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INVESTOR PRESENTATION

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Thank you. Good morning, everyone. We’re pleased you could join us for our 2018 Investor Day.

Please note that a slide presentation will accompany our remarks. A copy of the presentation is available on our website at atco.com and can be found in the Investors Section under the heading Events and Presentations.

I’d like to remind you all 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 Canadian securities regulators.

And finally, I’d also like to point out that during this presentation we will refer to certain non-GAAP measures, such as adjusted earnings and earnings before interest, taxes, depreciation, and amortization, or EBITDA. These measures do not have any standardized meaning under IFRS, and as a result they may not be comparable to similar measures presented in other entities.

And with that, I’d like to introduce this morning our three speakers. With me today are Nancy Southern, Chair and Chief Executive Officer of ATCO; Siegfried Kiefer, President and Chief Strategy Officer; and Dennis DeChamplain, Senior Vice President and Chief Financial Officer.

And now I’ll turn the podium over to our Chair and CEO, Nancy Southern, for her opening remarks.
**Nancy Southern** — Chair and Chief Executive Officer, ATCO Ltd.

Myles, thanks very much. Good morning, everyone. As some of you, my longtime friends, have mentioned, it’s 10 years since we’ve been together in an Investor Day, and that seems to be a little bit of the modus operandi of ATCO. But we thought that it was time to share some of our most recent news, talk about our operations today, and field any questions that you may have. And feel free to ask any questions you want at the end of our presentations.

We thought we’d go through everything, and then you can keep some notes and feel free to ask; we’ll do our very best to answer.

I guess what really spurred our rationale and desire to have an Investor Day is the announcement of our new acquisition in the Neltume Ports, a 40 percent stake for $450 million. And it’s been a very long time since ATCO has made a major acquisition.

We’re very proud and very pleased with this acquisition. It’s a terrific opportunity for us. It involves 16 different ports throughout Latin America in Chile, Uruguay, Argentina, and Brazil.

Perhaps most importantly is the nature of the company. Neltume is owned by Ultramar, which is controlled by the von Appen family in Chile. We’ve had a long-standing relationship with the von Appens, and Ultramar has now gone through three generations of succession, operating ports, and a separate business in the shipping industry.

They’re a very trusted partner, and we feel very much aligned in terms of values and objectives of Ultramar being aligned with ATCO.
With the acquisition, it really does enhance our long-term strategy in ATCO to be a holding company of long-term sustainable, profitable investments. We’ve spent the better part of the last decade supporting and making sure that our primary investment, Canadian Utilities, was healthy and robust during a very fast-growth period, particularly in Alberta; a tremendous amount of infrastructure and a tremendous amount of growth in the rate base.

But for a very long time since my father and my grandfather started ATCO, our objective and the strategy was to be a principal owner of robust, healthy, long-term enterprises. And Neltume allows us to expand.

In this slide, you’ll see that we also have our traditional founding business, Structures and Logistics and Neltume Ports added to our wonderful Canadian Utilities business. And I think that maybe some of you have not perhaps picked up on our real estate company that we now that we have 100 percent ownership in, ATCO Investments. And we have actually spent some time—and I’ll talk about that a little bit later—in trying to take a page out of some of the retailers’ books, Macy’s, Weston, Shoppers, in looking at the real estate portfolio that was within our group of companies. And we’ll talk a little bit about that later.

I think going forward when you look at ATCO, the most important aspect of what it is that we want to focus on are the main global sectors that will be in demand for as long as we can predict: energy and energy infrastructure; housing is in demand for mankind; water, real estate, and transportation, which we now enter into that space, into that sector with the acquisition of Neltume,
which also gives us a bridge into the agriculture sector, as the ports are used for shipping many agricultural goods in Uruguay, and Chile, and in Brazil.

This is an investment that will serve to provide us accretive earnings in its first full year of operations and a healthy cash flow well into the future, as we look at global demand pushing demand in the Latin American countries—Siegfried will talk a little bit more about the specifics of what we see in terms of GDP growth—and the correlation between GDP growth and transportation or port growth.

So I think that you’ll find that it’s a very interesting complementary business to the ATCO suite of investments.

By nature, it is very similar to the utilities. There are long-term contracts associated with the ports, as well as concessions, franchise-like concessions, where the ports are located. And so all in all, it’s a terrific business for predicting certainty, as well as having growth opportunities.

