Canadian Utilities Limited

2019 Investor Day Transcript

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Speakers:

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

Nancy C. Southern - Chair, Canadian Utilities Limited

Dennis DeChamplain - Executive Vice President and Chief Financial Officer

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

Myles Dougan - Senior Manager, Investor Relations

Participants:

Andrew Kuske Credit Suisse, Inc. – Managing Director

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Ben Pham BMO Capital Markets – Managing Director

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

Mark Jarvi CIBC Capital Markets – Managing Director

Jeremy Rosenfield Industrial Alliance Securities – Managing Director

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.

CANADIAN UTILITIES LIMITED
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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.