nominees will be able to exercise a certain degree of influence over the management, administration, strategy and growth of the Company, although they will be subject to fiduciary duties to the Company. Neither PSP Investments nor ATRF (nor any of their respective affiliates) is prohibited from engaging in other business activities that may compete with those of the Company. In certain instances, the interests of PSP Investments and/or ATRF may differ from the interests of the Company, including with respect to future acquisitions. It is possible that conflicts of interest may arise between the Company and PSP Investments and/or ATRF and that such conflicts may not be resolved in a manner that is in the best interests of the Company. The governance structure of the Company, including Board composition and approval authorities, is subject to change based on agreement between the indirect shareholders, including PSP Investments and ATRF; provided that any such changes would have to be compliant with all applicable laws and regulatory requirements. It is possible that any such changes, if made, may be informed by the business objectives of such indirect shareholders in ways that may not be aligned with the interests of other security holders of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Values

TSU operates in a safe, reliable manner and maintains positive relationships with its customers in the communities where we live, work and operate, which includes, without limitation, building mutually beneficial working relationships with Indigenous peoples and working closely with governments and regulatory agencies to help meet long-term project success. TSU strives for clear, transparent, communication to customers, employees, regulators, and all stakeholders.

Safety and environmental stewardship are core values at TSU and integral to how TSU operates. All aspects of TSU's business operate with the highest regard for the safety of its customers, communities, employees, and contractors. TSU employees and contractors are responsible for acting safely, continually improving practices and procedures to enhance safety and reliability, and for encouraging the same behaviors in others. TSU provides low carbon energy solutions to its customers and looks for ways to mitigate the Company's environmental footprint.

Board of Directors

The Board of Directors has established the EHS Committee to oversee the development of the environment, health and safety programs for TSU and the EHS Committee shall be responsible for a continuing assessment of environment, health and safety matters and for making recommendations to the Board of Directors regarding TSU's approach to environment, health and safety.

TSU is committed to operating in an environmentally and socially responsible manner. TSU has a number of social and environmental policies, procedures and practices in place. Notably, TSU's Code of Business Ethics, which applies to directors, officers, employees, contractors, consultants, representatives and agents of TSU, sets out fundamental principles for the ethical conduct of its business. The Board of Directors has adopted a whistleblower policy. The Board of Directors believes that providing a forum for employees, clients, contractors, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct.

Environmental Protection

Protecting the environment and minimizing impact are critical for TSU to maintain a sustainable business. To help ensure the responsibility and accountability for environmental protection, TSU educates all employees applicable to the position in environmental safeguarding to ensure those working on TSU's behalf are made aware of their responsibilities. By maintaining an emergency response system and regularly conducting emergency response exercises, TSU is prepared to respond and minimize environmental impact if an incident were to occur. Best management practices are employed across all TSU businesses to assure compliance with regulatory requirements.

TSU's Health and Safety Management and Environmental Management Codes of Conduct provide the standard for performance across the enterprise. EHS Management Systems within TSU's companies are effectively monitored and continually improved to ensure minimum standards and components are met, and various actions and accountabilities are assigned. A Plan-Do-Check-Act cycle forms the basis for continual improvement.

ENVIRONMENTAL REGULATION

TSU faces uncertainties related to future environmental laws and regulations affecting its business and operations. Existing environmental laws and regulations may be revised or interpreted more strictly, and new laws or regulations may be adopted or become applicable to TSU, which may result in increased compliance costs or additional operating restrictions, each of which could reduce TSU's earnings and adversely affect TSU's business.

TSU is subject to extensive federal, provincial and municipal regulation relating to the protection of the environment that governs, among other things, environmental assessments, discharges to water, land and air, and the generation, storage, transportation, disposal and release of various hazardous substances. Estimated environmental liabilities will be reviewed annually or more frequently if significant changes in regulation or other relevant factors occur. Estimated changes are accounted for prospectively. TSU is also subject to environmental regulation governing the construction and operation of TSU's assets, which requires TSU to obtain operating licences and permits. To ensure compliance, TSU works closely with local and regional authorities to address all environmental matters and to comply with licensing and permitting requirements. In addition to the license and permit requirements, legislation may require that end of life assets be abandoned, remediated, and reclaimed to the satisfaction of federal, provincial, or municipal authorities. Failure to comply with applicable environmental legislation can result in civil or criminal penalties, environmental contamination clean-up, and government orders affecting future operations. TSU may also be subject to opposition from special interest groups resulting in regulatory process delays, which can impact schedules and increase cost.

CLIMATE CHANGE

Changes in laws and regulations relating to GHG emissions could require TSU, in addition to complying with monitoring and reporting requirements applicable to its operations, to do one or more of the following: (a) comply with stricter emissions standards for internal combustion engines; (b) take additional steps to control transmission and distribution system leaks;

(c) retrofit existing TSU equipment with pollution controls or replace such equipment; or (d) reduce TSU's GHG emissions or, depending on the requirements enacted, acquire emissions offsets, credits or allowances or pay taxes on the emissions emitted in connection with its operations. TSU's business could also be indirectly impacted by laws and regulations that affect its customers or suppliers to the extent such changes result in reductions in the use of natural gas by its customers, limit the operations of TSU, or increase the costs of goods and services acquired from TSU's suppliers.

The federal government enacted the *Greenhouse Gas Pollution Pricing Act* (Canada) on June 21, 2018 to implement a two-pronged carbon pricing system beginning in 2019, to be applied in provinces and territories whose carbon pricing system does not align with the respective federal benchmarks. The federal carbon pricing program is composed of two elements, (a) a carbon levy applied to fossil fuels set at $20 per tonne of carbon emitted, increasing to $50 per tonne in 2022; and (b) an output based pricing system for industrial facilities that emit 50,000 tonnes of carbon dioxide equivalent ("CO2e") per year or more, with an opt-in capability for smaller facilities with emissions below the threshold.

In December 2020, the federal government announced further increases to the carbon levy beyond 2022. If implemented into law, the carbon levy will increase by $15 per tonne per year starting in 2023 until the levy reaches $170 per tonne in 2030.

Currently, provinces and territories subject to the federal backstop pricing scheme are listed in Schedule 1 of the *Greenhouse Gas Pollution Pricing Act* (Canada). Ontario, New Brunswick, Manitoba, Saskatchewan, Yukon and Nunavut are listed as being subject to both federal backstop mechanisms, whereas Prince Edward Island is subject only to the federal output-based backstop mechanism. As Alberta had repealed its provincial carbon pricing program, the federal carbon levy under Part 1 of the *Greenhouse Gas Pollution Pricing Act* (Canada) came into effect in Alberta on January 1, 2020. The federal government has also enacted regulations setting out requirements for facilities to report and verify emissions information under the *Greenhouse Gas Pollution Pricing Act* (Canada) on an annual basis.

AUI is also subject to the GHGRP under the *Canadian Environmental Protection Act* (Canada) and *Specified Gas Reporting Regulation* ("SGRR") under the *Emissions Management and Climate Resilience Act* (Alberta). The GHGRP collects information on greenhouse gas emissions from facilities across Canada, while the SGRR collects information for emissions from facilities in Alberta. Both are mandatory programs for facilities that emit 10,000 tonnes or more of GHGs of CO2e per year. The information collected by both programs helps the federal government and the Government of Alberta assess its overall environmental performance and contributes to policy and strategy development related to climate change. The reporting thresholds for the programs were reduced from 50,000 tonnes to 10,000 tonnes for the 2017 operating year (reporting in 2018), which resulted in an increase in regulatory reporting obligations.

PNG is subject to the *Carbon Tax Act* (British Columbia), which introduced pricing of emissions from the combustion of fossil fuels beginning in 2008. The tax is currently set at $40 per tonne of CO2e emissions generated primarily through the combustion of fossil fuels consumed in the course of PNG's operations. The British Columbia government announced in its budget that starting on April 1, 2018 that carbon tax rates were to increase annually by $5 per tonne of CO2e emissions until rates equal $50 per tonne in 2021, however due to COVID-19, the Carbon Tax has been held at $40 per tonne until further notice.

As a result of the Federal Government's announcement on increases to the federal carbon levy beyond 2022, the British Columbia government will be forced to accelerate the annual increases to the British Columbia carbon tax in order to harmonize with the federal rate of $65 per tonne in 2023, and $80 per tonne in 2024.

Planned Effective Date	BC Carbon Tax Rate ($/tonne CO2e)
Prior to 2018	$30
April 1, 2018	$35
April 1, 2019	$40
April 1, 2020	$40
April 1, 2021	$45
April 1, 2022	$50

PNG operates under and complies with the requirements set forth by the *Carbon Tax Act* (British Columbia). The carbon tax is recovered from customers through regular customer billings.

On February 15, 2018, the *Quantification, Reporting and Verification of Greenhouse Gas Emissions Regulations* made under the *Environment Act* (Nova Scotia) came into effect. Among the companies subject to the reporting requirements are those which own facilities that generate 50,000 tonnes or more of CO2e per year from the distribution of natural gas, as well as natural gas distributors and fuel suppliers that deliver natural gas for consumption in Nova Scotia that, when combusted, produces 10,000 tonnes or more of CO2e per year.

HGL is a mandatory participant in the cap and trade carbon pricing program for greenhouse gas emissions that began on January 1, 2019. The program sets annual limits on the amount of GHG emissions allowed from certain activities in the province each year. The province will allocate free emission allowances to fuel suppliers like HGL equal to 80 percent of the suppliers' verified GHG emissions each year. Remaining allowances must be obtained through auctions of emission allowances that occurs twice each calendar year. Two auctions of emission allowances occurred on June 10 and December 2, 2020. Allowances prices settled at $24.00 and $24.70 CAD, respectively. HGL successfully participated in these 2020 auctions, and the 2021 auction schedule is yet to be released to stakeholders.

DIVIDENDS

Dividends are declared at the discretion of the Board of Directors, and dividend levels are reviewed periodically by the Board of Directors, giving consideration to the ongoing sustainable net income and cash flow of the business, its maintenance and growth capital programs and any debt repayment requirements of TSU. The Company targets to pay a portion of its ongoing net income through regular quarterly dividends made to its Shareholder.

TSU's payment of dividends may be limited by covenants under its credit agreements, including, without limitation, in circumstances when a default or event of default exists or would be reasonably expected to exist upon or as a result of making such dividend payment. In the event of liquidation, dissolution or winding-up of TSU, the preferred shareholders have priority in the payment of dividends over the common shareholders.