With that, I would like to now ask Siegfried to come to the stage and give you a few more details on Neltume itself.

Sieg?

**Siegfried Kiefer** — President and Chief Strategy Officer, ATCO Ltd.

We have a short video to introduce Neltume to you.

[video presentation]

Well, good morning, everyone. And thank you for joining us this morning. I love those accelerated videos. I wish I could do that in real life, and just push a button and have a plant just speed up to two or three times its normal speed.
I’d like to talk to you a bit about Neltume Ports business, and give you a bit of an overview of the company that we’ve invested in.

Neltume has a 20 year history and it’s grown to now operate 16 ports in Chile, Argentina, Brazil, and Uruguay. And the company has had a strong track record of growing its volumes through a number of methods, organic expansion, as well as from acquiring new ports, or interest in new ports, and expanding their ownership in their existing ports.

So along with Neltume’s geographic positions in Latin America, as Nancy mentioned, its volumes and cargo types improve its revenue risk profile. And I’d like to spend a bit of time on that profile with you.

If you look at the business activity of Neltume by cargo type, about half of the activity is container. Now container terminals handle the movement of mixed consumer goods in either 20 or 40 foot containers, and the container ports typically also provide then storage facilities for allowing that container volume to be transported to and from the surrounding area.

About one-third of the tonnage in the ports is bulk, meaning raw material that’s transported, such as minerals and grains. And a bulk terminal quite often is dedicated to a specific commodity cargo type because of the special handling nature of that cargo. And 19 percent of the cargo is break bulk, or general cargo, which is cargo that has to be loaded individually, and so examples of that would be bagged cargo, such as coffee, fruit, wine, or vehicles.
And if you look at the activity by geography, you can see that the Chilean ports move just under two-thirds of the volume by weight, but the activity level is well diversified amongst the four countries, with Argentina being just a small piece of the volume at this time.

Now Neltume’s earnings are also well diversified. And about a third of the earnings come from varied minerals and resources, another third come from the container terminals, and the remaining third comes from the multipurpose terminals largely serving the forestry and agricultural sectors.

I thought it would be worth spending some time on the ports, and this next slide sort of shows you an overview of the 16 ports and it sort of breaks out each port by its ownership, its location, the terminal type, and the key cargo that’s shipped through that port.

You’ll notice that many of these ports are joint venture arrangements, and that’s a key risk mitigation for the business where equity stakes in the ports are used to secure committed volumes wherever it’s economically feasible.

So each port operates under a concession agreement, as Nancy mentioned. A concession gives Neltume the right to develop, maintain, and operate within a defined region or area of the port. Now there are two types of port concessions: private and public. And Neltume has nine private ports that provided 50 percent of the cargo throughput in 2017 and seven public ports that provided the remaining 50 percent of throughput.

Under each of these concession types there are several factors that provide consistent and stable growth opportunities, and I’d like to just highlight a few of the features for you.
So firstly, as Nancy mentioned, there are long-term contracts and concession terms. The private ports typically involve long-term contracts for the import and export of commodities, while the public ports offer generally a 15-year average concession term with options to extend to an average of 25 years.

The second thing I’d highlight to you, the locations of the ports that Neltume operates are quite strategic. The private ports are located near the mining and agribusiness hubs in Latin America, while the public ports are all near high-density areas of economic prosperity.

Strategic key partnerships with shipping lines and cargo owners is the third aspect to outline to you. So where we are joint ventured, we are joint ventured with critical users of the infrastructure. And so having them as partners is a great way to secure their business for the long term.

And the diversity of revenues coming from multiple countries, sectors and clients, and cargo types allow us to have a diversity of customers so we’re not overly dependent on any one customer group. And in fact, no one customer represents more than 15 percent of the total business of the Company.

This next slide highlights the volume growth that Neltume has achieved since 2010. And you can see that there’s been a strong track record of growth over that period, with 12 percent compound annual growth rate in cargo volume and a 7 percent compound annual growth rate on container volumes.

The jump-up in 2017 that you can see there really resulted from an expansion of the number of terminals that Neltume operates from 10 to 16, which they acquired in 2016. But if you look just
at 2010 to 2016, the cargo and container volumes had a healthy growth rate of 8 and 6 percent, respectively.

Now that growth tends to be drive by or tied to GDP growth in the region. And if we look forward to GDP growth in Latin America, you can see that it’s forecasted to continue to grow at a more rapid pace than Canada. And that Latin American growth will be driven by agricultural exports and by the global trend in electrification and energy demand that are expected to drive the continued demand for copper and other energy products from the region.

