ATCO Ltd. & Canadian Utilities Limited
2019 Investor Day Transcript

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Speakers:

Nancy C. Southern - Chair and Chief Executive Officer

Dennis DeChamplain - Executive Vice President and Chief Financial Officer

Chad Gareau - Vice President, Corporate Strategy

Siegfried Kiefer - President, ATCO Ltd. and President and Chief Executive Officer, Canadian Utilities Limited

Wayne Stensby - Executive Vice President, Corporate Development, Canadian Utilities Limited

Myles Dougan - Senior Manager, Investor Relations

Participants:

Linda Ezergailis TD Securities, Inc. – Managing Director

Darren Dansereau QV Investors, Inc. – Vice President and Portfolio Manager

Mark Jarvi CIBC Capital Markets – Managing Director

Dean Highmoor Mackenzie Investments – Director, Investment Research

Andrew Kuske Credit Suisse, Inc. – Managing Director

Ben Pham BMO Capital Markets – Managing Director

Maurice Choy RBC Capital Markets – Managing Director

Jeremy Rosenfield Industrial Alliance Securities – Managing Director

Myles Dougan:
Good morning, everyone. We're pleased you could join us for our 2019 ATCO and Canadian Utilities Investor Day. Please note that a slide presentation will accompany our remarks today. A copy of the presentation is available on our website at ATCO.com. It can be found in the Investor section under the heading Events and Presentations.

I'd like to remind you that our remarks today will include forward-looking statements that are subject to important risks and uncertainties. For more information on these risks and uncertainties, please see the reports filed by ATCO with the Canadian securities regulators.

Finally, I'd also like to point out that during this presentation we will refer to certain non-GAAP measures such as adjusted earnings. These measures do not have any standardized meaning under IFRS, and as a result they may not be comparable to similar measures presented by other entities.

With that, I'm pleased to turn the podium over to Nancy Southern, ATCO Chair and Chief Executive Officer. Nancy?

Nancy C. Southern:
Thank you, Myles, and good afternoon, everybody. Welcome to ATCO Park. For those of you here with us today, hope you enjoyed your lunch from the Blue Flame Kitchen. We're very proud of our commons area in our new setting here at ATCO Park which is open to the community year-round. We find that we've got seniors visiting, playing their crib tournaments and ladies coming with their book clubs, and all of the people of ATCO coming to enjoy a good coffee, maybe a fresh cinnamon bun.

Thanks for organizing everything today, Myles. It's terrific of you. I know that we said to our investor groups that we would be more frequent in our communication with you. I didn't understand that it was going to be this close to our last one, but I'm really happy to see the turn out that we have, and it's terrific for all of us to be able to welcome you here today.

Before we actually begin, though, I would like to acknowledge the traditional territories of the Blackfoot Confederacy, which includes the Siksika, The Piikani and the Kainai, as well as the Tsuut'ina and Stoney-Nakoda First Nations, the Métis Nation Region 3, and all people who make their homes in the Treaty 7 Region.

Now, with me here today are Chad Gareau, our Vice President, Corporate Strategy; Dennis DeChamplain, Executive Vice President and Chief Financial Officer; Siegfried Kiefer, President and Chief Executive Officer of Canadian Utilities; Adam Beattie, President of Structures; and Jim Landon, our President of Frontec. Dennis will begin today by giving us a brief overview of our financial track record. Following that, I'd like to review ATCO's strategy and the fundamental tenants of how we operate in ATCO, what our business looks like today, and touch on some of the geopolitical and macroeconomic headwinds we and industry in general face today, along with the steps that we've taken to deliver sustainable long-term shareowner value.

I'll turn it over to Dennis.

Dennis DeChamplain:
Thanks very much, Nancy. Despite the many shifts and changes in the global business environment in which we operate, our outstanding financial performance has consistently set us apart from our competitors. Over the years, strong earnings in structures and logistics, combined with Canadian Utilities growing earnings generated from its regulated utilities and contracted operations, have provided ATCO with long-term earnings stability and growth.

As you can see from this chart, 2015 was a difficult year for ATCO as a result of economic uncertainty, as well as declining oil and other commodity prices. ATCO faced these challenges with tenacity and a clear focus on revitalizing operations by expanding into new business lines, products and services, which Nancy will tell you more about in her remarks.

In 2019 we have been successful in growing earnings from all of our investments. In the first half of 2019, adjusted earnings were up almost 20% to $190 million compared to $160 million in the first half of 2018. This high-quality earning base has provided the foundation for continued dividend growth for our shareowners. As you can see from this chart, ATCO has increased its dividend every year for the past 26 years. This earnings and dividend growth has created excellent value for our shareowners. Since 1993, ATCO has generated an average return of 11.9% per year, twice that of the TSX Composite Index; and in the last 10 years ATCO's return has been 9.2% per year, which also outpaces the TSX Composite. We haven't sacrificed our financial strength for this growth. In fact, maintaining our A-range credit rating has been fundamental to ATCO's success.

Those are my brief remarks, and I'll turn it back over to Nancy.

Nancy C. Southern:

Thank you, Dennis. I must tell you, we're very proud of our track record, and I believe that we have created sustainable long-term value for shareowners. Whilst Canadian Utilities has a longer track record in dividend growth, I think ATCO's performance has been pretty sterling in today's markets.

As Dennis mentioned, we experienced a rapid period of growth from 2005 up until 2015. For us it was an unheard-of capital investment period with expansion in our utilities, but as that big build decade began to slow down, so did the global economy and, as Dennis mentioned, commodity prices began to collapse. So, I'm very proud of what we've accomplished since 2015 in spite of core public policy and the geopolitical macroeconomic uncertainty that we continue to face today.

Well-intentioned but ill-conceived Government policy that has and will continue to disincent new investment capital in Canada is problematic, and it's something that we all need to pay attention to. Cumbersome regulatory intervention that impedes Canada's competitive advantage and excessive taxation are things that all industry is having to deal with today. Compounding these barriers to growth is monetary policy. It continues to thrust cash into a world that is not or possibly cannot absorb this excess liquidity. The result, as you all know, is the lowering of returns and the increase in risk. I know I'm not telling you anything that you don't already know as you search for new investments for your portfolios.

What I'd like to talk to you a little bit about is how we, collectively as investors, but us specifically in ATCO and Canadian Utilities, can continue to deliver premium results when our environment has shifted so dramatically. One of the big problems is that expectation has not caught up with reality and the realization of the current macroeconomic situation is definitely lagging. Now, I can't speak for others, but rather than waiting out this pervasive volatility that we're experiencing, ATCO is acting decisively to protect and continue to build on the value that we have created for shareowners.