The table below shows the cash dividends paid by TSU on Common Shares:

$ per common share	**2020**	2019	2018
Total	**$ 1.0550**	$ 0.9950	$ 0.1744

MARKET FOR SECURITIES

None of TSU's issued and outstanding securities, including its MTNs, are traded on an exchange.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities and are indicators of the likelihood of payment and of the capacity and willingness of a company to meet its financial commitment on an obligation in accordance with the terms of an obligation.

This information concerning TSU's credit ratings relates to TSU's financing costs, liquidity and operations. The availability of TSU's funding options may be affected by certain factors, including the global capital markets environment and outlook as well as TSU's financial performance. TSU's access to capital markets at competitive rates is influenced by TSU's credit rating and rating outlook, as determined by credit rating agencies such as DBRS, and if TSU's ratings were downgraded, TSU's financing costs and future debt issuances could be unfavorably impacted.

DBRS is one of several rating agencies that provide credit ratings. The ratings for debt instruments range from a high of AAA to a low of D.

On December 2, 2020, DBRS affirmed TSU's Issuer Rating and Unsecured MTNs rating of BBB(high) with a Stable trend.

According to the DBRS rating system, debt securities rated BBB are the in the fourth highest of ten rating categories and are of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable but may be vulnerable to future events. “High” or “Low” designations are used to indicate the relative standing of the security being rated within a particular rating category.

The credit ratings assigned by DBRS are not recommendations to purchase, hold or sell the securities in as much as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by DBRS at any time in the future if, in their judgment, circumstances so warrant. The credit ratings on a security may not reflect the potential impact of all risks related to the value of the security.

Except as set forth above, DBRS have not announced that it is reviewing or intends to revise or withdraw the ratings on TSU.

TSU provides an annual fee to DBRS for credit rating services. TSU has paid DBRS its respective fees in connection with the provision of the above ratings. In addition to the aforementioned fees, TSU has made payments in respect of certain other services provided to the Company by DBRS.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by TSU within the most recently completed financial year, or before the most recently completed financial year but which are still material and are still in effect, are the following:

- Revolving Credit Facility
- MTN Trust Indenture

The full text of each material contract is available on SEDAR at *www.sedar.com.*

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein with regard to the Arrangement, TSU is not aware of any material interest, direct or indirect, of any director or officer of TSU, any director or officer of a corporation that is an insider or subsidiary of TSU, or any other insider of TSU, or any associate or affiliate of any such person, in any transaction since the commencement of TSU’s last three completed financial years, or in any proposed transaction, that has materially affected or would materially affect TSU or any of its subsidiaries.

CONFLICTS OF INTEREST

Certain directors of the Company are engaged in, and may continue to be engaged in, other activities in the industries in which the Company operates from time to time.

The CBCA provides that in the event that a director or an officer is a party to, or is a director or an officer of, or has a material interest in any Person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction, such director or officer shall disclose the nature and extent of his or her interest and shall refrain from voting to approve such contract or transaction, unless otherwise provided under the CBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA.

As of March 3, 2021, the Company is not aware of any existing or potential material conflicts of interest between TSU and any director or officer of TSU.

LEGAL PROCEEDINGS

TSU is not aware of any material legal proceedings to which TSU or its affiliates was a party or to which their property was subject during TSU's most recently completed financial year and TSU is not aware of any such material legal proceedings being contemplated.

REGULATORY ACTIONS

TSU is not aware of any (i) penalties or sanctions imposed against it by a court relating to securities legislation or by a securities regulatory authority during its most recently completed financial year, or (ii) other penalties or sanctions imposed by a court or regulatory body against it that would likely be considered important to a reasonable investor in making an investment decision. There were no settlement agreements entered into by TSU before a court relating to securities legislation or with a securities regulatory authority during TSU's most recently completed financial year.

INTERESTS OF EXPERTS

The auditors of TSU are Ernst & Young LLP, Chartered Professional Accountants, 2200 – 215 2nd Street SW, Calgary, Alberta T2P 1M4 and were appointed auditors of TSU in 2018. E&Y is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

ADDITIONAL INFORMATION

Additional financial information is contained in TSU's audited consolidated financial statements as at and for the year ended December 31, 2020 and management's discussion and analysis as at and for the year ended December 31, 2020.

The Company routinely files all required documents through the SEDAR system and on its own website. Internet users may retrieve such material through the SEDAR website at *www.sedar.com*. TSU's website is located at *www.trisummit.ca*, but TSU's website is not incorporated by reference into this AIF.

TRANSFER AGENTS AND REGISTRARS

The registrar and trustee for MTNs is Computershare Trust Company of Canada, 800, 324 - 8th Avenue SW, Calgary, Alberta T2P 2Z2, Tel: 1-800-564-6253.

SCHEDULE A: AUDIT COMMITTEE MANDATE

CONSTITUTION

The Board of Directors (the "Board") of TriSummit Utilities Inc. (the "Corporation") has established an Audit Committee (the "Committee") to serve as the Audit Committee of the Board. Such Committee shall be in compliance with the guidelines for corporate governance as set forth by the applicable regulatory or legal authority having jurisdiction over the Corporation.

The Committee shall assist the Board with its oversight of: the quality and integrity of the Corporation's financial statements, financial disclosure and internal controls over financial reporting; the Corporation's compliance with relevant legal and regulatory requirements; the qualifications, independence and performance of the external auditor and internal auditor; certain policies of the Corporation; and other matters set out herein or delegated by the Board from time to time.

MEMBERSHIP

Subject to the terms of the By-Laws of the Corporation, the Board shall elect from its members not less than three (3) Directors to serve on the Committee (the "Members") and shall appoint one such Member as Chair of the Committee.

A majority of the Members shall not be executive officers, employees, or control persons of the Corporation or an affiliate of the Corporation.

Every Member must be financially literate (as that term is defined within National Instrument 52-110) or become financially literate within a reasonable period of time after being appointed.

Any Member may be removed or replaced at any time by the Board and shall cease to be a Member upon ceasing to be a Director of the Corporation.

Each Member shall hold office until the Member resigns or is replaced, whichever first occurs. Where a vacancy occurs at any time in the membership of the Audit Committee, it may be filled by the Board on the recommendation of the Compensation and Governance Committee, provided that the proposed Member meets the above criteria and the By-Laws of the Corporation are complied with. Provided the Committee includes three Members, it may continue to act in the event of a vacancy. When appointing a Member to the Committee, the Board shall take into consideration the number of other audit committees upon which the proposed Member sits.

The Corporate Secretary of the Corporation shall be secretary to the Committee unless the Committee directs otherwise.

MEETINGS

The Committee shall convene no less than four times per year at such times and places designated by its Chair or whenever a meeting is requested by a Member, the Board, or an officer of the Corporation. A minimum of twenty-four (24) hours' notice of each meeting, plus a copy of the proposed agenda, shall be given to each Member. Members of management of the Corporation or any subsidiary or affiliate of the Corporation shall attend whenever requested to do so by a Member.

A meeting of the Committee shall be duly convened if a majority of Members are present. Where the Members consent, and proper notice has been given or waived, Members may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permits all persons participating in the meeting to communicate adequately with each other, and a Member participating in such a meeting by any such means is deemed to be present at that meeting.

In the absence of the Chair of the Committee, the Members may choose one of the Members to be the chair of the meeting.

The external auditor will be given notice of and be provided the opportunity to attend every meeting of the Committee.

The Committee will hold *in camera* sessions without management present, including with internal and external auditors, as may be deemed appropriate by the Members.

Minutes shall be kept of all meetings of the Committee by the Corporate Secretary or designate of the Corporate Secretary.

DUTIES AND RESPONSIBILITIES OF THE CHAIR

The Chair of the Committee is responsible for:

1. providing leadership to the Committee and assisting the Committee in reviewing and monitoring its responsibilities;
2. duly convening Committee meetings and designating the times and places of those meetings;
3. working with Management, and if requested the Chair of the Board and Senior Director, on the development of agendas;
4. ensuring Committee meetings are conducted in an efficient, effective and focused manner;
5. ensuring the Committee has sufficient information to permit it to properly make decisions when decisions are required;
6. advising the Committee of any finance, accounting or misappropriation matters brought to the Chair's attention;
7. advising other Committee Chairs or the Chair of the Board of any matters which may affect the organization and influence the Board or Committee's responsibilities; and
8. reporting to the Board on the activities, decisions and recommendations of the Committee after each meeting.

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee shall, as permitted by and in accordance with the requirements of the *Canada Business Corporations Act*, the Articles and By-Laws of the Corporation and any legal or regulatory authority having jurisdiction, periodically assess the adequacy of procedures for the public disclosure of financial information and review on behalf of the Board and report to the Board the results of its review and its recommendation regarding all material matters of a financial reporting and audit nature including, but not limited to, the following main subject areas:

1. oversight of external auditors, including:
   a) appointment, compensation, retention and termination of external auditors, who shall report directly to the Committee, provided that the appointment of the auditor shall be subject to shareholder approval;
   b) review and approval of the terms of the external auditors' annual engagement letter, including the proposed audit fee;
   c) regular discussions with external auditors in the absence of management on matters of interest, including matters that the external auditors recommend bringing to the attention of the Board;
   d) at least annually, obtain and review reports of external auditors delineating all relationships between the external auditors and the Corporation required by applicable audit professional regulatory standards, discuss with the external auditors any relationships or services that may impact the objectivity and independence of the external auditors and determine external auditor independence;
   e) review and pre-approve the audit plans (and any changes) of the external audit firm and all non-audit work undertaken by the external audit firm, ensuring that except in exceptional circumstances non-audit related fees represent less than half of the total fees billed by the external audit firm and ensuring that non-audit fees do not include charges for services that are either likely to impair the independence of the auditor or relate to tax services for senior executives of the Corporation;
   f) resolution of any disagreements between management and the auditor regarding financial reporting;
   g) assessment of the effectiveness and performance of the external audit firm;

h) review and approval of the Corporation's hiring policies re: current and former partners and employees of the external audit firm; and

i) ensure management provides adequate funding to the Committee so that it may independently engage and remunerate the external auditor and any advisors.

2. oversight of internal auditors, including:

   a) at least annually, review the internal audit plan, including the degree of coordination between such plan and the audit plans of the external auditor;

   b) obtain and review reports periodically from the internal auditor regarding the activities of the internal audit function, including any significant disagreements between internal auditors and management; and

   c) discuss the responsibilities, budget and staffing of the Corporation's internal audit function (which may be outsourced to a firm other than the external auditor) and review the performance of the internal audit function.