So Neltume’s port operations in Chile, Argentina, Uruguay, and Brazil are well positioned for export to both the Middle East and the Far East. And China represents Chile’s largest export destination at the moment. Chile has been one of Latin America’s fastest-growing economies, averaging a 3.5 percent GDP growth over the last eight years. And the OECD expects Chilean growth to continue at around that rate in the coming years.

In fact, the Chilean government has set a target of 4 percent annual GDP growth each year, and is on track to a 5.3 percent GDP growth rate in 2018.

Container ports primarily handle the import and export of consumer goods, which is closely linked to the level of domestic consumption in each region. There’s a strong correlation between GDP growth and cargo throughput growth. And independent studies have shown that South American container port throughput grows by a multiple of 1.6 times to 3 times that of GDP growth.

So Neltume’s container ports are well positioned to capture this rising import and export activity, and we expect continued strong GDP growth in Latin America.
As I mentioned, as the world continues to grow its electrification, there’s a rising demand for copper. And Chile represents 28 percent of the global copper supply, and it does sit at the low end of the cost curve for that supply.

So as expected growth in copper prices come to fruition and as expected global copper supply deficits come into play starting in 2020, we are expecting to see a new spur or expanded activity around copper mine investment in Chile and increasing copper exports from that region.

Two of Neltume’s ports are focused on Chilean copper, and other ports also have copper as one of their main cargos. These ports are well positioned to capture this expected future copper export growth activity.

So expanded activity in Neltume’s existing bulk ports driven by increased export demand, as well as another attractive feature that we see in the business.

Another example of how this business can expand and grow is through brownfield development, and berth expansions create increased draft that allows terminals to receive bigger ships and larger volumes. Neltume has successfully implemented these kinds of projects in the past, and has identified berth expansion opportunities that would create market share growth at certain ports going into the future. Berth extension opportunities also arise out of these growth opportunities.

And so finally in terms of growth, Neltume has a track record of growing its business through these organic methods, but also through acquisition and increasing ownership in its existing ports.
We expect that the continued strong track record of growth activity and funds from ATCO’s investment in Neltume’s Ports will be used to help finance these growth opportunities.

In summary, Neltume’s Ports represent an excellent investment opportunity for ATCO, with strong growth prospects driven by continued GDP growth, ongoing growth in export demand, and Neltume’s proven record of growth by acquisition and organic expansion.

I’d like to just let Dennis touch on some of the important investment and financial highlights, if we could, next.

**Dennis DeChamplain** — Senior Vice President and Chief Financial Officer, ATCO Ltd.

Thank you, Siegfried. Thanks. There’s four things I just want to touch on. Theme one is accretive to earnings per share and cash flows in the first year.

As is our practice, we will not be giving you guidance, but I can tell you in 2017 that Neltume achieved EBITDA of US$90 million or C$120 million, and that was for 100 percent of Neltume. We do expect that to grow, and Siegfried just went through some of those drivers that we expect will result in increased EBITDA in the future.

At 2 percent of our balance sheet, this $450 million investment is a very manageable size for us. It has a positive impact to our credit metrics, as the cash flows grow over time.

We’re paying for it with approximately $110 million worth of cash and the remaining $350 million through committed credit facilities, approximately 40 percent of which will be short term in nature, and the remaining 60 percent will be refinanced in the near term. Right now, we’re looking at
a hybrid debt instrument and market dependent; we’re looking at the fourth quarter of 2018 to do that refinancing. So that’s the source of the funds.

In terms of uses, approximately $100 million was used to retire some debt. And just over half of the sources will be held in Neltume to fund the future growth initiatives that Siegfried alluded to and other opportunities within its markets.

Siegfried Kiefer

Back over to Nancy.

Nancy Southern

Well, that’s a lot about the acquisition, and of course it’s a very exciting acquisition for us. We’re very pleased. We feel it is a very good fit, relatively low risk, and as Dennis mentioned, positive to our credit metrics.

In thinking about ATCO, when you look at our company I know that most of you put us in the utility realm, and the majority of our earnings come from Canadian Utilities. But I think it’s very important to remember where this company started.

And when we look at ATCO today, we have a very high concentration of earnings coming from Alberta. We are looking within Canadian Utilities to continue to diversify geographies so that we are not completely dependent on a localized economy and region. And we’ve certainly felt the impact of the low commodity cycle in Alberta in these last couple of years.