I believe the key to our success now and into the future is an unwavering focus on our five strategic priorities: innovation, growth, and financial strength. These provide the foundation from which we have built our Company, and in these uncertain times top-tier operations and exercising patience in finding the right kinds of investments for long-term value is key. As always, we have and continue to take a prudent approach to cash and preserving our financial flexibility for the right opportunities when they do present themselves. Our commitment to these priorities has allowed ATCO to endure periods of immense instability, global recessionary times, and we have continued to grow.

These priorities underpin our strategy, which is delivering enduring essentials for global economic prosperity, housing, energy, logistics and transportation, water, agriculture, and real estate. We began the Company by building structures for people to live in and work in and expanded into providing the energy required for industry and communities. Now, with our investment in Neltume Ports, we've taken the next step into the transportation of goods to market. Simply put, our strategy is to provide the specific essential services which are often underserved across multiple business units to the same customer.

Our unique resources, integrated capabilities and exceptional customer care provide a competitive advantage that I believe is difficult to replicate. It's sometimes hard for you to understand because of the conglomerate nature of ATCO, but our goal is to create a future ATCO that is underpinned by these types of assets that provide nondiscretionary, contracted services with stable cash flows due to their essential nature and scarcity of competing alternatives.

Now, Chile, which we have identified as a strategic growth market, provides an excellent case study with respect to our focus on the essentials. Chile is blessed with abundant natural resources and a pretty stable economy, yet it is in need of modern infrastructure, and Chile is perfectly suited to the integrated solutions we can offer. We already supply workforce housing and logistical support for any new remote mining locations through our partnership with ATCO-Sabinco, and that same mining customer will also require behind-the-fence electricity, natural gas, and water utilities for their remote operations, and this is expertise that we've developed over the decades through Canadian Utilities. That customer will require transportation of its commodities to market, a service we can now help to facilitate through our investment in Neltume Ports.

Now, in this example with one customer, we can supply housing and logistics, energy, water, transportation through our current portfolio of essential services. This strategy has been shaped by a number of pervasive global trends; a combination of environmental, political, and technological factors that are reshaping economic and social systems, volatile weather events, increasing water stress, the shifts and human migration. These require holistic solutions, encompassing rapid deployment and ongoing development. The world is also experiencing unprecedented demographic changes. Global population is expected to grow to 9 billion people by 2045, led by the developing nations. Meanwhile, developed economies must contend with aging populations and long-run declines in the size of their labour force. Accordingly, we are seeing an economic shift away from the established economies of the West. These trends are creating unprecedented challenges but also an abundance of opportunity for ATCO.

ATCO has significant investments and expertise in providing many of these global essential services, and I believe we are extremely well-positioned to capture the opportunities these emerging trends are uncovering, so I'll talk about each of our investments and the capabilities in turn.

Now, I'll just touch on energy investments in Canadian Utilities. Canadian Utilities has been a top-tier investment for ATCO since our acquisition back in 1980. Dependable earnings from our regulated utilities and long-term contracted operations have provided Canadian Utilities with bedrock stability and dividend growth for decades. With global energy demand continuing to grow, it will play a prominent role in our strategy moving forward.

Last year we embarked on a process to streamline CU into a long-term contracted infrastructure enterprise, and to ensure that we have a robust balance sheet to pursue future growth and weather economic storms. Siegfried Kiefer, Canadian Utilities' newly appointed Chief Executive Officer, will speak further to CU's operations in his presentation, so I will leave CU for now.

Modular structures, it's unfortunate we've closed the blinds, but you actually can probably see, and you will see later this afternoon, truckloads of units moving out of this factory right now. It is our founding business, and it provides housing around the world. From our earliest days, the Alberta Trailer Company, in case any of you didn't know where ATCO came from, was focused on innovative and efficient solutions to meet customer needs for workforce shelters in austere environments. Since that time, we have emerged as a world leader in providing adaptable, high-quality and cost-effective modular solutions.

Under the leadership of Adam Beattie, our Modular Structures business has accomplished a remarkable transformation in the last few years. From 2008 to 2014, that same decade that we experienced tremendous new capital investment in Canadian Utilities, we also experienced significant growth fueled by development within the natural resource sector for ATCO Structures. But in 2015 we recognized the challenges facing many of our traditional customers, and we looked to reposition ourselves and try to move away from an overreliance on the resource sector. We found great success in branching out from our traditional roots. We've successfully identified and commercialized many non-traditional applications for our modular structures, such as schools, hotels, affordable housing alternatives, hospitals, even jails within North and South America and Australia.

You can see just a few examples of our successful diversification on this slide. In 2017 we built a school in Melbourne, Australia and a student dormitory in Langley, British Columbia. In 2018 we built schools of the state of Victoria, Australia. Our new tiny home product line will be unveiled later this month with our Homes for Heroes launch; I'm very proud of this. It's a 15-tiny home community located in Northeast Calgary, which will serve to offer homeless veterans a place of their own, a tiny home complete with a small kitchen, a full bathroom, including a bathtub, and bedroom and sitting area in just 250 square feet. These non-traditional modular structures are really quite beautiful, and you wouldn't even recognize them as having been built using modular construction techniques.

Now, while the natural resource industry remains our largest sector for leads, we've seen as sizable increase in demand for infrastructure, education, and urban residential housing over the past 24 months. Australia has been our leader for these in the non-traditional modular sectors, and we have two leading edge manufacturing facilities as well as multiple branch offices that cover the entire nation. East Coast of Australia has been a particularly busy area for us of recent with strong activity in the construction sector. Although we have prioritized growth in non-traditional segments, we've continued to have success in securing and delivering large workforce housing projects as well, on time and on budget, which has long been our hallmark.

In North America, as you'll all see later today, we are flat out—I mean flat out—constructing the Cedar Valley Lodge which will house the 4,500 workers building LNG Canada's liquification and export terminal. It's one of the largest accommodation facilities ever built in Canada.

With respect to the global trends that I mentioned earlier, our Modular Structures business is well-equipped to support customers and communities to respond to volatile weather events attributed to climate change. Earlier this year we were awarded a contract for the installation and rental of a 1,500-

person camp for fire disaster relief in Paradise, California. This project represents one of the largest workforce accommodation facilities ever supplied for disaster relief in the United States. It was crucial in allowing first responders to focus on the critical task at hand.

We've also intensified our efforts to expand our footprint in emerging markets which offer long-term growth potential. We have expanded our Modular Structures business in Latin America with strategic investments, as I mentioned, in Chile, but also in Mexico. We've got a strong partnership in Chile: ATCO-Sabinco. Our partner, Ultramar, who's also our Neltume Ports partner, is headquartered in Santiago. Our new state-of-the-art manufacturing facility in Chile enables us to cost-competitively bid any new workforce housing projects in the region. It also allows us to quickly and efficiently build units to grow our market share in the space rental business.

Now, Mexico is another example of our focus on emerging market expansion. In 2018, just a year ago, we acquired a majority ownership in ATCO Espaciomovil. It's a leading modular building manufacturer in Mexico, and we're now the largest manufacturer of modular products in the Mexican market with the second-largest fleet in modular rental assets in the country.