3. oversight of financial reporting, including:

   a) review and recommend to the Board for approval the annual and interim financial statements, including management's discussion and analysis;

   b) review and recommend to the Board for approval the annual and interim press releases regarding financial results, if any;

   c) review and recommend to the Board for approval the annual information form;

   d) review filings to securities regulators containing audited or unaudited financial statements that have not previously been publicly disclosed;

   e) review key public disclosure documents containing audited or unaudited financial information extracted from the financial statements of the Corporation that has not previously been publicly disclosed (for example, but not limited to, press releases and prospectuses);

   f) review of the financial aspects of any transactions of the Corporation that involve related parties (other than transactions with wholly-owned subsidiaries or affiliates); and

   g) review of litigation, claims and contingencies in consultation with management and legal counsel as appropriate.

4. oversight of financial reporting processes and internal control over financial reporting and disclosure controls, including:

   a) review of the adequacy and effectiveness of the accounting and internal control policies, including internal controls over financial reporting, of the Corporation and procedures through inquiry and discussions with the external auditors, management and the internal auditor, including about the extent to which the scope of the internal and external audit plans can be relied upon to detect weakness in internal control policies, fraud or other illegal acts;

   b) review of the adequacy and effectiveness of the disclosure control policies and procedures of the Corporation;

   c) review of the effectiveness of procedures for the receipt, retention and resolution of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting, internal accounting controls, financial reporting or auditing matters and review and, as necessary, investigate, any reports alleging material violations of federal, provincial or state securities or any similar other law or a material breach of fiduciary duties by directors, officers, employees or agents of the Corporation arising under such laws; and

   d) review and discuss with management and the external auditor the certification and reports of management and the external auditor required in the Corporation's periodic reports concerning the Corporation's internal control over financial reporting and disclosure controls and procedures, the adequacy of such controls and any remedial steps being undertaken to address any material weaknesses or significant deficiencies in internal control over financial reporting.

5. oversight of finance matters, including:

   a) review of analyses by management and the external auditor regarding significant financial reporting issues and judgments made in connection with the preparation of the Corporation's consolidated financial statements;

   b) review of Corporation's policy on dividends;

   c) review the issuance of equity or debt securities by the Corporation;

   d) review and recommend for approval to the Board the management information circular, if any, with respect to matters related to the auditor or affecting the capital of the Corporation; and

   e) review and recommend to the Compensation and Governance Committee, for further recommendation or approval, the calculations of financial metrics used in the determination of employee incentive compensation plans; monitor finance integration and financial risk management programs associated with major acquisitions.

6. oversight of risk management, including:

   a) review of the Corporation's major risks, a review of the method of risk analysis by the Corporation, review of the strategies, policies and practices in place for risk management; and

   b) review of the Corporation's cyber risk and data security, and insurance program.

7. oversight of policies applicable to the Committee's mandate, and compliance therewith, including:

   - Code of Business Ethics as it relates to the matters covered by this Mandate;
   - Whistleblower Policy;
   - Disclosure Policy;
   - Other policies that may be established from time to time relating to accounting, financial reporting, disclosure controls and procedures, internal controls over financial reporting and audits.

OTHER DUTIES

The Committee shall have the following other duties:

1. meet regularly with management to discuss areas of concern and coordinate its activities with the Chief Financial Officer;

2. review at least annually the succession planning in the accounting and finance groups;

3. meet separately with senior management, the internal auditors, the external auditors and, as is appropriate, internal and external legal counsel and independent advisors in respect of matters not elsewhere listed concerning any other audit, finance and risk matter;

4. review at least annually the relevance and adequacy of this Mandate and provide recommendations to the Compensation and Governance Committee of the Board; and

5. such other duties not mentioned herein but otherwise required pursuant to any applicable legal or regulatory authority.

OUTSIDE EXPERTS AND ADVISORS

The Committee is authorized, when deemed necessary or desirable, to engage independent counsel, outside experts and other advisors, at the Corporation's expense, to advise the Committee on any matter.

RELIANCE

Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations, and (iii) representations made by management and the external auditor, as to any information technology, internal audit and other non-audit services provided by the external auditor to the Corporation and its subsidiaries.

COMMITTEE TIMETABLE

The major activities of the Committee will be outlined in an annual schedule.

SCHEDULE B: REPORT ON EXECUTIVE COMPENSATION

On March 31, 2020, the Public Sector Pension Investment Board ("PSP Investments") and the Alberta Teachers' Retirement Fund Board ("ATRF") completed the acquisition of all of the outstanding Common Shares of TriSummit Utilities Inc. ("TSU") by TriSummit Cycle Inc., a company in which PSP Investments indirectly holds a majority economic interest and ATRF indirectly holds a minority economic interest, with an all-cash transaction pursuant to a plan of arrangement ("Arrangement"). On closing of the Arrangement, all outstanding PSUs, RSUs, DSUs and Options vested (if not already vested) and all outstanding PSUs, RSUs, DSUs and Options were assigned and transferred to TSU in exchange for cash payment under the terms of the Arrangement, and the MTIP, DSUP and Option Plan were terminated.

The information provided in this *Schedule B – Report on Executive Compensation* relates to compensation programs in place for the year ended December 31, 2020. Where indicated or where the context requires, certain information relates to compensation programs existing prior to the closing of the Arrangement on March 31, 2020, and certain information relates to compensation programs following closing of the Arrangement.

Frequently Used Terms

Terms used in this *Schedule B – Report on Executive Compensation* that are not otherwise defined herein or in the AIF have the meaning described below.

CEO	Chief Executive Officer and, in the case of Jared B. Green, President and CEO
DBPP	Defined Benefit Pension Plan
DCPP	Defined Contribution Pension Plan
DSU	deferred share unit issued under the DSUP
DSUP	TSU's Deferred Share Unit Plan existing prior to the closing of the Arrangement
EVP	Executive Vice President
LTIP	TSU's Long-Term Incentive Plan
MTIP	TSU's Mid-Term Incentive Plan existing prior to the closing of the Arrangement
NEO	Named Executive Officer
Option	option to purchase a Common Share issued under the Option Plan
Option Plan	TSU's Share Option Plan existing prior to the closing of the Arrangement
Pension Plans	DBPP and DCPP collectively
PSU	performance share unit issued under the MTIP
RSU	restricted share unit issued under the MTIP
SERP	Supplemental Executive Retirement Plan
STIP	TSU's Short Term Incentive Plan

DIRECTOR COMPENSATION

Philosophy and Approach

TSU's objectives with respect to director compensation include recruiting and retaining qualified individuals to serve as members of the Board and competitively compensating members of the Board commensurate with their responsibilities and time commitment. Director compensation was designed to meet the above-noted compensation objectives while ensuring that directors are unbiased when making decisions and carrying out their duties while serving on the Board. Director compensation was reviewed in consultation with external advisors in connection with the closing of the Arrangement, and certain modifications were made to TSU's director compensation philosophy to reflect transitioning to a privately held company.

Compensation Governance

The Board, in conjunction with the C&G Committee, is responsible for compensation policies and practices. The C&G Committee is responsible for reviewing and making recommendations to the Board with respect to independent director compensation. The same peer group established for executive compensation in connection with the Arrangement was approved for benchmarking director compensation. See *"Compensation Discussion and Analysis – Compensation Benchmarking"*.

Compensation Components

Annual Retainer

The Company's current approach to director compensation was developed in consultation with external advisors in connection with the closing of the Arrangement and has been approved by the C&G Committee and the Board. Non-independent Board members are not entitled to compensation for services rendered to TSU as a director.

Independent directors receive an annual cash retainer for serving on the Board and an additional amount for serving as chair of a committee. No meeting attendance fees or other fees were paid to directors in 2020 for serving on the Board.

Following March 31, 2020, the annual retainers payable for each role for the year ended December 31, 2020 are set out below.

Role	Annual Cash Retainer ($)
Chair	150,000
Senior Director	110,000
Other Independent Directors(1)	90,000
Audit Committee Chair	10,000
C&G Committee Chair	5,000
EHS Committee Chair	5,000

Note:

(1) Directors who are executive officers of TSU or indirect shareholder nominee directors are not entitled to fees for serving as a director of TSU.

Other Benefits

In addition, independent directors receive benefits and are reimbursed for out-of-pocket expenses incurred in the performance of their duties such as attending meetings.

Incentives Prior to Arrangement

Prior to the closing of the Arrangement on March 31, 2020, independent director compensation included annual cash retainers, which could be taken in the form of DSUs, and equity-based awards, granted in the form of RSUs or DSUs.

Annual retainers payable for each director role were as follows: Chair $100,000, Lead Director $85,000, Other Independent Directors $75,000 and the committee chair retainers were the same. Prior to March 31, 2020, each director had the option to elect, once per calendar year, to receive a percentage of their annual retainer in the form of DSUs. The number of DSUs that a director was entitled to receive in any quarter was equal to one-quarter of the amount of the annual retainer that he or she elected to take in the form of DSUs, divided by the Share price on the quarterly grant date, where the Share price was the average closing price of the Shares for the 20 consecutive trading days immediately preceding the grant date.

In addition to receiving a percentage of their annual retainer in DSUs (if so elected), directors could also receive grants of DSUs or RSUs.

DSUs were governed by the DSUP, vested fully upon grant and were immediately credited to the director's account. DSUs did not have voting rights, but they accrued additional DSUs as dividend equivalents at the same rate as dividends paid on the Shares. Payment of the value of DSUs granted was to occur following the director's retirement from the Board and was not subject to satisfaction of any requirements regarding minimum period of membership or employment or other conditions.

DSU payment on redemption was to be calculated by multiplying the number of DSUs held (including credited DSUs earned as dividend equivalents) by the average closing price of the Shares for the 20 consecutive trading days prior to the payment date.

No DSUs were granted to directors in 2020 other than in connection with their annual retainer elections and prior to March 31, 2020.

RSUs were granted under the MTIP as a form of mid- to long-term variable compensation. RSUs did not have voting rights, but they accrued additional RSUs as dividend equivalents at the same rate as dividends paid on the Shares. RSUs were notional Shares linked to Share price performance. RSUs were payable upon vesting, which was three years from the date of grant, subject to meeting applicable performance vesting criteria. On retirement from the Board, the RSUs were to continue to vest and be paid out in the normal course as if the director had not retired.

The directors received an RSU grant equal to an annual value of $75,000 each, granted on a quarterly basis in advance. In 2020, only one tranche of RSUs was granted to directors prior to the closing of the Arrangement.