So from ATCO’s perspective as the holding company, it is very important for us to continue to diversify as well. As CU looks to diversify geographies in its core businesses, ATCO too is looking to
diversify its geographies, but also its business lines that are complementary to its existing businesses and those businesses that will lie within the ongoing global sectors necessary for our planet’s prosperity: infrastructure.

So we’ve talked a lot about Neltume so far. I want to tell you a little bit about ATCO Structures and what’s happening there. You’ve obviously seen we’re not getting the robust earnings that we were five years ago out of the Structures business.

We have tremendous growth and a lot of opportunity from the resource sector for our industrial workforce housing, which is our founding business which began in 1947. And in ATCO Structures itself, we’ve always gone through the commodity cycles, which was the real driver for acquiring Canadian Utilities was to give ATCO itself a base stability of earnings and growth.

After this last commodity cycle decline—I won’t say a bust because it’s not actually a bust, is it?—but since the decline we’ve seen the earnings come off. In 2015, we started to see what was happening. It’s our leading indicator, it’s our leading economic indicator the Structures business and said, okay, what can we do to start having that business be cycle-proof? And we now have a three-pronged approach for ATCO Structures, which I think I believe you will start to see the benefits of this three-pronged approach in the future.

Now I know all of you feel that it’s a darling to have in the high commodity cycle, but it’s very important for us to have sustainable earnings and growth in demand for the product. So our three-pronged approach, and not to forget that a couple of years we acquired the 25 percent of
Frontec, the old logistics business out of CU so that we’d have a wholly owned subsidiary in Frontec as well. We’ve been calling it Structures & Logistics.

They’re very complementary to each other. And Frontec has a number of contracts, such as Site C, the workforce housing at Site C in British providing the catering and the camp services at that large workforce camp. They’ve actually just secured a new contract for Canadian Forces in 2018, and we start to see them taking a much more international approach, like they did in the past when we had the NATO contracts in Kandahar and Bosnia.

Structures itself now, in our assessment of where we need to be for the future, the first thing that we did was lower the costs. We have been going through an extraordinary exercise to improve our manufacturing costs, our people costs, and our plant and equipment costs. So that’s number one. We’re not all the way there yet, but our belief and my belief is that we need to get to the advanced manufacturing 4.0 for this business to be long-term sustainable and profitable.

The second thing that we did was to find a new product line. You probably watch the tiny homes shows, or you’ve seen the tiny homes and the fad of really small conservation-conscious living styles. Well, modular is actually when you think about the 5,000-person beds, actual towns that we construct in six months and actually have a working town for mining operations and you think about migration and immigration throughout the world today and you think about rapid deployment and expansion in urban centres, modular is the answer. And as a result, we have started this second approach to really develop our permanent modular business. And we’ve seen tremendous growth in the last two years in terms of revenue. You’ll start to see the bottom line demonstrating that.
There’s a couple of pictures here on this slide. One is of the grammar school in Melbourne, Australia. And the bottom one is a dormitory at a university in British Columbia at Trinity College.

I’m giving Myles a lot of heart attacks because I’m not following my script. Sorry. I continue to just—I love this business, I love all of our businesses, and they really get me pumped.

And then diversification in geographies. We’re really expanding geographically with ATCO Structures. We made a joint venture investment with the Ultramar group, the von Appen family in Chile two years ago. In 2016, we formed a new company called ATCO Sabinco.

This also has given us a lot of confidence in the management style and the operating method of Ultramar itself. ATCO Sabinco, we just actually christened a brand-new manufacturing plant that is lean manufacturing poised to capture the growth coming out of the mining industry, particularly on the industrial mining side, but also for rental fleet and permanent modular structures.

It’s early days for this little company, but we think we’ve gotten in just at the right time. And if you remember five years ago, we actually sold our joint venture company in Chile just before the commodity cycle declined; monetized that business, did very well; had a two-year noncompete; and we feel that we’ve gone back into the region just at the right time as the activity for industrial workforce housing starts to pick up.

We’ve also acquired 350 units to satisfy a new contract that we have for schools in Mexico. And we’re looking to have manufacturing capabilities in Mexico by the end of the year as well.