ATCO Frontec is the logistics piece for our global essential services strategy. Perhaps above all others, Frontec is uniquely positioned at the force of disruptive global trends. In addition to its traditional operations and facilities, services, and maintenance, Frontec has seen an increasing demand for its services in disaster response and emergency management. Our structures and Frontec businesses have extensive experience in mobilizing camps and providing the services for these types of emergency situations, with rapid deployment capabilities.

Now, under the leadership of Jim Landon, Frontec's President, we are responding to ever-increasing demand. Frontec is busy now working on the contract for camp maintenance at the 1,500-person camp supplied by structures on the fire disaster relief in Chico, California. The combined efforts of our Structures and Frontec teams have actually produced very good financials results as we've gone through this transformation. Revenues in the first half of 2019 are up 36% from the same period in 2018. In 2018 the Structures and Frontec businesses together improved their earnings over the past year by $9 million, and in the first half of this year, we've already achieved 70% of last year's earnings. Now, that may not seem like a lot, but to put it in context, in 2015 we didn't make very much money at all in our ATCO Structures and Frontec businesses, so it really is quite impressive thanks to this terrific team.

Now, moving on to Neltume Ports, the transportation piece of the global essential services strategy, many of you heard about this acquisition when we first did it last year. It's an investment that diversifies ATCO by industry and geography and further expands our business activities in Latin America. Like ATCO-Sabinco, Neltume, as I mentioned, is an investment with Ultramar, a trusted partner who shares the same strong values as ATCO. While this is a new business for us, it has strong parallels to existing ATCO businesses because it has franchise-like infrastructure opportunities, long-term contracts, and often a common customer, primarily based in the minerals industry, which, as we discussed earlier, may also have the need for our integrated other integrated capabilities.

We are now actively involved in delivering a variety of goods to the world, including both drive-out cargo and container volumes, as well as agricultural commodities. With 16 port operations across four South American countries, Neltume has an outstanding reputation with its employees and customers alike. Slightly stronger GDP growth expectations in Latin America compared to North America also creates a positive environment for Neltume Ports to continue growing the business. In just one year this new business has contributed $12 million to our adjusted earnings and a further $12 million in dividends.

Now, moving on to agriculture and water, admittedly, our investments here are extremely modest, but we have begun to explore the possibilities. There is no doubt that these sectors are fundamental to global progress, and they are facing considerable strain. Climate change is projected to impact the production of major crops, such as wheat and maize, rice and soybeans, at a time of growing demand on our food systems. The confluence of this may present future opportunities for our Company in the future. For example, our Industrial Water business here in Alberta affords us with foundational expertise which we hope to apply to future water opportunities, as well as very thorough due diligence investigation on—what's it called—indoor agriculture, and of course, energy is a big part of indoor agriculture and agriculture close to the market. Siegfried will speak about our Industrial Water operations in greater detail in his presentation.

Now, let me move on to the final part of our strategy, which in our essential services is real estate. We've consolidated our Real Estate portfolio and are leveraging our expertise in commercial property development and leasing. With a sizable portfolio of real estate properties, our objective is to unlock the hidden value that's on our balance sheet over time. Earnings from this business will come from and is coming from three avenues: sale of commercial and industrial properties and land, leasing existing properties to third parties to generate steady revenue, and long-term development projects. Now, last year we sold two of our properties, and we booked a net gain of about $13 million in adjusted earnings from that transaction. In 2018 we also sold the property associated with our heralded Barking Power plant in the U.K. for gross cash proceeds of $219 million. We also have several commercial properties that are leased to third parties, and we continue to actively pursue additional leasing opportunities.

Potential real estate development projects could take the form of building on undeveloped land already in our portfolio or repurposing of property to better suit current market needs. For example, we've begun the master planning and land use re-design for ATCO Park. Now, this is where we are today, and we have approximately 40 acres to be developed just on this site alone. It has tremendous value, and it creates further development opportunities over the long term.

Now, in closing, I'd like to leave you with a few key points. We will continue to diversify our footprint, prioritizing global markets that are poised for growth and that lend themselves to our integrated expertise. The markets we are focused on are Australia, the U.S., and Latin America, and, in particular, Chile and Mexico. I believe we are positioned at the forefront of global trends, and we will focus our investments in those essential services which are universally vital to economic and social development.

Looking forward to any questions that you might have. Thank you again for taking the time to join us today and for your support of our Company. I'll now turn the mic back over to Myles.

Myles Dougan:
Thank you, Nancy. We have a mic here and some time for any questions you might like to ask. I'd ask if you could identify yourself by name. We are on live webcast, so please do ask your question into the microphone. Would anyone like to ask the panel a question?

Linda Ezergailis:
This is a question for Nancy. I'm looking at your framework of essential services, and I'm just wondering what other services that might be quasi-essential or essential that are not on there that you consider, that are not currently on there that might be on there, that will never be on there. You've obviously put a lot of thought to this, and I'd just be interested to hear a little bit more about that.

Nancy C. Southern:

Well, I think, Linda, the one glaring omission is communication. It is something that we considered, but we felt that we probably would be too much on the fringes of that industry. We didn't see that our capabilities necessarily matched communication. We also saw that the size and heft of global communication businesses is far beyond our ability to compete, so we scratched that one off the list. I guess the infrastructure building roads and bridges is another one, but we don't see that as a core competency, although we have competencies in construction with Frontec and Structures. It's interesting to see some of the opportunities that are arising today that Frontec is being considered for after Hurricane Dorian in the Bahamas. But in that regard, we would be more of a project manager and an aggregator of those pieces of industry that we are not currently operating in and matching those with our energy housing, water supply, and logistics and transportation.

Myles Dougan:

Just a reminder that you can submit questions if you are on the webcast, and we will ask those here. Next question.

Darren Dansereau:

Good afternoon. My name is Darren Dansereau with QV Investors. The question I had was on agriculture. You mentioned with agriculture there's products that can move out of South America, but I was wondering in Canada or other countries, what would be the agricultural focus because it is obviously a very big sector?

Nancy C. Southern:

Yes. Well, on the ports side of the business, and Chad can speak to this as well, one of the attractive features of Neltume was their understanding of the union issues in North America on the ports side. Not to say that we won't be prepared to enter into North America with a port opportunity, but at this point in time, we felt the development underserved infrastructure and development of ports in South America and the exponential growth of their ag industry was the best opportunity that we evaluated over a period of time.

Agriculture itself, if we get into production and distribution of agricultural products, is very complementary to our transportation business then, being able to export. But at this time, we really are focusing on the growth in South America.

Did you want to add anything, Chad?

Chad Gareau:

No. I think you said it well. We do have an indirect exposure to both import and export of agricultural products. Fertilizers are our big piece of the volume going into Latin America, as well as the export of grains, soy beans, and things of that nature. That's the indirect investment today, and over time we continue to monitor for future opportunities.