On the closing of the Arrangement, all RSUs vested and all DSUs and RSUs were assigned and transferred to TSU in exchange for cash payment under the terms of the Arrangement, and the MTIP and DSUP were terminated.

SUMMARY COMPENSATION TABLE FOR NON-EXECUTIVE DIRECTORS

The following table reflects the compensation, by category and on an aggregate basis, paid to non-executive directors of TSU for the year ending December 31, 2020. Details regarding Mr. Green's compensation as CEO of TSU can be found under the heading "*Executive Compensation*".

Name	Fees Earned(1) ($)	Share-based Awards (DSU & RSU)(2) ($)	Option-based Awards(3) ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All other Compensation(6) ($)	Total ($)
Gregory A. Aarssen	70,000	40,000	nil	nil	nil	3,513	113,513
Judith J. Athaide	81,875	28,125	nil	nil	nil	4,048	114,048
Patrick Chabot(4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Amit Chakma(5)	25,000	37,500	nil	nil	nil	2,040	64,540
David W. Cornhill	112,500	43,750	nil	nil	nil	nil	156,250
William J. Demcoe	86,875	28,125	nil	nil	nil	3,974	118,974
Andrea Goertz(5)	11,005	nil	nil	nil	nil	669	11,674
Dietz Kellmann(5)	82,500	nil	nil	nil	nil	2,008	84,508
Samuel Langleben(4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jason Munsch(4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL	**469,755**	**177,500**	**nil**	**nil**	**nil**	**16,252**	**663,507**

Notes:

(1) Includes the amount of committee chair retainer and annual retainer earned in cash for services during the financial year, even if payable at a future date. After March 31, 2020, all retainers are paid in cash.

(2) Includes that portion of the annual retainer that the director elected to receive in DSUs and RSU grants prior to the closing of the Arrangement. Refer to the discussion of the MTIP and Option Plan under the heading "*Director Compensation – Compensation Components – Incentives Prior to Arrangement*". Grant date fair value of RSUs under the MTIP and DSUs under the DSUP is calculated by multiplying the number of units granted by the closing price of the Common Shares on the grant date. The methodology used to calculate the fair value of RSUs and DSUs is the same as that used for accounting purposes.

(3) Option-based awards have never been granted to directors (other than Mr. Green in his capacity as CEO), and the Option Plan was terminated on March 31, 2020 upon the closing of the Arrangement.

(4) Indirect shareholder nominee directors are considered non-independent directors and therefore do not receive compensation for serving as directors of TSU.

(5) Mr. Chakma resigned from the Board on June 30, 2020. Ms. Goertz joined the Board on November 17, 2020. Mr. Kellmann joined the Board on March 31, 2020.

(6) Amounts include the value of TSU's group benefits plan for directors that participate.

(7) For information regarding amounts received by directors in connection with the vesting and payment of RSUs and DSUs pursuant to the Arrangement, see "*Director Compensation – Incentive Plan Awards – Value Vested or Earned During 2020*".

INCENTIVE PLAN AWARDS

Outstanding Option-Based Awards and Share-Based Awards

As a result of the Arrangement, there were no outstanding Options, PSUs, RSUs or DSUs as at December 31, 2020.

Value Vested or Earned During 2020

The following table reflects the aggregate dollar value of RSUs and DSUs earned by non-executive directors during the year ended December 31, 2020.

Name	Option-based awards - Value vested during 2020(1) ($)	Share-based awards – Value of RSUs and DSUs earned during 2020(2) ($)	Non-equity incentive plan compensation – Value earned during 2020 ($)
Gregory A. Aarssen	n/a	300,515	n/a
Judith J. Athaide	n/a	185,504	n/a
Patrick Chabot(3)	n/a	n/a	n/a
Amit Chakma(4)	n/a	279,588	n/a
David W. Cornhill	n/a	201,335	n/a
William J. Demcoe	n/a	187,335	n/a
Andrea Goertz(3)	n/a	n/a	n/a
Dietz Kellmann(3)	n/a	n/a	n/a
Samuel Langleben(3)	n/a	n/a	n/a
Jason Munsch(3)	n/a	n/a	n/a

Notes:

(1) Option-based awards have never been granted to directors (other than Mr. Green in his capacity as CEO).

(2) DSUs vested upon grant to directors. Value includes all DSUs and RSUs held by directors as all DSUs and RSUs unconditionally vested on the closing of the Arrangement. Value is determined by multiplying the number of DSUs and RSUs held on March 31, 2020 by $33.50 as all RSUs and DSUs were assigned and transferred to TSU in exchange for cash payment of $33.50 per DSU and per RSU pursuant to the terms of the Arrangement.

(3) Became directors at or after the closing of the Arrangement. In addition, indirect shareholder nominee directors are non-independent and did not receive compensation for acting as a director of TSU.

(4) Mr. Chakma resigned from the Board on June 30, 2020.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Approach

The Board believes that attracting, motivating and retaining high-performing leaders is integral to the long-term success of TSU. The compensation program is designed to ensure that the actions of TSU's executives are aligned with TSU's long-term corporate strategy and the interests of its Shareholder.

The Board and the C&G Committee view total compensation as a way to link executive actions with the strategy and performance targets of TSU and have designed a compensation framework that is comprised of both short-term and long-term compensation elements. The design of TSU's compensation programs emphasizes competitive and fair annual fixed and variable compensation that provides incentives for reaching shorter-term corporate objectives, while also providing fixed and variable compensation elements intended to retain and motivate executives over the long term. TSU's compensation programs are designed to motivate executives to deliver long-term value to its Shareholder through risk-managed value creation. The goal of the C&G Committee in making compensation recommendations with respect to executives is to recognize and reward individual performance, experience and level of responsibility and the achievement of corporate success.

Executive compensation was reviewed in consultation with external advisors in connection with the closing of the Arrangement, and certain modifications were made to TSU's compensation philosophy to reflect transitioning to a privately held company. TSU's compensation framework generally targets total direct compensation at approximately the median among the relevant peer group.

TSU's current executive compensation program is comprised of base salary, benefits, the STIP, the LTIP, the Employee Savings Plan, the Pension Plans and the SERP (each as described herein). Prior to the closing of the Arrangement, the executive compensation program included the MTIP and the Option Plan in place of the LTIP. Executive performance is the foundation on which all decisions to award compensation are based. Each of these components is discussed in greater detail below.

The executive compensation program is designed to:

- attract, and retain, highly qualified and engaged executives;
- align executive interests with those of TSU's Shareholder by linking awards with achievement of strategic goals that enhance value;
- offer competitive base salary compensation at approximately the median among the relevant peer group; and
- assuming performance goals are met, recognize and reward executives through pay-for-performance, such that total compensation is positioned at approximately the median among the relevant peer group.

Executive compensation and target payouts have been developed to align executive compensation with the achievement of strategic objectives that support TSU's long-term risk-managed value creation strategy and safety measures.

Compensation Governance

In making compensation recommendations to the Board, the C&G Committee considers a wide range of quantitative and qualitative factors. Corporate strategy execution, financial metrics, performance relative to market and relative to peer companies, individual performance, as well as peer group compensation surveys, are all factored into compensation decisions.

The C&G Committee and the Board review executive compensation regularly. The C&G Committee reviews progress on short-term incentive measures and total compensation at-risk for executives. Corporate performance and individual performance are also regularly discussed. The C&G Committee recommends, for Board approval, executive salary and perquisite changes, corporate results, short-term incentive payments and long-term incentive payments. No executives participate in decision-making or vote on recommendations with respect to compensation matters affecting them.

The C&G Committee meets at least four times per year. The members of the C&G Committee have all been senior leaders in various organizations. As a result, they have obtained direct experience relevant to executive compensation and the skills and experience that enable the C&G Committee to develop and make recommendations on the suitability of TSU's compensation policies and practices. Refer to the discussion in the AIF under the heading "*Corporate Governance – Governance Oversight – Board of Directors – Committee Independence*" for further detail regarding committee membership and independence. In addition, the C&G Committee consults with advisors as it considers appropriate and has the authority to retain an advisor independent of management.

None of the members of the C&G Committee is an executive officer of TSU or was an officer or employee of TSU or any of its subsidiaries in the most recently completed financial year, was formerly an officer of TSU or any of its subsidiaries, or had or has any relationship that requires disclosure under the AIF headings "*Other Information – Indebtedness of Directors and Executive Officers*" or "*Interest of Management and Others in Material Transactions".*

Compensation Consultants and Advisors

TSU engages external consultants to assist with compensation matters. TSU initially engaged Mercer (Canada) Limited ("Mercer") (a wholly-owned subsidiary of Marsh & McLennan Companies, Inc.) in 2018 and 2019 to provide support to it and the Board in determining compensation for TSU's executives and officers.

In mid-2019, the C&G Committee engaged Hugessen Consulting to review TSU's existing executive and director compensation programs. At that time, no changes to programs or the peer group were made.

In January 2020, Hugessen Consulting was engaged by PSP Investments and ATRF to evaluate and provide recommendations on a go-forward executive and director compensation program in the context of a privately held company.

The C&G Committee reviewed Hugessen Consulting's report, which formed the basis for compensation program changes that were approved by the C&G Committee and the Board upon the closing of the Arrangement.

In addition, Mercer (through different lines of business) provides other services, including pension and benefits advisory services and general employee compensation consulting services, to TSU and its operating subsidiaries. The fees for such services are disclosed in the table below. During the period in which Mercer was supporting both the Board and management, the Board required management to seek pre-approval from the C&G Committee prior to engaging Mercer for additional services.

The independent external consultants provide information and recommendations. However, the Board, based on the recommendations of the C&G Committee, has full responsibility for compensation decisions, which reflect the qualitative and quantitative factors previously discussed.

Independent Compensation Advisors	2019 ($)	2020 ($)
Mercer		
• Executive compensation-related fees	88,897	12,225
• All other fees(1)	388,507	310,262
Hugessen		
• Executive and director compensation-related fees	24,480	nil(2)

Notes:

(1) These fees include ongoing pension and benefits advisory services for 2020 and 2019.

(2) PSP Investments and ATRF engaged Hugessen Consulting to review and recommend the go-forward privately held company compensation programs noted above, and therefore fees related to this report were not paid by TSU.