In Australia, our fleet utilization is very strong, and we do see the mining sector in the Pilbara region of Western Australia start to pick up as well. But Australia has been key to our permanent
modular solutions. We’re building jails; we’re building schools; we’re building hospitals and clinics for rural communities; seniors accommodation; dormitories; and residential housing. And you will maybe have seen that we secured several economically accessible three- and four-storey housing apartment buildings in British Columbia for low-income families.

So we’re very, very excited about the prospects of ATCO Structures. We’re looking into a number of areas that were part of our history in the past: the Middle East and Africa. And as those geographies continue to emerge as developing nations and we see the decline in growth in North America, that’s where we’ll have to go.

And I think you should all remember that that expertise, the knowledge of going into new countries is not a foreign thing for ATCO. It’s how we grew the business. It’s part of the fabric of our structures and our logistics Frontec business. And so also that experience gives us great comfort in branching out in a much larger … on a much larger scale with Neltume in Chile.

I’ll just touch on commercial real estate for a moment. As I mentioned, and for those of you that have followed Canadian Utilities for many years—I see some of you in the room that have done that—you will recall that we went through a very long, protracted exercise of getting approval to remove real estate and other assets out of the utilities that were no longer in use. This exercise took us all the way to the Supreme Court, where we won.

And that has allowed us for those assets no longer required for utility use to extract those assets and find better purpose for them. And that has created tremendous value for Canadian Utilities.
It’s also creating tremendous value for ATCO. We’ve taken many of the properties that were existing and not used for the utilities, but just sitting in the utilities on the books, and we’ve taken them out of the utilities, we’ve done a market transaction with independent committees from both the CU and ATCO boards, and moved a significant portion of real estate into ATCO under ATCO Investments.

We get earnings out of this ATCO Investments for the future three ways. First is managing our leases and rent to ourselves in a better fashion, but second is leasing to third parties. The second—and also leasing to third parties.

Second is the ability to sell properties for a profitable return over time. In fact this year, in the third quarter, we made a sale on a property in Calgary that was owned previously by the utility. And we’ll see a $10 million profit from that.

The third aspect of ATCO Investments is that it’s a comfort like a bank. It’s a significant enough portfolio that in a storm, in a perfect storm for mitigation purposes is something that we can monetize. And we can do it in parts, or we can wait and do it in whole. And I think that that’s a valuable asset for us to have within the portfolio.

And finally, what we’re seeing also with the modular space business is that we can combine some of these properties ourselves and actually commercially develop them and set up permanent modular apartment buildings, seniors housing, and hotels. And that’s an interesting new line of business for Structures and our existing real estate.
So all in all, the new face of ATCO Structures is quite exciting. It provides us with a whole new customer base, a diversified lead list, and it’s filling the factories. And for owners of ATCO shares, I believe that it’s a gem that is often underestimated. And for sure it’s cyclical, but it is the foundation, it is the DNA of all of the enterprises within the ATCO group.

I’m going to turn the podium now back over to Siegfried to talk to you a little bit more in depth about our Canadian utility operations.

Sieg?

Siegfried Kiefer

Thank you, Nancy. I’d like to spend a bit of time on Canadian Utilities Limited with you.

As you know, our regulated utilities, predominantly in Alberta but also in the north, have seen a tremendous amount of growth over the last period of time that has somewhat tapered off lately in Alberta particularly. But in the last five years, we have grown our rate base by nearly 50 percent to just over $13 billion of rate base as of 2017.

And during that time period, we’ve also had a tremendous focus on operational excellence and operating efficiencies. And in this next chart demonstrates how we’ve been able to outperform the approved rate of return by the Alberta Utilities Commission, but also outperform our peers, the peer utilities in Alberta.

Based on our annual regulatory filings, we’ve achieved an average of about 2.3 percent above the regulated return that’s approved by the AUC. And so we’ve done this by really focusing on
our operating costs, and remaining focused on innovating our businesses to find new efficiencies as we go through time.

We think that our track record here is perhaps a little bit underappreciated by investors, but the truth is, no one in our space has done this better. Our utilities have been the best in Canada at creating returns on equity for our investors, and the facts show it.

Now you can’t talk about regulated utilities without talking about regulation. And so spend a bit of time just quickly on PBR 2.0, as we like to call it.

We’re now in our second iteration of performance-based regulation in Alberta. And that regulation, while slightly changed from the first version of PBR, still incents us to strive to achieve strong returns in both our natural gas and our electricity distribution businesses.