Nancy C. Southern:

Maybe Dennis could just talk about a little exercise that we've just undertaken on the whole indoor agricultural space, which would kind of round out the circle with modular structures, provision of energy and water and actually the production of agriculture products.

Dennis DeChamplain:

Thanks, Nancy. This was a great idea and kind of a showcase for our employees' drive and innovation. They came up with a potential target. They kind of scanned the world to take a look at various indoor ag companies; we had an opportunity to buy in on almost the ground floor; we took a look at it, quite a hard look at it; and kind of determined that, I'll say, much like the toll roads, is that apart from energy control systems, the largest component of their costs, there wasn't a lot of value that we could bring in line with our core competencies. But it was a great exercise for our people. It went up to our Investment Committee, and because of those factors related to our core competencies, we decided to give it a pass. But the teams are continuing to monitor the indoor ag space, whether it be kind of a venture capital investment, which this one would've been, or investing direct in farms themselves, is open for the future for us.

Nancy C. Southern:

We were talking about lettuce when we were investigating, not the cannabis industry at this point in time.

Mark Jarvi:

Mark Jarvi from CIBC. Within ATCO now you have a couple of different business lines that, I guess, arguably traded at different types of multiples, like Neltume would be sort of higher multiple and Structure and Logistics historically not the same. How do you guys think about allocating capital to these different types of business profiles? Then how would you think about using data at the ATCO level, depending on just, I guess, the sort of duration of cash flows and how you would decide when to use data at ATCO?

Dennis DeChamplain:

Thanks, Mark. We incurred some debt with Neltume when we had the hybrid issue and a term loan. Right now, we're at about 6% of our capital structure at the holding company. We don't want very much leverage about ATCO. We've kind of pinned it at about 20% in terms of a ceiling. I'll say the beauty of Adam's and Jim's businesses are that there is not a lot of capital required to run those businesses. There's working capital requirements on larger projects, like LNG Canada, BC Hydro when we did Site C a few years back. So, that one isn't too much of a concern in terms of allocating capital.

On Neltume, the $450 million purchase price, approximately $200 million is sitting on their balance sheet to fund future growth, whether it's brownfield expansions, M&A activities, what have you. We'll see how long that cash runs out. We've done two smaller transactions since the purchase of around $10 million each and haven't had the requirement for additional capital from ATCO. We'll see how we do chewing into that $200 million-ish kind of funding that they have for expansion.

Nancy C. Southern:

Yes. I would just add that we do separate and distinguish between bolt-ons. Adam has capital that he would allocate for his growth in his business as would Frontec, and that would be viewed as Adam would have to come with his strategy to the Investment Committee and say, look, this is where I need to grow, and really relate it to his business.

In the new areas, as I mentioned, we're being very prudent and patient. Dennis has a great team that is looking for new opportunities. Unfortunately, we don't see a lot of opportunity in North America; we see that as a highly competitive base. We want to make sure—I mentioned the headwinds, the macroeconomic headwinds—we want to make sure that we have real financial flexibility, and that we are not just spending for the sake of spending and making new investments and creating a diversified portfolio. I think that we've stood the test of time because of our prudence with regards to the balance sheet, and so we're looking for strong returns but also very strong cash flow. We expect our investments to deliver good cash flow so that we can maintain that dividend profile that you've seen and—yes, and so far everybody is trying to find those good, excellent investments; just haven't come across one in the last year.

Dean Highmoor:

Hi, Nancy. It's Dean Highmoor from Mackenzie Investments. Just to build on Mark's question then, to be more targeted, what's sort of return metrics or earnings accretion or timeline for accretion do your potential deals need to have for you to proceed? You also mentioned you want real financial flexibility. What would that look like, and when could we know you're kind of there and you're kind of ready to do something versus—I'm sensing more of a bit of a cautious tone so far today.

Nancy C. Southern:

Yes. I think caution is in order right now. We have the financial flexibility today, as Dennis just mentioned. We've got 9% debt at the ATCO Holding level, so we've got a 20% ceiling. We want to make sure that we maintain the dividend flow. There is the hope, and there is the reality. We'd like to see 20% returns and mega cash flows with accretion immediately, and those are hard to find, particularly the 20% return.

Nancy C. Southern:

They're not all like that, but accretion near term, if not immediate accretion, is critical to us, which is why Neltume was a really good investment for us right off the bat. I think that our owners would all be understanding and comfortable if we were able to just say that within the next 12 to 18 months, you're going to find that this is accretive. But we're not going to give you a prescribed formula because a lot of this is strategic, and if we're in a world that is increasing in uncertainty, and we are poised with tremendous financial flexibility, I think that gives us wonderful opportunities to find the right deals in the right places. In all of our industries, whether it's Structures or Frontec or even the ports, consolidation is definitely an opportunity on the horizon, as it is for Canadian Utilities in the future. So, I think that's really what we're going to be focusing on.

Dean Highmoor:

On that theme of consolidation and ports area, I guess there was a transaction with Kinder Morgan Canada recently in the market. Why wasn't that a good fit for you guys?

Nancy C. Southern:

We think it is a good fit. It would be a good fit. There were a lot of other assets that went along with that transaction, and it's something that we look at very carefully. We were not the preferred bidder, I guess you would say, because of the value we place on a number of the other assets, but we certainly would be interested in a port now and in Canada, whether it's on the East Coast or the West Coast. We think that that's a viable future opportunity for us.

Myles Dougan:

Well, it's 12:45 and just in the interest of staying on schedule so that we can get you through the manufacturing site tour, I think we will take a break right now for an intermission for 10 minutes, and then we'll come back with the Canadian Utilities presentation. I believe Nancy is going to stay on the podium. Thanks very much. We'll see you in 10 minutes.

(Intermission)

Myles Dougan:

Hello again, everyone. Welcome to the second half of our formal presentations today. For this presentation we will be focusing on Canadian Utilities Limited. I do have some of the same comments to repeat in the standard frontend, so bear with me if you will.

I would like to remind you that our remarks today will include forward-looking statements that are subject to important risks and uncertainties. For more information on these risks and uncertainties, please see the reports filed by Canadian Utilities with the Canadian securities regulators. Finally, I'd also like to point out that during this presentation we will refer to non-GAAP measures, such as adjusted earnings. These measures do not have any standardized meaning under IFRS, and as a result, may not be comparable to similar measures presented by other entities.
Now, I will turn the podium to Siegfried Kiefer, Canadian Utilities' President and Chief Executive Officer.

Siegfried Kiefer:

Thank you, Myles, and good afternoon, everyone. Thank you to all of you for taking the time to join us today. We will begin our presentation today with a discussion of Canadian Utilities' long track record of success, followed by a brief discussion on our strategy and capital plan going forward. We will then discuss the future of energy as it relates to our regulatory environment and the innovative ideas that we are exploring within our operations, such as electric vehicle charging stations, our clean energy innovation hub, and our industrial water solutions.