Compensation Benchmarking

The Company uses the results of peer group compensation surveys conducted by external consultants to benchmark TSU's compensation programs with those of comparable organizations. This information is provided to the C&G Committee to assist with its review of TSU's overall compensation policy. Peer group survey results are one of many tools the C&G Committee uses when making compensation determinations. The peer group survey results on their own may not be appropriate for comparative purposes based on role responsibilities, experience and succession considerations. The final decisions on executive compensation are made with sound judgement based on the qualitative and quantitative factors described above.

The list of companies included in TSU's peer group was revised in connection with the closing of the Arrangement in 2020 to reflect TSUs transition to a privately held company. The peer group companies were chosen based on their similarity in size, scale and industry relative to TSU, including both public and private companies, while also taking into account the companies with which TSU directly competes for executive talent. TSU's 2020 peer group includes the following companies:

Compensation Peer Group		
Public Companies		**Private Companies**
• Boralex Inc.		• ENMAX Corporation
• Gibson Energy Inc.		• EPCOR Utilities Inc.
• Superior Plus Corp.		• Nova Scotia Power Inc.
• Kinder Morgan Canada Limited(1)		• FortisBC Energy Inc.
• Just Energy Group Inc.		• Newfoundland Power Inc.
• Tidewater Midstream and Infrastructure Inc.		• FortisAlberta Inc.

Note:

(1) Kinder Morgan Canada Limited was acquired in December 2019, is no longer a public company and will be removed from the peer group going forward.

2020 COMPENSATION OVERVIEW

This Compensation Discussion and Analysis outlines material compensation elements for the following NEOs for the financial year ended December 31, 2020, which includes four executives of TSU and the President of HGL.

	Relevant Entity
Jared B. Green, President and Chief Executive Officer Mr. Green leads the development and execution of TSU's strategic plan.	TSU
Shaun W. Toivanen, EVP and Chief Financial Officer Mr. Toivanen is responsible for the overall financial strategy of TSU. This includes responsibility for financial reporting and compliance, corporate finance, treasury, corporate planning, capital market relations, and tax functions at TSU.	TSU
Leigh Ann Shoji-Lee, EVP Utility Operations and President of PNG Ms. Shoji-Lee is responsible for the operational alignment and effectiveness of TSU's utility business units and is also responsible for the strategic leadership and direction of PNG**.**	TSU / PNG
Autumn Howell, General Counsel and Corporate Secretary Ms. Howell is responsible for the overall legal strategy of TSU. This includes responsibility for legal compliance and reporting as well as governance, internal audit and human resources functions at TSU.	TSU
John M. Hawkins, President of HGL Mr. Hawkins is responsible for the strategic leadership and direction of HGL in Nova Scotia.	HGL

ELEMENTS OF COMPENSATION PROGRAM

TSU's total compensation is comprised of a base salary, benefits, short-term incentives and longer-term incentives. More senior positions have a larger percentage of their compensation weighted towards long-term incentives that align with TSU's long-term risk-managed value creation strategy. The primary elements of the TSU compensation program, which are discussed in further detail in the following sections, include:

	Base Salary	Short-Term Incentives	Long-Term Incentives(1)	Retirement and Other Benefits(2)
Purpose	Provide competitive annual compensation and compensate employees for fulfillment of job responsibilities.	Reward achievement of annual financial and strategic objectives.	Align compensation with long-term corporate objectives and enhance participant retention.	Provide competitive compensation and reward long service at TSU.
Performance Period/Expiry	Ongoing	1 year	3 years	N/A
Payment	Ongoing	After approval of annual financial and corporate results.	After approval of results following completion of performance period.	Upon retirement or, if Employee Savings Plan, ongoing.
Form	Cash	Cash	Cash	Cash

Notes:

(1) Prior to March 31, 2020, TSU's executive compensation program did not include the LTIP and instead included participation in the MTIP and Option Plan, which programs permitted grants of PSUs/RSUs and Options, respectively, to executives. Following the closing of the Arrangement, the MTIP and Option Plan were terminated. In 2020, no PSUs, RSUs or Options were granted to any executives.

(2) Includes Pension Plans, SERP and Employee Savings Plan.

Compensation Mix

The target compensation mix for TSU's executive officers is generally weighted toward long-term incentives, with a larger percentage of their total compensation being at-risk, depending on level of responsibility, reflecting the increased influence of the executive officers over the achievement of the Company's long-term risk-managed value creation strategy. This design provides for further alignment between executive officer compensation and long-term corporate objectives, while discouraging excessive short-term risk taking.

The following is the targeted mix of compensation elements for the NEOs:

		At-Risk	
Principal Position(s)	**Base Salary (%)**	**STIP (%)**	**LTIP (%)**
CEO	31	23	46
CFO/EVP Utility Operations & President PNG	40	20	40
Other NEOs	56	18	26

Base Salary

Annual salary is intended to provide a competitive rate of base compensation in recognition of the skills, competencies and level of responsibility of the NEO. The C&G Committee reviews market and peer group compensation data and generally targets annual salaries at approximately the median of TSU's peer group, taking into account the relative responsibilities and level of experience required for the position. Base salaries for executives are approved by the C&G Committee and, where applicable, by the Board.

Short Term Incentives

NEOs participate in TSU's STIP. The STIP provides annual cash compensation for the achievement of a combination of individual, divisional and corporate performance metrics for the year. The more senior the position held within the organization, the greater the target compensation level and the weighting toward TSU's corporate performance measures. Divisional performance objective weightings align with those employees directly accountable for results in the relevant business division. For the NEOs, compensation under the STIP is generally more heavily weighted toward the attainment of corporate/divisional performance objectives.

The C&G Committee reviews market and peer group compensation data and generally targets STIP compensation at approximately the median of TSU's peer group, taking into account the relative responsibilities and level of experience required for the position. STIP compensation is recommended by the C&G Committee and approved by the Board following completion of the relevant year and approval of the annual financial statements. No awards have been made to any executives under the STIP in cases where they did not meet the objectives applicable to them.

For the NEOs, STIP targets include corporate and/or divisional and individual weightings. Corporate performance includes the achievement of annual financial and strategic measures. The financial and strategic measures are directly linked to the success of TSU and are considered integral to the achievement of TSU's long-term corporate strategy. Individual performance is measured against the achievement of individual objectives and the executive's relative contributions to the achievement of TSU's overall performance.

The STIP target levels and weightings for the NEOs under the 2020 STIP are as follows:

Name	STIP Target (% of Salary)	Corporate / Divisional Weighting (%)	Individual Weighting (%)
Jared B. Green	75	80	20
Shaun W. Toivanen	50	60	40
Leigh Ann Shoji-Lee(1)	50	60	40
Autumn Howell	30	50	50
John Hawkins(2)	35	60	40

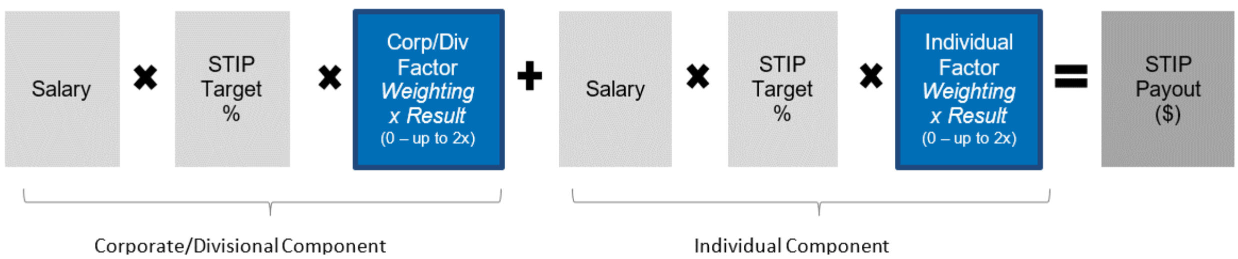
Notes:

(1) Ms. Shoji-Lee's corporate/divisional weighting was based 20% on TSU corporate results and 80% on PNG divisional results.

(2) Mr. Hawkins' corporate/divisional weighting was based solely on HGL's divisional results.

Calculation of STIP Awards

The illustration below describes how STIP awards are determined, along with the rating scale based on achievement of corporate/divisional and individual performance metrics.



Corporate/Divisional Performance

TSU's corporate performance is measured based on the achievement of financial, safety and strategic objectives. In 2020, the financial objectives were based on year-end consolidated financial results, using normalized net income, against a pre-determined target. TSU also identified various strategic objectives, each with a varied weighting towards the total strategic objective achievement. Safety performance, as measured by "total recordable injury frequency", or "TRIF", was also included. The STIP performance objectives and targets are identified annually and approved by the Board. For each NEO, STIP performance objectives and targets relate to specific deliverables in their respective utilities and corporate divisions and are aligned to the overall long-term strategy of TSU. In connection with reviewing TSU's STIP program in light of its transition to a privately held company, the weightings of corporate STIP metrics for TSU were revised to reflect greater emphasis on strategic objectives. Each of the utilities establishes separate divisional performance objectives.

Based on the achievement of the objectives, applicable performance ratings are determined using the following criteria: "not met", "partially met", "met", "exceeded" or "exceptional". After the applicable performance results have been determined, a multiplier is applied to the target compensation level under the STIP to reflect the level of achievement of the objectives.

For all NEOs, unless otherwise noted, the following criteria were used to determine the applicable multiplier:

Achievement of Corporate/Divisional and Individual and Strategic Targets	Multiplier
Not Met	0x
Partially Met	0.5x
Met	1.0x
Exceeds	1.5x
Exceptional	2.0x

2020 TSU Corporate Results

For 2020, the following corporate results were achieved, and approved by the Board upon the recommendation of the C&G Committee:

Objectives	Weighting (%)	2020 Target	2020 Performance Result	Multiplier
Normalized Net Income(1)	55	$46.5M	Met	1.00
Safety Measure	15	≤1.8TRIF(2)	Exceptional	2.00
Strategic Measures(3)	30	Miscellaneous	Exceptional	2.00
TOTAL	**100**			1.45

Notes:

(1) Refer to the 2020 Annual MD&A under the "*Non-GAAP Financial Measures*" heading. Normalized Net Income excludes Board-approved transaction expenses from the calculation.

(2) TRIF is the total recordable injury frequency rate for 2020.

(3) The Strategic Measures metric is made up of numerous objectives, each with a varied weighting towards the total, which are not enumerated in this AIF as publicly identifying individual strategic objectives would seriously prejudice TSU's interests through the disclosure of competitively sensitive information.

TSU's corporate results are applicable to the corporate performance portion for Mr. Green, Mr. Toivanen and Ms. Howell. TSU's corporate results are applicable to 20% of Ms. Shoji-Lee's corporate performance portion of her STIP calculation. These results are then combined with individual and, if applicable, divisional performance.