We were able to achieve an efficiency carryover mechanism hurdle from the first PBR, which automatically gave you a 50 basis point adder to the 2018 and ‘19 regulated return on equity. And that was really an incentive put in the first version of PBR to incent you to continue to strive for efficiencies as you approached the second PBR term.

PBR also—2.0—includes the rate-based growth that we invested in during the first term, and it also has pegged our revenues and earnings in growth-based capital for the second term. So that’s a slight change from the capital tracker approach that was used in PBR 1.

Now it’s also true that to set the going-in rates for PBR 2, the regulator selected the lowest actual O&M year from the first term of PBR—well, 2013 to 2016. And so that O&M cost recovery or reset is the main reason that we have had lower comparable earnings in 2018 versus 2017.
But we’ll continue to stay focused on our costs. And in the early years of PBR 2, our ROEs will probably not be as high as what we achieved at the tail end of PBR 1 when we generated some exceptional ROEs, particularly in 2017 from our distribution utilities.

Now on August 2nd of this year, the AUC issued a decision approving the return on equity of 8.5 percent and capital structure of 37 percent for the ‘18, ‘19, and 2020 periods for Alberta utilities. You should note, though, that the AUC indicated that it intends to explore the possibility of returning to a formula-based approach to the cost of capital matters via setting a separate proceeding that will notify the parties of that process in due course.

So while we thought we sort of had it settled for a period of time, it looks as though we’re going to be back into another return on equity sort of proceeding very shortly.

In our electric transmission business—and this is one of the problems we’d like to highlight to you in the regulatory world at the moment in Alberta—we were hoping to have a hearing in the fourth quarter of 2017 to deal with our tariffs for 2018 and 2019. However, due to the volume and complexity of intervenor requests, the hearing will now hopefully occur in Q4 of 2018, a full year later than originally intended.

And as a result, we’re unlikely to get a decision in this calendar year to determine our 2018 results. And so we’re again in a situation where in a subsequent year we’ll get a decision on a prior year’s actuals and probably some adjustments as a result thereof. And that lag is becoming more and more of an issue for utilities because we essentially—creates volatility in our earnings, at least calendar year to calendar year.
On a second file, the utility asset disposition file, many of you would have been familiar with the Bill 13 that was introduced by the Alberta government, and we were successful in getting some of the egregious parts of that bill removed. But we’re still awaiting a legislative solution to asset disposition in Alberta. And we still live under some uncertainty around the treatment of assets, particularly if they are removed as a result of an extraordinary event.

So in all of these cases, what we are seeing from a regulatory perspective is an increasing regulatory burden. Our hearings are taking longer, the proceedings are more complex, and it sort of leads to erosion of our confidence in the process.

And we’re also seeing that play out in other parts of regulation, not just rate regulation. And this next chart just sort of tries to highlight for you the cumulative effects that all this mounting regulation that’s going on in Canada, both provincially and federally, is taking its toll on business confidence. And it is layering considerable cost into both our businesses and individuals over time, it’s undermining the confidence of investors in new projects because there’s uncertainty introduced by every one of these new acts, and as a result we’re seeing really a delay or a removal of capital investment in the country.

So it goes without saying that capital will flow to where it can find certainty. And having all of this uncertainty in Canada at the moment is not being helpful for the long-term investment plans required to continue to grow our economy. And the layering in of costs is certainly having an impact on the competitiveness of our businesses, and I think it’s a challenge for our politicians to deal with. So enough on my whining.
I’d like to talk a bit about our nonregulated investments in Canadian Utilities. And we continue to look to provide safe and reliable service, and we look for capital investments will continue to in our Alberta utilities as such. But as you heard earlier with our investment in Neltume Ports, ATCO is turning its attention to investing in global-essential services in select markets. And on the energy and infrastructure side, that’s really—on the energy and energy infrastructure side, that’s really what Canadian Utilities is looking to invest in in other regions of the world.

And we currently have earmarked about $1 billion in global long-term contracted capital in the next few years.

So included in that plan are investments in hydrocarbon storage in Alberta, electric generation in Mexico, and in addition to that our development teams are exploring energy infrastructure opportunities elsewhere in the world. And I’ll maybe just touch on a few of those key projects for you.

So Alberta PowerLine is where most of our current $1 billion of investment is targeted. And that’s the 500 kV Fort McMurray transmission project. It’s a 500-kilometre transmission line running from just west of Edmonton up to the oil sands area near Fort McMurray. The project is currently ahead of schedule for construction and commissioning, and we remain on target to commission this line in the second quarter of 2019.