Our focus on innovation is already delivering immense value through lower operating costs, improved customer service, and enhanced engineering and design. This focus, we believe, will position Canadian Utilities at the forefront of the world's evolving energy landscape.

Before I begin, I'd like to introduce the Canadian Utilities' Executive Team. With me today are Wayne Stensby at my far right, Executive Vice President, Corporate Development; Dennis DeChamplain, Executive Vice President and Chief Financial Officer; Nancy Southern, our Chair; and George Lidgett, Executive Vice President and General Manager of our Utilities. Unfortunately, Pat Creaghan, our Managing Director and Chief Operating Officer of ATCO Australia, was unable to join us today.

I'd like to now turn the podium over to Dennis who will provide you with a brief overview of our world-class financial track record. Dennis?

Dennis DeChamplain:

Thanks, Siegfried. Similar to ATCO, except you'll see a much longer track record; strong and stable earnings from our regulated utilities and long-term contracted operations have provided Canadian Utilities with solid growth for decades. In 2018 we set a new adjusted earnings record of $607 million or $5 million more than 2017, which is the third consecutive year that we achieved a new record. We continue that growth trajectory for our earnings into 2019. In the first half of 2019, total earnings were $326 million compared to $288 million in the first half of 2018 driven by strong results in both our Utilities and Energy Infrastructure businesses. Our high-quality earnings base provides the foundation for continued dividend growth for our shareowners. CU has increased its dividend every year for 47 years and has the longest track record of annual dividend increases of any Canadian publicly traded company.

Since ATCO acquired Canadian Utilities in 1980, we have continued to create tremendous shareholder value. CU has returned nearly four times the value of TSX Composite since 1980. In the last 10 years, CU's Class A shares have grown at 9.3% compound annual growth rate, which has outpaced the TSX Composite's 6.4% performance during that time. Going forward, we continue to look for ways to grow our earnings, dividends, and shareowner value.

Regarding our financial strength, maintaining our A-range credit rating has been fundamental to our Company's success. We have the financial strength and funding options for all of our current growth investments and more. For example, if we found additional growth prospects and needed equity as part of the financial plan, we have capacity to issue about $1 billion in preferred shares or hybrid bonds.

In August, DBRS completed its annual review of Canadian Utilities and confirmed its A credit rating with a stable outlook. Standard & Poor's credit rating for CU is at A-, also with a stable outlook. Earlier this month Canadian Utilities' subsidiary, CU, Inc., issued $580 million of 30-year debentures at our record low interest rate of 2.963%. I got that one memorized. There was strong demand for this debt offering, despite significant market volatility and the low interest rate environment. The success of this bond issue is a testament to CU, Inc.'s strong credit quality and standing in the Canadian market, so thank you very much to our banking syndicate and all of you for your support.

Our A-range credit rating is supported by our regulated and long-term contracted earnings. In 2018 86% of CU's earnings came from our regulated utilities. That is a significant change from 10 years ago. In 2009, less than half of our earnings came from regulated utilities; the other 14% of CU's earnings came from long-term contracted energy infrastructure assets. This means that the quality of our earnings has improved substantially in the last decade, leading to greater predictability of earnings and cash flows, and that stability and predictability of earnings has underpinned our growing dividend.

In the 2019 to 2021 time period we expect to invest $3.6 billion in regulated utility and commercially secured Energy Infrastructure capital growth projects. After depreciation and some other smaller capital adjustments, we expect to grow our utility rate base by about $400 million to $500 million per year over the next three years. This translates into rate base growth of about 4% per year. This capital investment is expected to continue to contribute significant earnings and cash flow and create long-term value for our shareowners.

With that, I'll hand the presentation back to Sig to discuss CU's strategy.

Siegfried Kiefer:

Thank you, Dennis, and I'll add my thanks to the investor support that we received on our recent bond issue. That was tremendous.

Canadian Utilities' strategy is to be a financially secure and stable energy infrastructure company with a focus on utility and long-term contracted energy infrastructure investments. As the complexity and scale of our business has grown, we've remained focused on five fundamental priorities to guide our strategic decisions. As they do at ATCO, these priorities provide the foundation from which we can create long-term shareholder value.

Our success is also a result of our disciplined and prudent capital investment in utility and utility-like assets with regulated or long-term contracted earnings. Stable earnings from these assets supports our A-range credit rating. We continue to look for similar investment opportunities outside Alberta, in North America, Latin America, and Australia.

Now, as Dennis discussed, we are still investing $3.5 billion in our existing utilities in the next three years, and this investment is expected to generate continued rate-based growth. This is consistent with our plan to invest in businesses that earn a return under our regulatory business model or under commercially-secured long-term contracts. Together, these two platforms for capital investment will provide sustainable and diversified earnings growth. In the last five years, our utility rate-base has grown by nearly 50% to approximately $13.4 billion in 2018.

Now, we also take a disciplined approach to capital recycling. In May of 2019 we entered into definitive agreements to sell our Canadian Utilities' entire Canadian Fossil Fuel-Based Electricity Generation portfolio for aggregate proceeds of approximately $835 million. The sale transaction for the Cory Cogeneration Station closed in July. We have received the AUC (phonetic 55:28) and Competition

Bureau approvals in July, so we are well on our way to closing the sale in the coming weeks, and we are working on the final agreements.

Following the close of this transaction, Canadian Utilities will own 241 megawatts of electricity generation assets in Canada, Mexico, and Australia that are 90% contracted with a weighted average contract length of nine years. As our Power Generation portfolio evolves, so does our environmental footprint. You can see in this chart, within 2018 Canadian Utilities generated about 10,800 kilo tonnes of CO2 equivalent. You can see that more than 80% of that came from our Canadian thermal electricity generating assets. One of the benefits of selling these assets is that we will reduce our direct greenhouse gas emissions many times over.

Across Canadian Utilities, we're focused on reducing emissions and phasing in lower-emitting technologies, including building a renewable generation presence with hydro-electric generation in Alberta and Mexico. In recent years, we have significantly expanded our infrastructure portfolio in Mexico, and we believe the country offers good long-term potential. In 2017 we announced the acquisition of a long-term contracted 35-megawatt hydroelectric power station in the state of Veracruz, and in 2018 we announced the planned construction of a cogeneration project in the state of Durango. The project is located at the site of a Chemours chemical facility, and we'll provide low-carbon and cost-effective electricity and steam under a long-term agreement. We're looking to expand our presence in a few other select global markets.

In Australia we have our natural gas distribution utility, and we also have some electricity generation under long-term contract. We continue to look for further opportunities in all of our business lines in Australia.