2020 PNG Divisional Results

For 2020, the following metrics and results are also applicable to the corporate performance portion (80%) of Ms. Shoji-Lee's STIP calculation:

Objectives	Weighting (%)	2020 Target	2020 Performance Result	Multiplier
Net Income	45	$10.39M	Met	1.00
Net Customer Base Growth	15	156	Exceptional	2.00
EHS Stewardships	40	Miscellaneous(1)	Various	1.13(2)
TOTAL	**100**			1.20

Notes:

(1) EHS Stewardships is made up of safety measures (including driving behaviour, safety meeting attendance and culture, environmental field inspections, lost time incident rate ("LTIR") and damage prevention), proactive reporting, leadership visits, TRIF and preventable motor vehicle injury frequency ("PMVIF").

(2) This multiplier is the combined result of the EHS Stewardships metrics.

2020 HGL Divisional Results

For 2020, the following metrics and results are applicable to the corporate performance portion of Mr. Hawkins' STIP calculation:

Objectives	**Weighting (%)**	**2020 Target**	**2020 Performance Result**	**Multiplier**
Business Excellence	35	Misc. regulatory deferral minimizations	Partially Met	0.50
Natural Gas Growth from New Customers	25	360K GJ	Not Met	0.00
EHS Stewardships	40	Miscellaneous(1)	Various	1.31(2)
TOTAL	**100**			0.70

Notes:

(1) EHS Stewardships is made up of safety measures (including driving behaviour, safety meeting attendance and culture, environmental field inspections, LTIR and damage prevention), proactive reporting, leadership visits, TRIF and PMVIF.

(2) This multiplier is the combined result of the EHS Stewardships metrics.

2020 STIP Payments

The table below reflects the STIP payments for the year ending December 31, 2020.

					Corporate/Divisional			**Individual**			**Total STIP Paid(4) ($)**
Name	**Salary Earned($)**		**STIP Target(1) (%)**		**Weighting(2) (%)**	**Multiplier**		**Weighting(3) (%)**	**Multiplier**		
Jared B. Green	412,000	x	75	x	80	1.45	x	20	1.55	=	454,230
Shaun W. Toivanen	309,000	x	50	x	60	1.45	x	40	1.675	=	237,930
Leigh Ann Shoji-Lee(5)	334,750	x	50	x	60	1.25	x	40	1.675	=	237,673
Autumn Howell	257,500	x	30	x	50	1.45	x	50	1.625	=	118,772
John Hawkins	258,001	x	35	x	60	0.70	x	40	1.20	=	81,270

Notes:

(1) As a percentage of base salary paid during 2020.

(2) Weighting reflects corporate/divisional results as defined in the respective scorecards applicable to each executive.

(3) Weighting reflects individual performance measures.

(4) Table reflects the payment in respect of the year ending December 31, 2020.

(5) Ms. Shoji-Lee's corporate/divisional component is based on a combination of TSU's corporate results (20%) and PNG's divisional results (80%).

Under the STIP, the CEO has the ability to recommend an adjustment to the calculated corporate rating when the CEO believes it is appropriate, in order to reflect factors or extraordinary events that are not contemplated in the calculation of the corporate performance metrics as described above. The C&G Committee considers any such recommendation and, if appropriate, approves the recommendation. For HGL's 2020 Business Excellence metric, the CEO recommended, and the C&G Committee approved, adjustment to the performance result calculation to remove the impact resulting from the closure of a prominent customer which was beyond HGL's control. No other such recommendation or approval was made for 2020.

Long-Term Incentives

NEOs participate in TSU's LTIP. The LTIP is a multi-year cash compensation incentive program intended to align executive pay with the long-term objectives of TSU and to enhance participant retention. The more senior the position held within the organization, the greater the target LTIP compensation level. The LTIP was developed in consultation with external advisors in connection with TSU's transition to a privately held company.

The LTIP program has a three-year performance period ("Performance Period"). Payouts under the LTIP are based on the achievement of pre-determined thresholds, targets, and stretch and maximum levels of performance for two metrics: (a) Internal Rate of Return on the class A shares of Holdco ("Class A IRR"); and (b) net income per TSU Share. Each of these metrics are weighted equally. The thresholds, targets, and stretch and maximum levels of performance for each metric are reviewed by the C&G Committee and approved by the Board annually. The Class A IRR metric is measured over the applicable Performance Period, and the TSU net income per Share metric is based on the three-year realized normalized net income of TSU as described in the 2020 Annual MD&A under the *"Non-GAAP Financial Measures*" heading, excluding Board-approved transaction expenses from the calculation ("Net Income").

The Audit Committee reviews Net Income results, and a third-party valuation is performed for determining the Class A IRR. The C&G Committee receives the Audit Committee report on achievement of the Net Income per Share metric and reviews the Class A IRR calculation based on the third-party valuation report, following which the C&G Committee recommends the payments to be made to NEOs under the LTIP to the Board for final approval. Cash payments under the LTIP are to be made following the end of the applicable Performance Period after the review and approval process described above. The Performance Period under the 2020 LTIP ends on December 31, 2022. Participation in the LTIP commences at the beginning of each plan year, and participants have a target LTIP incentive which is a percentage of each participant's base salary.

The LTIP target percentage levels for the NEOs under the 2020 LTIP are as follows:

Name	LTIP Target (% of Salary)
Jared B. Green	150
Shaun W. Toivanen	100
Leigh Ann Shoji-Lee	100
Autumn Howell	50
John Hawkins	45

Calculation of LTIP Cash Incentive

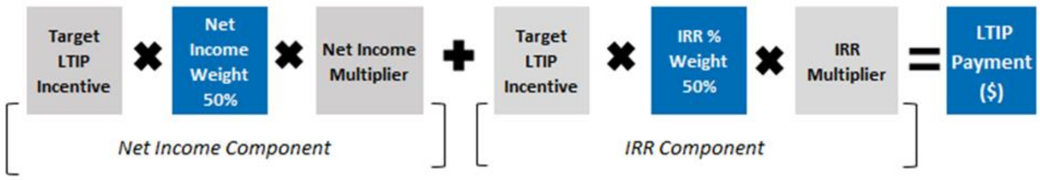
The LTIP target incentive is determined by multiplying the NEO's base salary by the Board-approved LTIP target percentage for that NEO. Multipliers are applied at the threshold, target, stretch and maximum levels of the applicable metric, which are set annually by the Board. The payout multiplier is linearly interpolated between the threshold and maximum multipliers. The multipliers for each metric are identified below.

	Weighting (%)	Threshold	Target	Stretch	Maximum
IRR Multiplier	50	0.00x	1.00x	2.00x	3.00x
Net Income per Share Multiplier	50	0.00x	1.00x	2.00x	2.00x
TOTAL	**100**	**0.00x**	**1.00x**	**2.00x**	**2.50x**

The Class A IRR calculation will be determined using a starting net asset value ("NAV") at the beginning of the applicable LTIP Performance Period and the Final NAV as determined by a third-party valuator as at the end of the applicable LTIP Performance Period. Each year a NAV valuation will be conducted by a third-party valuator as at December 31 of such year, and the starting NAV for the next LTIP Performance Period is the final NAV of the prior year. For the 2020 LTIP, the starting NAV was determined based on the date of the closing of the Arrangement.

The Net Income per Share calculation will be determined using the three-year realized normalized Net Income calculated in the applicable Performance Period.

The illustration below describes how the LTIP is calculated:



Discontinued Incentives Following Arrangement

MTIP

Prior to the closing of the Arrangement, TSU could grant mid-term variable compensation in the form of PSUs and RSUs under its MTIP. No PSUs or RSUs were granted to executives in 2020, and on the closing of the Arrangement, all outstanding PSUs and RSUs unconditionally vested and were assigned and transferred to TSU in exchange for cash payment pursuant to the terms of the Arrangement, and the MTIP was terminated.

PSUs and RSUs under the MTIP were notional Shares linked to Share price performance, recorded entirely as cash-based bookkeeping entries, and earned additional PSUs and RSUs as dividend equivalents on the same basis as dividends declared and paid on Shares. RSUs were to vest at the end of a three-year period commencing on the grant date, contingent upon TSU paying out a dividend during each year of the vesting period. PSUs were to vest at the end of a three-year period, subject to meeting applicable performance vesting criteria.

The PSUs had (i) financial performance milestones which could result in a multiplier, provided the minimum threshold was reached, with possible payouts ranging from 0.0x to 2.0x, and (b) a modifier providing for either downward or upward adjustments to the award payable based on a total shareholder return target with a multiplier between 0.8x and 1.2x.

Option Plan

Prior to the closing of the Arrangement, TSU could grant long-term variable compensation in the form of Options under its Option Plan. No Options were granted to executives in 2020, and on the closing of the Arrangement, all outstanding Options unconditionally vested and were assigned and transferred to TSU in exchange for cash payment pursuant to the terms of the Arrangement, and the Option Plan was terminated.

Under the Option Plan, Options could be granted to executives having a term not to exceed six years and would vest in such a manner as determined by the C&G Committee, generally one-quarter per year over four years. The exercise price of the Options was determined by the C&G Committee at the date of grant in accordance with the terms of the Option Plan. The value of the Options at vesting would be calculated based on the difference between the grant price and the market price of Shares on the vesting date.

Retirement and Other Benefits

Defined Contribution Pension Plan (DCPP)

TSU has a registered DCPP for TSU and HGL employees, including executive officers. Under the DCPP, TSU contributes an amount equal to 4% of an employee's base salary plus an additional service-related match of employee optional contributions of up to 2% of the employee's base salary. TSU's contributions on behalf of employees vest immediately. Employees direct the investment of both their own and TSU's contributions into one or a combination of target date funds, target risk funds, individual investment funds and/or guaranteed investment certificates.

Defined Benefit Pension Plan (DBPP)

TSU maintains registered DBPPs for specific eligible groups of employees. Under the DBPPs, TSU will make contributions in order to fund the promised benefit to participants and in accordance with periodic actuarial valuations. Contributions will vary from year-to-year, based on plan membership and the funded status of the DBPPs. Benefits are based on the benefit accrual formulas and years of plan membership.