The picture there is a recent photo of the progress that we’ve made at our Thickwood substation at the north end of the line.
The interesting thing about this project is we are pursuing a new equity model around the equity invested in this project, and it is in my mind quite progressive in terms of providing the Indigenous communities along the route of the line with an opportunity to invest in the equity portion of the line for a stake in the project once it gets into service in 2019.

So as you may have seen, we did announce yesterday that we’re exploring strategic alternatives for our Canadian electricity-generating businesses. This process is consistent with our practice of continually evaluating and optimizing our portfolio of assets. And while there can be no assurance that this process will lead to a transaction, we will continue to look to create value through the assets in the interim. And we really have a three-point plan around that.

One is maximize the value of our natural gas-fired generating fleet in the Alberta marketplace. We are proceeding with coal to gas conversion planning, and we will participate in the Government of Alberta’s clean power calls if they permit sort of a solar approach into those calls.

So with respect to that maximization plan, the new capacity market design in Alberta will have a capacity commitment period of one year with a three-year forward auction approach. And so generally, we see the current capacity market design as favouring incumbent generators like us. We’re well positioned going forward on our existing gas fleet, and as I mentioned, we’re actively exploring the coal-to-gas conversion on our coal units.

On the solar file, the Government of Alberta released initial details on an updated 75 megawatt solar request for proposals. In fact, an optional request for information is due today. But we haven’t been provided any further details beyond that request for information. So we’ll continue
to monitor that and the government’s disclosure on that RFP to see if there’s a good opportunity for our 75 megawatt Three Hills solar project to participate in that process.

Four years ago, we made an expansion into Mexico. And in Mexico, we continue to expand our investment portfolio there.

In December of 2017, we acquired a long-term contracted 35 megawatt hydroelectric power station in Veracruz. And in March, we announced that we’re building a cogeneration facility near Gomez Palacio for Chemours under a long-term electricity and steam contract.

So this $114 million acquisition and the $70 million construction project increases our presence in Mexico in Mexico’s energy market, and it expands our renewable power generating base.

And we continue to look for other attractive ventures in Mexico. We see it as a country that despite its recent elections is going to continue to require infrastructure investment to meet its economic growth.

I should touch on Australia. A few minutes ago I was sort of summarizing our historical top-tier performance in Alberta. But in Australia, our natural gas distribution utility has also done very well over the last few years.

The Australian regulatory filing requirements do not entail the same level of detailed filings that we have in Alberta, but if we look at the financial returns on equity, our Australian utility has generated very strong double-digit ROEs that are more than 300 basis points above the approved regulatory returns in Australia.
We are just in the process of filing our next access arrangement, and so we look forward to seeing what that process yields in terms of outcomes. But it will essentially establish our rates for the next five-year period in Australia.

Finally, I’ll just touch on our industrial water business, where we’ve been adding water services under long-term contracts and have just recently added one with Pembina for their PDH facility starting in 2020.

And in hydrocarbon storage, we have four salt caverns up and running and contracted. And the lands surrounding those would permit us to potentially develop, if the customers arrive for that, upwards of another 40 caverns. So great potential in that business as well.

So both of the storage and water businesses are admittedly a small piece of our asset portfolio today, but they do have great potential. And in the future, we will continue to develop those as we secure long-term contracts to backstop them.

So that’s a quick run-through of what’s happening at Canadian Utilities. And I’ll now turn it over to Dennis.

Dennis DeChamplain

I always have to pull down the mic when I follow Siegfried. I keep bragging that I’m tall for a Frenchman, but that doesn’t help me very much.

Looking at our financial strength, which is of primary importance to us, no change in our strategy to maintain our A-range rating.
To that end, DBRS recently completed its annual review and confirmed its A-low rating with a stable outlook for ATCO. For S&P, we had expected a report in July, but this has been delayed on their part. We expect that report soon. Right now, the rating is A minus with a stable outlook.

The credit ratings, as you’re aware, help us ensure that we have the financial capacity to fund existing and future capital investments at the most competitive rates.

If we look at ATCO on a deconsolidated basis, we had a capital structure that was 100 percent equity. As Neltume is a manageable size, as I referred to earlier and after the permanent financing—Myles, can you flip the slide, please? Awesome. Thanks—we expect the equity ratio to be firmly above 90 percent. This further demonstrates our financial strength and funding options for all of our current and growth investments. It supports all of our portfolio investments and more should the right opportunities arise.