Now, we also believe that South America, and in particular Chile, offer good growth potential. As Nancy described in her presentation, ATCO has long had business interests in Chile through its Structures and Logistics business and more recently through its investment in Neltume Ports. We are looking to leverage that presence to find new energy infrastructure investments for Canadian Utilities.

Now, as we continue to build this global portfolio of investments in premier energy-related assets, we continuously review our holdings to look for opportunities to monetize assets and increase growth. Our capital recycling process continued in 2019 when along with our partner Quanta Services, Inc., we entered into definitive agreements to sell Alberta Powerline Limited partnership, or APL as we refer to it, for total proceeds of approximately $300 million and the assumption of approximately $1.4 billion of debt. As part of these agreements, Canadian Utilities is offering an opportunity for the indigenous communities along the transmission line, to obtain up to 40% equity interest in APL. The final ownership mix will be determined upon close of the purchase opportunity for these indigenous communities. Canadian Utilities will, however, remain the operator of APL for its 35-year contract with the Alberta Electric System Operator. The sale is expected to close in the fourth quarter of 2019.

To achieve additional earnings growth, we are applying a disciplined approach to investment options which could include or will include both acquisitions and greenfield opportunities. While we continue to invest more than $3 billion in our Alberta utilities and grow the rate base, we're exploring other markets that we think have strong growth opportunities. Our core strength is in managing and operating regulated energy assets. We have achieved top-tier results in various jurisdictions and under different regulatory models, whether in cost-to-service models, the traditional regulated model, performance-based regulation, or in the five-year access arrangement model in Australia. We will leverage that world-class operational and regulatory expertise as we look for opportunities to expand our Utility portfolio in strategic markets.

The most plausible scenario is that we find a nice sized utility that needs a premier operator like ourselves or a long-term contracted energy infrastructure asset that we think is a good fit to our portfolio and that will create further geographic diversification.

As we advance our capital investment and recycling strategy, and as the world's energy mix continues to shift to be less carbon intensive, we're exploring opportunities to create additional value in a changing energy landscape. The grid is gradually evolving beyond the centralized network to deliver electricity. Instead it's becoming a platform where the value of energy storage and distributed energy resources will be maximized in a smarter, more decentralized system. With new technologies and demand for cleaner energy rapidly transforming the utility sector, companies will need to move beyond commodity-based models in which the primary goals were cost-effective supply, modernization of industrial process equipment, and total bill reduction. Going forward, many utilities have sought new business models, and these models include the provision of alternative-generating sources, energy storage, and replacement equipment. We're looking at those same opportunities.

We’re also exploring how we can better serve our energy customers by potentially adding complementary home and lifestyle products in addition to their energy supply. To ensure optimal performance, companies will need to invest in sensor-based energy monitoring systems, software-based data analytics, facility management services, and the infrastructure to back all of that up. Rate design will be both a challenge and an opportunity and utilities will need to work with regulators to ensure fair pricing and to mitigate the risk of stranded utility assets. We’re focusing our efforts on working with regulators to better understand this technology shift while staying at the forefront of innovations affecting our industry.

Looking forward, Canadian Utilities is participating in the AUC-initiated electric distribution system enquiry. We view the enquiry as an opportunity to review the regulatory framework for multiple parts of the energy industry, even beyond those of the electricity distribution system. In addition to the distribution system enquiry, Canadian Utilities is always working on various regulatory applications, and it’s been an extremely busy last couple of years for our regulatory teams. They’ve been focused on getting back to prospective ratemaking here in Alberta.

As you can see on this slide, we’ve been successful in doing that for the most part. Our current electricity transmission GTA is in place until the end of 2019, and we expect to have the next electricity transmission GTA application filed in a few weeks. Our current natural gas transmission GRA is in place until the end of 2020, and we’re getting ready to file the GRA for 2021 and beyond. We expect to have our 2021 and 2022 generic cost of capital application filed in January of 2020. In Australia, our natural gas utility is awaiting the final decision on its regulatory application for its next five-year access arrangement, which starts in 2020. Now, I won’t spend more time on this slide other than to say we’re open to your questions on our regulatory activity after the presentation.

As we participate in regulatory discussions on the utility of the future, we’re fostering a strong culture of innovation here at Canadian Utilities. Innovation is important in every project across our universe, even if it’s the type of project that we’ve done many times before. Companies that thrive over the long term need to continually adapt to the changing world, new technologies, and increasing expectations. With operations throughout the energy value chain, Canadian Utilities is uniquely positioned to help facilitate a global energy transformation.

Take, as an example, the electric vehicle industry as just one case. The sector is poised for significant growth due to the convergence of several factors, including rapid cost reductions, automaker commitments, and favourable regulatory and policy tailwinds. Canadian Utilities continues to examine how our infrastructure can evolve to accommodate and indeed enable the increasing adoption of electric vehicles. We've successfully energized Alberta's first universal fast charge electric vehicle corridor along Highway 2 with stations in Calgary, Red Deer, and Edmonton, with an additional 17 chargers to be dispersed in Southern Alberta. Our EV charging station integration has been progressing well. We've installed 10 of those 17 stations to date and are planning to complete the remainder this coming winter.

We're also investigating how we might capitalize on our natural gas distribution expertise to expand the use of versatile and environmentally-friendly hydrogen. Specifically, we have an innovative project underway, exploring how we might repurpose and reposition the Australia distribution system as the energy mix evolves. In July of this year, we officially opened ATCO's Clean Energy Innovation Hub in Jandakot, Western Australia. This facility is home to 11,000 solar panels, making it the second-largest solar panel installation in Western Australia. The hub integrates green hydrogen created by using excess solar electricity to separate hydrogen molecules from water so the process effectively converts the solar energy to hydrogen, enabling it to be stored and used in various natural gas appliances and run through a fuel cell which can then generate electricity when the sun is not shining.

With the solar panels and a 500-kilowatt hour battery storage unit, our aim is to demonstrate how hydrogen can potentially be blended with natural gas at rates of up to 10%, transported within our current infrastructure and used in homes with existing domestic appliances, benefiting customers as part of a diverse future energy mix.

With respect to water, we believe that carefully managed, reliable, and sustainable solutions are key to moving businesses forward within Alberta's industrial heartland. As part of our larger regional water strategy, we've invested more than $70 million in the industrial heartland to develop our multiuser water system. We're adding to our existing water customer base early next year when we bring water services to intra-pipelines, heartland petrochemical complex in Strathcona County. This facility, along with our EV charging stations and our Clean Energy Hub, are just a few examples of how Canadian Utilities is setting ourselves up for the future. If you haven't already done so, I would encourage you to explore these initiatives alongside several others at our showcase booths following this presentation. They are located in the commons area just I think where most of you came into the building.