Under the DBPP for members employed by AUI, for the service where an AUI employee is an executive officer, the plan provides a yearly pension payable in the normal form (50% joint and survivor for married members or a lifetime pension with a 10-year guarantee) equal to: (a) 2.0% of the five-year average earnings multiplied by (b) years of executive credited service. For all other AUI employees, the plan provides a yearly pension payable in the normal form equal to: (a) 1.0% of the five-year average earnings up to the five-year average yearly maximum pensionable earnings plus 1.5% of the five-year average earnings in excess of the five-year average yearly maximum pensionable earnings multiplied by (b) years of non-executive credited service. Earnings include base pay and commissions, but exclude overtime pay, bonuses and taxable employee benefits. An unreduced pension is payable if retirement is after age 55 with 90 points (age plus continuous service) or on or after age 62. Early retirement reductions of 3% per year prior to age 62 apply if a participant retires and does not meet these requirements. Participants are not permitted to contribute to the plan.

Under the DBPP for members employed by PNG, members have a choice of participating in Pension Choices DB Core ("Core") or Pension Choices DB Buy Up ("Buy Up") defined benefit provisions or defined contribution provisions. Executives may only accrue service in the Buy Up provision. The Buy Up provision provides a yearly pension payable in the normal form (lifetime pension with a 10-year guarantee) equal to (a) 2% of the highest annual average of 36 consecutive months of earnings multiplied by years of (b) Buy Up credited service. The Core provision provides a yearly pension payable in the normal form equal to (a) 1% of the highest annual average of 36 consecutive months of earnings multiplied by years of (b) Core credited service. Earnings include salary excluding overtime pay, taxable employee benefits, and any other premium payments, plus short-term incentive plan payments, retentions bonuses and other bonuses and commissions, but exclude long-term incentive plan payments. An unreduced pension is payable if retirement is after age 55 with 85 points (age plus continuous service) or on or after age 62. Early retirement reductions of 3% per year prior to age 62 apply if a participant retires and does not meet these requirements. Executive members are not required to contribute to the plan. Ms. Shoji-Lee has only Buy Up credited service. Defined benefit members may also elect to make ancillary contributions (subject to applicable limits) which are accumulated and used to purchase additional ancillary enhancements at retirement.

Supplemental Executive Retirement Plan (SERP)

TSU has instituted a non-registered defined benefit retirement plan for certain executive officers to supplement their TSU-sponsored DCPP. The SERP benefit is determined such that the value of each member's total retirement benefit is equal to the value of an annual target defined benefit pension of 2% of the member's highest three-year average earnings multiplied by the member's years of pensionable service.

For the purposes of determining the target defined benefit pension value:

- earnings are defined as the member's base salary plus 50% of their target STIP incentive;
- pensionable service is the period of the member's employment service with TSU after being designated to participate in the SERP;
- the pension is a joint life pension with a guarantee that at least five years of payments will be made. If the member has a spouse at retirement, after the death of the member, and the expiration of the five-year guarantee, 60% of the pension will continue to the spouse for the remainder of the spouse's lifetime; and
- a member with at least five years of pensionable service may retire as early as age 55. The accrued pension will be reduced by 3% per year for each year that retirement precedes the member's attainment of age 60. A member with less than five years of pensionable service will be assumed to commence the pension at the later of the member's age and age 60.

The SERP will provide the difference between the value of the total target defined benefit pension determined above, and the deemed value of the member's DCPP. The SERP will pay this value to the member in equal monthly payments over a 120-month period from the first day of the month coincident with or following the date of the member's retirement.

PNG SERP

The pension earned while participating in the PNG DBPP is subject to maximum pension limits imposed by the *Income Tax Act* (Canada). The pension amounts in excess of the maximum pension limits, that would otherwise be paid from the PNG DBPP, are paid from the PNG SERP. At retirement, the PNG SERP pension is paid in the same form, manner and timing as the PNG DBPP, provided the member has at least two years of service. No PNG SERP pension is payable if a member voluntarily terminates prior to age 55.

Perquisites

The NEOs receive limited perquisites that are consistent with the market and designed to attract and retain talented executives, including reserved parking, vehicle allowances, and club memberships.

Employee Savings Plan

The Employee Savings Plan is designed as a long-term incentive to provide an opportunity for employees to supplement retirement or short-term goals, and to ensure TSU's compensation is competitive in the industry amongst peers. Plan participation is optional.

Employees are able to contribute up to 10% of their base pay, which is invested at the employee's discretion. TSU matches employee contributions up to a maximum percentage of 5% of base pay (6% for PNG) depending on the employee's years of service with the company. TSU's matching contribution is provided in the form of cash and deposited into a non-registered savings plan ("NRSP") for the employee.

Prior to the closing of the Arrangement, the Employee Savings Plan replaced the prior Employee Share Purchase Savings Plan, under which TSU's matching contribution was provided by way of investment in Common Shares, which were purchased by the plan administrator on the open market, rather than a TSU cash contribution to the employees' NRSP.

MANAGING COMPENSATION RISK

TSU is committed to upholding high standards of corporate governance. The Board, including through its committees, routinely assesses compensation programs to determine whether such programs encourage individuals to take inappropriate or excessive risks that are reasonably likely to have a material adverse impact on the Company. TSU's compensation policies and practices are designed to encourage behaviors that align with the long-term interests of TSU and its Shareholder. While TSU has structured its programs and practices with the intent of discouraging excessive risk taking, the Company recognizes that some level of risk taking is necessary to achieve outcomes that are in the best interest of TSU and its Shareholder. In addressing these risks, TSU has implemented a number of risk-mitigating strategies, including:

- All directors, including members of the C&G Committee, are regularly apprised of TSU's financial and operating performance throughout the year.
- A significant weighting of compensation toward long-term incentives mitigates the risk of encouraging achievement of short-term goals at the expense of long-term sustainability and value.
- The LTIP total payout is capped at a maximum of 250% of target.
- The STIP total payout is capped at a maximum of 200% of target.
- The C&G Committee and the Board have the ability to use discretion in assessing both individual executive officer performance and overall TSU performance to ensure that STIP payouts are not overly influenced by an unusual result in any one given area.
- TSU has adopted a policy permitting the Board to "claw-back" awards in certain circumstances, as described below.

Clawback Policy

TSU believes that an important part of managing compensation risk and promoting ethical conduct is setting the appropriate tone at the executive level, and TSU believes that having a clawback policy is an important part of setting that tone. In the event of a (i) restatement of the financial results of TSU for any reason other than a restatement caused by a change in applicable accounting rules or interpretations, (ii) breach of the Code of Business Ethics by the executive officer or (iii) misrepresentation of the safety metrics used to determine entitlements under TSU's STIP, then in any such case TSU's Clawback Policy allows the Board to: (a) require that an executive officer return or repay to TSU or reimburse TSU for all or part of the after-tax portion of any excess compensation; and/or (b) cause all or part of any awarded and unpaid or unexercised performance-based compensation that constitutes excess compensation for an executive officer to be cancelled.

Hedging Prohibitions

TSU's Securities Trading and Reporting Policy provides that no director, officer or employee may, at any time, purchase financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, spread bets, contracts for difference or units of exchangeable funds, that are designed to hedge or offset, or that may reasonably be expected to have the effect of hedging or offsetting, a decrease in the market value of any TSU's securities or otherwise take any speculative or derivative positions of any kind which would have or that may reasonably be expected to have such effect.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth summary compensation information for the NEOs for the years ended December 31, 2020, December 31, 2019 and December 31, 2018.

Name and Principal Position	Year Ended Dec. 31	Salary ($)	Share-based Awards[(2)(3)] ($)	Option-based Awards[(2)(4)] ($)	Non-equity Incentive Plan Compensation		Pension Value ($)	All Other Compen-sation[(7)] ($)	Total Compen-sation ($)
					Annual Plans[(5)] ($)	Long-term Plans[(6)] ($)			
Jared B. Green President & CEO[(1)]	2020 2019 2018	412,000 400,000 72,308	nil 814,018 588,554	nil 372,697 112,700	454,230 461,250 56,875	nil nil nil	210,499 163,503 29,024	45,139 45,500 27,166	1,121,868 2,256,968 886,627
Shaun W. Toivanen EVP and CFO[(1)]	2020 2019 2018	309,000 300,000 54,231	nil 407,117 315,300	nil 186,187 60,375	237,930 231,750 30,373	nil nil nil	143,743 107,349 19,033	37,589 38,261 26,062	728,262 1,270,664 505,374
Leigh Ann Shoji-Lee EVP Utility Operations and President PNG[(1)(8)]	2020 2019 2018	334,750 325,000 58,750	nil 441,072 314,264	nil 201,836 60,173	237,673 258,538 38,760	nil nil nil	204,800 123,400 21,600	37,408 37,450 6,524	814,631 1,387,296 479,564
Autumn Howell General Counsel and Corporate Secretary[(1)]	2020 2019	257,500 154,808	nil 108,540	nil 56,964	118,772 69,169	nil nil	13,356 6,731	23,177 13,695	412,805 409,907
John Hawkins President HGL[(1)(8)]	2020 2019 2018	258,001 250,487 44,392	nil 92,448 113,508	nil 32,946 21,735	81,270 122,300 20,353	nil nil nil	16,058 14,103 2,442	21,106 19,747 3,407	376,435 532,031 205,337

Notes:

(1) TSU's initial public offering was completed on October 25, 2018, at which time Mr. Green and Mr. Toivanen commenced employment with TSU. Ms. Shoji-Lee's employment as EVP Utility Operations of TSU also commenced on this date. However, Ms. Shoji-Lee and Mr. Hawkins were employed by PNG and HGL, respectively, for the full year in 2018. Ms. Howell's employment with TSU commenced on May 17, 2019.

(2) Refer to the discussion of the MTIP and Option Plan under the heading "*2020 Compensation Overview – Elements of Compensation Program – Discontinued Incentives Following Arrangement*". No RSUs, PSUs or Options were granted to NEOs in 2020.

(3) Grant date fair value of PSUs and RSUs under the MTIP is calculated by multiplying the number of units granted by the closing price of Shares on the grant date. In respect of PSUs, it is assumed that the performance criteria are met with a multiplier of 1.0x. The methodology used to calculate the fair value of PSUs and RSUs is the same as that used for accounting purposes.

(4) Grant date fair value of Options was determined in accordance with the Black-Scholes-Merton valuation model which requires the following inputs: strike price; expected life of the option; risk-free interest rate; Share price volatility; and dividend rate. The fair value of Options on the grant date is the same as the accounting fair value at the grant date. TSU chose the Black-Scholes-Merton valuation model because it is the most widely used valuation method for this type of compensation and should thus be the most comparable and most understood model.