In summary, Canadian Utilities' strategy is to be a financially secure and stable energy infrastructure company with a focus on utility and long-term contracted energy infrastructure investments. We'll continue to grow our utility rate base with $3.5 billion of our $3.6 billion planned capital investment in the next three years earmarked for our five existing utilities. This high-quality cash flow and earnings from our regulated and highly contracted asset base provides the foundation for continued dividend growth. Going forward, we're going to work diligently with our regulators to create an environment that enables growth and ensures prospectively, and we'll be relentless in pursuing innovations that position Canadian Utilities at the forefront of the evolving energy landscape. In so doing, we will continue our track record of shareowner value creation for our shareowners and investors.

Thank you very much. That concludes my prepared remarks, and I'll turn it back to Myles for questions.

Myles Dougan:
Thank you, Siegfried. We will now open it up for any questions from the audience. A reminder, again, you can submit questions on the webcast.

Andrew Kuske:
Andrew Kuske, Credit Suisse. Dennis, you mentioned you've got about $1 billion of preferred capacity. If you think about that, that puts you in a very advantageous position versus a number of others when it comes to bidding on anything. You're not taking on equity market risk, whether a bought deal or otherwise, so that puts you in a good spot. How do you think about deploying that capital and how do you think about returns on capital for the utility rate base because if you're growing the rate base at 4%, are you really looking at targets that are additive to the 4%? Just if you could clarify just on those two issues.

Dennis DeChamplain:
Thanks, Andrew. Yes, I think we're in a wonderful position. We've gone through our capital recycling. We're building up some powder on our balance sheet, and we're not backed into having to sell some

assets to pay for something we've already bought. That $1 billion perhaps would take us to 15% of our capital structure where we get the 50-50 treatment in equity from the credit raters. Those perhaps aren't required for the utility growth, so all of that will be, I'll say, self-funded by Canadian Utilities. So, that kind of looks after that 4% rate base growth. Then we get to the age-old question, what are you going to do with the money, and where are you going shopping, buying, hunting? I think Siegfried alluded to it earlier and Nancy as well with our opportunities that we see, we are looking to accomplish many things. We want the 20% return high-growth market; some liken it to a unicorn that we are hunting for. But important for us is geographic diversification, with Canadian Utilities, $22 billion balance sheet, $20 billion here in Alberta, continuing to invest over $1 billion a year in our Alberta utilities—I guess $1.1 billion because $100 million is in Australia—so we are continuing to look at growth opportunities in our target markets—North America, South America, and Australia predominantly.

I don't know if that cuts it for you, Andrew, or not.

Siegfried Kiefer:

I might just add a little bit to that. I think one of the things I tried to highlight was that we've been able to outperform the regulated returns or the approved regulated returns for a long period of time. Generally, we've been in that, I'm going to say, close to 200 basis point outperformance over the regulated stated return. That's what we think gives us an advantage and looking at utilities that are perhaps underperforming their return, and that would allow us to perhaps be a little more competitive on the purchase price vis-à-vis others who are settling out on lower returns.

Dennis DeChamplain:

Just to pile on a little bit on the regulatory performance, whether it's a cost of service or a performance-based regulation, the incentives are there for us as a Company to improve our operations, deliver safe, reliable service at a lower cost to the benefit of the shareholder while we are in a regulatory period, but the savings that we can make on the delivery of our products go to our customers after the rate resets, and we've seen that through our performance-based regulation companies. While that outperformance goes to the benefit of the shareholder during the test period, it goes to customers' benefits forevermore, and we're challenged to go back and restock those savings shelves by further innovating and getting those cost efficiencies, which we've got the track record behind us where our Utility Operations staff and people can deliver those premium returns over the long haul.

Dean Highmoor:

Hi. It's Dean Highmoor from Mackenzie Investments. I think on one of the earlier slides you had a pie chart saying that by 2050 I think 61% of power generation would be from renewables. I'm just curious to know from your kind of own internal forecasting what sort of level of penetration of EVs in Alberta do you forecast by then, and what's the opportunity to invest in further charging stations because it doesn't seem like 17 stations is going to be enough.

Siegfried Kiefer:
Yes. Certainly. That earlier chart, that's a global prediction averaged across the globe, and so I think you'll see different zones get different levels of penetration in terms of renewable energy. Clearly Canada is challenged. We've got a colder climate than a lot of other countries; we've got longer distances to go, and so we'll probably see a slower penetration in the Canadian marketplace for electric vehicles. But it is a trend that is continuing to expand globally. In other parts of the world, particularly heavily congested cities that have a lot of pollution issues, I think you'll see a rapid expansion in some of those zones. I don't know if that helps.

Dean Highmoor:
(Audio interference 1:15:46).

Siegfried Kiefer:
I think you're only going to add the infrastructure as the demand catches up, and so that'll be the pace that dictates it.

Nancy C. Southern:
I think you're still also—most jurisdictions are still grappling with who owns the meter and is that a utility-based approach or is that a non-reg approach to the development of the EV charging stations. I think we're going to end up seeing a bit of a hybrid in many jurisdictions. So, we've been grappling a little bit with where that's going to end up. Hopefully with this regulatory review of the utility of the future that the Alberta regulator is undertaking, we'll get some more clarity on that.

Ben Pham:
It's Ben Pham, BMO Capital Markets. Nancy, you mentioned at the ATCO session around growth opportunities maybe being a bit more limited and wasn't sure if that was more balance sheet related or

maybe just bin (phonetic 1:16:59) behaviour. Can you maybe talk about the CU level in terms of balancing that side of it from a CU side of things?

Nancy C. Southern:

Ben, I'm sorry. I'm not sure I really understood. Could you repeat the question for me?

Ben Pham:

Yes. Absolutely. At the ATCO level—and I'm trying to maybe see if there's a difference between ATCO and CU and how you think about strategy and capital deployment. I thought I heard that at the ATCO level it's just really hard to find anything that fits your strategic risk reward at this point of time in terms of acquisitions or greenfield. My question is at the CU level, is that the similar case at the CU level?

Siegfried Kiefer:

I'll paraphrase my remarks. I think at the CU level we are seeing a great undersupply of infrastructure, particularly in developing economies. I would say there are lots of opportunities to invest with the skills that we have to help those economies emerge. In the more mature markets, I think our opportunity there is around utilities that are underperforming relative to what they're being approved and going. So, we think we've got some terrific operating practices and management techniques to drive great value, good service, safe, reliable delivery that are on par with the best in the world. We think we can take those to poorer performing. I don't see the limitations given that on the regulated side we feel very comfortable that the risk reward is there without some of the headwinds. I mean, the infrastructure tends to be a pretty safe investment zone.

Ben Pham:

Maybe just one more; at the Board level or Management level, is there any discussion around perhaps a special dividend? A special dividend CU level where returns of capital to CU, you bring the cash up to ATCO, and then you can—you mentioned some of the debt restrictions you have at the ATCO level—you bring cash up and then you redeploy it at the ATCO level. Is that even being discussed at this point of time?

Nancy C. Southern:

Well, dividends are always the Board's prerogative. As Sig said, the Canadian Utilities, these people have a lot of opportunity out there and there is a lot of activity that's going on right now. The optimal use of that cash is to grow the business, and so at this point in time that's what we're preparing for. Now, if you're not successful, which I highly doubt—I believe they will be very successful—we're going to have good opportunity to deploy that cash. So, no, not at this point in time. It's one of those things that you never say never to, though, right?

But when Sig talks about underperforming utilities, we were really fortunate to see that that gas network in Australia was not paid attention to. It was stripped of its cash; it wasn't reinvesting in itself; and it was underperforming on an operational basis. That's been a great opportunity for us. So, it's not our method of operating is to strip our businesses of cash. Our method of operating is to see sustainable continued growth in those businesses with good cash flows.

Maurice Choy:
Hi. Good afternoon. This is Maurice Choy from RBC. I guess just following up on capital allocation comments today as well as last year. If you think about all the deals that you have looked at a bit upon, especially the ones that are unsuccessful, do you think you have, I suppose, enough firepower, enough powder the proceeds to come to bid on the things you want? Do you feel you need to add to that, whether it's through any further optimization? Have you thought about—going back to last year again—comments about your common equity, or do you feel like you need to just vary your investment criteria a little bit to adjust to that?

Siegfried Kiefer:
Yes. At the moment the deals that we are contemplating or looking at are affordable within our current construct, so I don't see a problem. Maybe to use the analogy, we're not elephant hunting. We're not going to look to double the Company in a single transaction or anything like that, so we're seeing good opportunities in that very affordable kind of growth for us at the moment.

Dennis DeChamplain:
We are also ready and willing to partner with financials in order to—if we take a 50% interest, we can double the size of the baby elephant—I'm not sure what that would translate into—but we can alter the size of the target by partnering as well.

Darren Dansereau:

My name is Darren Dansereau QV Investors. I just had a question about the thought process around selling the generation assets because you showed a slide that intrigued me about the greenhouse gas reduction. I was curious how much of the decision-making was around looking at the future as to where the future was going; also, the dislike of greenhouse gases by the communities that you operate in, as well as the return profile? I'm thinking it's a combination of all three, but just curious what was the significant weighted areas that you looked at?

Siegfried Kiefer:

Yes. I mean, I think all of those were considerations in the sale. For me, the biggest swing factor was we had a fleet of aging thermal generation assets that was becoming less and less contracted, quite rapidly actually. By 2021 we would've had, I think, over 75% of the fleet merchant exposed, and it's that volatility in the earnings profile that just doesn't fit our investment criteria. That was the biggest driver for me. I think some of the other things—it does permit us to recycle capital and look at newer forms of generation. It does permit us to reduce our emissions profile. They kind of came along with the ride. But the big thing was to get back to a stable contracted kind of earnings profile.

Mark Jarvi:

Mark Jarvi from CIBC. I think not quite a year ago, but you guys were shortlisted as a qualified bidder in Puerto Rico. Maybe just give an update on where that stands now, what that opportunity could present, and whether you've got any clarity on how that process might evolve?

Siegfried Kiefer:

Maybe I'll let Wayne speak to that; he's heading up that for us.

Wayne Stensby:

The process continues, Mark, and there is still a few parties in the bidding process. We continue to get further clarity from the counterparty on what the exact form of the contract will look like, and we understand that they are continuing to drive for potentially a year-end selection of a bidder. There's much road to be traveled, but it's still a very intriguing opportunity for us.

Mark Jarvi:

(Audio interference 1:25:09).

Wayne Stensby:

The process has been structured today in terms of effectively an operating contract.

Mark Jarvi:

(Audio interference 1:25:19).

Wayne Stensby:

Yes, we have those terms.

Mark Jarvi:

(Audio interference 1:25:25).

Wayne Stensby:

The ownership or the equity position will remain with the municipality.

Siegfried Kiefer:

That's actually a funding requirement from FEMA, isn't it?

Wayne Stensby:

It's a funding requirement. It's also a U.S.—there're some U.S. tax reasons for that structure.

Myles Dougan:

Are there any other questions from the audience?

Jeremy Rosenfield:

Jeremy Rosenfield with Industrial Alliance Securities. At the risk of having my head get bitten off by you, Nancy, at the beginning you touched on some politics a little bit, and I wanted to just ask the question in terms of infrastructure and expanding into sort of oil and liquids infrastructure and that type of transportation of oil and liquids. That's something that we don't see ATCO involved in today. I guess your answer is going to be that that's a battle that you'd rather fight with words rather than money, but I'm very curious to get your view on that, if you don't mind.

Nancy C. Southern:

I like that phrase, Jeremy. Fight that battle with words rather than money.

Dennis DeChamplain:

I like that one too.

Nancy C. Southern:

Well, in fairness, we were asked the question about the Kinder Morgan port and—I'll stand up so I can see you—and we did look at all of those assets in Kinder Morgan Canada that were for sale. I don't believe that the business is gone. I just believe right now there is such a lack of certainty in Canada that it isn't providing us with a great sense of confidence that if we invest, that we're going to get the kind of returns that we expect and the owners and investors expect. I know George is still investing in liquid storage and we see that as a good business. In the meantime, in Australia I think it's really interesting, the Hydrogen business. What's encouraging in Australia is that the State Government actually has a long-term energy plan where we don't see that particularly in Canada, and now even with the American elections we're seeing all kinds of diverse approaches to energy in the U.S.

As a result of the clarity and confidence that we have in the long-term energy plan for Western Australia, we are investing in hydrogen. What better way to ensure that we don't have stranded assets than utilizing our pipes as transportation for new fuels? So, we are investing in gas and liquids storage and transmission and the new technologies. It's just I don't think we are any different than any of the other companies that you all follow in saying until we see positive signals that Canada is open for business, it's very hard to encourage investments here.

I wouldn't bite your head off. I just said I was—these guys sometimes think that I'm bossy.

Myles Dougan:

Are there any final questions for the Canadian Utilities panel?

Ben Pham:

Hi. It's Ben again from BMO. Can you talk maybe how you think with the dividend trajectory going forward obviously (inaudible 1:29:14) pretty long track record of growth, there's a track rate base growth, earnings growth, and how does your payout look relative to the peers?

Dennis DeChamplain:

Thanks, Ben. Yes, our payout ratio has grown over time. We're in the 70% to 80% payout now. As the Board's prerogative for dividends, I mean, we've said time and time again that we look at the long-term growth of our investments. Looking at how those investments are performing now, we think mid-digit increases, single-digit increases, will be the case for the foreseeable future, and we'll see how we do with redeploying the cash and the growth prospects that we're chasing.

Myles Dougan:

Okay. Thank you very much for joining our ATCO and Canadian Utilities 2019 Investor Day. We're now going to move on to the next part of our day which is the manufacturing site tour. At this point we will stop our webcast. Thank you for joining us.