(5) Amounts in the table reflect the STIP compensation earned for services performed during the financial year, even if payable at a future date. As TSU did not acquire PNG or HGL until October 2018, the table includes the 2018 STIP payments to Ms. Shoji-Lee and Mr. Hawkins for the period October 25, 2018 to December 31, 2018. Ms. Shoji-Lee and Mr. Hawkins received total 2018 annual STIP payments in the amount of $138,428 and $110,878 respectively, reflecting their full year of service at their respective utilities in 2018.

(6) The LTIP program commenced in 2020 and has a three-year Performance Period; therefore, no LTIP performance will be determined and no payments will occur until after completion of the first Performance Period in 2022.

(7) Amounts include TSU's contribution under the Employee Savings Plan (and prior to closing the Arrangement, the Employee Share Purchase Savings Plan) and the value of group benefits and other perquisites. For information regarding amounts received by NEOs in connection with the vesting of RSUs, PSUs and Options pursuant to the Arrangement see "*Executive Compensation – Incentive Plan Awards – Value Vested or Earned During 2020*".

(8) As TSU did not acquire PNG or HGL until October 2018, the table includes the 2018 salaries earned by Ms. Shoji-Lee and Mr. Hawkins during the period October 25, 2018 to December 31, 2018. Ms. Shoji-Lee's salary was adjusted on October 25, 2018 to reflect her increased role and responsibilities with TSU. Including her full year salary from PNG for 2018, Ms. Shoji-Lee received a total salary of $302,718. Mr. Hawkins received a total salary in 2018 of $245,575 from HGL.

INCENTIVE PLAN AWARDS

Outstanding Option-Based Awards and Share-Based Awards

As a result of the Arrangement, there were no outstanding Options, PSUs, RSUs or DSUs as at December 31, 2020.

Value Vested or Earned During 2020

The following table reflects the aggregate dollar value earned by NEOs for Options, PSUs and RSUs during the year ended December 31, 2020, and the value of non-equity compensation earned during that year by such NEOs.

Name	Option-based awards – Value earned during the year(1) ($)	Share-based awards – Value earned during the year(2) ($)	Non-equity incentive plan compensation – Value earned during 2020(3) ($)
Jared B. Green	2,751,440	2,668,747	454,230
Shaun W. Toivanen	1,422,225	1,383,123	237,930
Leigh Ann Shoji-Lee	1,479,995	1,435,326	237,673
Autumn Howell	218,862	174,523	118,772
John Hawkins	381,057	410,912	81,270

Notes:

(1) All Options granted to an NEO unconditionally vested on the closing of the Arrangement. In each case, value is calculated as the total number of Options held by the applicable NEO multiplied by the difference between $33.50 (the Share consideration under the Arrangement) and the applicable Option exercise price.

(2) All PSUs and RSUs held by an NEO under the MTIP unconditionally vested on closing of the Arrangement. In each case, value is calculated as the total number of PSUs and RSUs held by the applicable NEO on the closing of the Arrangement, including additional PSUs and RSUs accumulated in connection with dividends paid on the Shares, multiplied by $33.50 (the Share consideration under the Arrangement).

(3) Amounts reflect the STIP compensation earned for services performed during the financial year, even if payable at a future date.

RETIREMENT PLAN BENEFITS

Defined Benefit Pension Plan and Supplemental Executive Retirement Plan

The following table outlines the DBPP and SERP value for the NEOs as at December 31, 2020.

Name	Number of years credited service (#)	Annual benefits payable ($)		Present value of defined benefit obligation at start of year ($)	Compensatory change ($)	Non-compensatory change ($)	Present value of defined benefit obligation at year end ($)
		At year end	At age 65				
Jared B. Green(1)(4)	2.18	24,340	245,512	222,684	189,626	40,109	452,419
Shaun W. Toivanen(1)(4)	2.18	16,596	190,204	145,991	124,511	28,662	299,164
Leigh Ann Shoji-Lee(2)	4.55	38,481	103,466	611,800	204,800	103,700	920,300
Autumn Howell(3)(4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
John Hawkins(3)(4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

(1) Mr. Green and Mr. Toivanen participate in the SERP.

(2) Ms. Shoji-Lee participates in the PNG DBPP and the SERP.

(3) Ms. Howell and Mr. Hawkins do not participate in the SERP.

(4) Mr. Green, Mr. Toivanen, Ms. Howell and Mr. Hawkins participate in the DCPP, not the DBPP.

(5) These amounts have been calculated using the assumptions disclosed in Note 18 – Pension Plans and Retiree Benefits of TSU's consolidated financial statements as at and for the year ended December 31, 2020.

Defined Contribution Pension Plan

The following table outlines the accumulated value of the DCPP for the NEOs as at December 31, 2020.

Name	Accumulated value at start of year ($)	Compensatory(1) ($)	Accumulated value at year end(2) ($)
Jared B. Green	409,168	20,873	573,331
Shaun W. Toivanen	285,368	19,232	335,690
Leigh Ann Shoji-Lee(3)	n/a	n/a	n/a
Autumn Howell	9,741	13,356	31,254
John Hawkins	94,025	16,058	132,587

Notes:

(1) Reflects only employer contributions made by TSU or subsidiaries on behalf of the employee.

(2) Accumulated value at year-end reflects the accumulated value at start of year, compensatory changes plus employee contributions to the plan and considers the change in market value of the total holdings.

(3) Ms. Shoji-Lee does not participate in the DCPP, she participates in the PNG DBPP.

EXECUTIVE EMPLOYMENT AGREEMENTS

TSU is party to employment agreements with the following NEOs: Jared B. Green, Shaun W. Toivanen, Leigh Ann Shoji-Lee and Autumn Howell (the "Employment Agreements"). The Employment Agreements outline the terms of compensation for such executives while they remain employed by TSU, as well as detail any payments required to be made in the case of certain termination events. The Employment Agreements also provide that TSU may terminate the agreements at any time for just cause.

The terms and conditions in the Employment Agreements are substantially similar and outline the terms of the executive's employment with the Company, including their eligibility for compensation under TSU's compensation and benefit plans.

Each Employment Agreement contains a non-solicitation provision and requires that the executive sign a release prior to the receipt of any termination payment.

TERMINATION AND CHANGE OF CONTROL ARRANGEMENTS

The Employment Agreements provide cash compensation on termination (a "Termination Payment") in the following circumstances:

- involuntary termination of the executive by TSU for any reason (other than just cause); and
- voluntary termination by the executive in the event of a constructive dismissal (as defined in the Employment Agreements).

The Termination Payment primarily consists of an amount equal to:

(i) the base salary in effect during the last month of employment multiplied by the number of months in the notice period (being 12 or 18 months, as applicable, plus one additional month per year of service to a maximum of 18 or 24 months, as applicable (the "Notice Period")); plus

(ii) the product of (i) above multiplied by the annual target STIP percentage; plus

(iii) the value of the benefit entitlement for the Notice Period.

No Termination Payment is triggered under the Employment Agreements as a result solely of a change of control.

A "change of control" includes (i) a sale, lease, exchange or other disposition of all or substantially all of TSU's assets to a person other than an affiliate, (ii) a consummated arrangement, amalgamation, merger, consolidation, take-over bid, compulsory acquisition or similar transaction if the shareholders prior to the transaction no longer hold more than 50% of the voting securities of the surviving or resulting entity in such transaction or more than 50% of the combined outstanding voting power of the parent of the surviving or resulting entity, or (iii) a person or group of persons acting jointly or in concert acquires more than 50% of the voting securities or the right to receive more than 50% of the equity distribution made to all holders of the then outstanding equity securities.

Under the LTIP, upon termination for any reason other than cause or resignation by the executive due to an event of constructive dismissal, the award will pay out on a prorated basis to the date the applicable executive's Notice Period ends based on the performance metrics to the end of the year in which the termination occurred. Upon resignation (other than retirement) or termination for cause, all outstanding incentives are forfeited. In the event of retirement by the executive or death, the cash incentive will pay out on a prorated basis to the specified date of retirement or death at target unless otherwise determined by the Board. For purposes of the LTIP, retirement means resignation or termination of employment after such executive reaches the age of 60 and not less than 10 years of service with TSU or any of its subsidiaries.

In the event of a change of control, all outstanding cash incentives under the LTIP will become payable upon closing of the change of control at target for the Net Income metric and at the actual realized IRR for the Class A IRR metric.

The following table outlines the estimated amounts payable in the various termination scenarios pursuant to the Employment Agreements and the terms of the LTIP and SERP.

Name	Triggering Event	Months used to calculate termination payment	Value of termination payment[(1)] ($)	Add'l SERP Value[(2)] ($)	Value of LTIP[(3)] ($)	Total Value ($)
Jared B. Green	Termination without cause or constructive dismissal[(4)(5)]	20	1,318,098	235,167	878,933	2,432,198
	Change of Control without termination	0	nil	nil	988,800	988,800
	Voluntary Termination[(6)]	0	nil	nil	nil	nil
Shaun W. Toivanen	Termination without cause or constructive dismissal[(4)(5)]	14	606,234	96,050	384,533	1,086,817
	Change of Control without termination	0	nil	nil	494,400	494,400
	Voluntary Termination[(6)]	0	nil	nil	nil	nil
Leigh Ann Shoji-Lee	Termination without cause or constructive dismissal[(4)(5)]	14	629,455	367,900	416,578	1,413,933
	Change of Control without termination	0	nil	nil	535,600	535,600
	Voluntary Termination[(6)]	0	nil	nil	nil	nil
Autumn Howell	Termination without cause or constructive dismissal[(4)(5)]	13	401,702	nil	154,500	556,202
	Change of Control without termination	0	nil	nil	206,000	206,000
	Voluntary Termination[(6)]	0	nil	nil	nil	nil

Notes:

(1) Includes base salary, cash payments under STIP, benefits and perquisites calculated in accordance with the terms of the Employment Agreements.

(2) Value of additional benefit payable (under SERP provisions and additional SERP benefit provided by Employment Agreements) in the specified termination event, as of December 31, 2020.

(3) Represents the value under the LTIP that would be payable in the applicable termination scenario.

(4) Payable upon termination by TSU without cause and payable upon voluntary termination by the NEO in the event of constructive dismissal, provided that the termination by the NEO occurs within 30 days of such constructive dismissal.

(5) In the event of death or permanent disability, the executive is also entitled to the Termination Payment. In the event of retirement or death, the long-term incentives are subject to adjustment as discussed above.

(6) While no Termination Payment is payable upon voluntary termination, the executive would be entitled to an additional SERP payment upon termination within six months following the date of a change of control.

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