In terms of liquidity, we continue to have excellent liquidity. At the end of Q2, we had $280 million of readily accessible lines of credit and $100 million of cash on hand. With the Neltume purchase, the cash that we used in third quarter actions, we expect that cash on hand to come down to about $50 million at the end of Q3.

And lastly, a comment on our dividends. ATCO’s increased its dividends each year for the last 25 years, a track record that we’re extremely proud of. As a holding company, ATCO currently receives the majority of its income from Canadian Utilities, and now has Neltume and the commercial real estate adding two diverse streams of earnings and cash flows to the mix.
This affords ATCO greater flexibility and opportunity for future dividend increases that are consistent with our sustainable growth. As I said, we’re very proud of our track record, one that we have all intentions to continuing on into the future.

With that, I’d like to pass the podium back to Nancy for some closing remarks.

Nancy Southern

Thanks, Dennis. It’s a very diverse group of companies that you invest in or represent investors in.

And I think in closing what I’d like to say first of all about Neltume, one thing we didn’t touch on is when we talk about the complementary nature of our businesses, if you think about ports and you think about refrigerated cargo and the increase in demand for agricultural products or storage for—what is it called, the hydronic acid that ... what’s it called—sulphuric acid that’s required for copper processing; storage; electricity demand for refrigerated units; the infrastructure of systems around the ports; modular space units and containers, you can start to see that it really does all knit together and makes a lot of sense, in our minds anyway, in terms of creating within our investments real opportunity for the businesses.

I hope that you’ll see that Structures and Frontec are repositioning and have a healthy future; no debt. We remain focused on a very strong balance sheet, and it is a fundamental tenet in how we operate.

And finally, our growth comes without dilution, and principal control remains a fundamental tenet as well in the ATCO Group. And I believe that’s worth considering: a 70-year track record of
sustainable growth. You saw Dennis’s slide on our dividend growth. There are not many home-based companies that can boast that performance. And our commitment to you is to continue a prosperous ATCO into the future.

Now I’d like to open up the floor for questions or any comments you might have. Sure.

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**Q&A**

**Audience Member**

(Question Inaudible)

**Dennis DeChamplain**

Canadian. The question was on the hybrid issue associated with the refinancing for the Neltume purchase, would it be in Canadian or US dollars.

**Nancy Southern**

Myles and Brady have a mic in case you’re not able to hear.

**Audience Member**

For the Neltume acquisition, could you maybe just talk a little bit about the growth and, I guess, the opportunity for organic growth versus acquiring additional ports over time?

**Nancy Southern**

I would have to say I think it’s 50/50, but go ahead, Sieg.
Siegfried Kiefer

Yeah. I think we tried to highlight in our slide that absent acquisitions, we sort of see a 6 to 8 percent growth in the volumes and cargos year over year. That’s what they’ve averaged over the past since 2010, absent acquisitions.

But there are, as we mentioned, the ability to grow as well in the existing locations by expanding the facilities or deepening the berth at those facilities to handle bigger ships.

Nancy Southern

So the expectation is to use brownfield growth, organic growth along with acquisition targets that may materialize or not. In the meantime, we’ve got quite a hopper of brownfield growth available.

Robert?

Robert Kwan — RBC Capital Markets

Nancy, I’m just wondering if you can talk a little bit about how you see the corporate structure going forward and tying in with funding? So the role of CU and holding CU at the economic interest that you’ve got—for Dennis—you’ve got the A-minus rating, but what credit rating do you want to be long term? So what amount of incremental debt capacity do you see to be able to raise at the ATCO level to fund new acquisitions? And then are there other assets you think you can sell if you want to get bigger here?

Nancy Southern

You want to take that, Dennis?
Dennis DeChamplain

Which part of it? I’ll leave the buying and selling to you and Sieg. You’re well aware that ATCO has not had debt on its balance sheet. We’ve taken on some debt for this acquisition. We thought about it; great investments. We decided to pursue it. We are looking at kind of capping that amount of the debt at the ATCO holdco level to upwards in that 20 percent range, I’ll say. And that would likely be dependent upon future acquisitions.

In terms of capacity, we have room in the group right now of about an additional $1 billion in preferred shares that we could issue that would be subject to the 50/50 equity treatment afforded by the rating agencies. So as Nancy mentioned, a fundamental tenant is principal control, so we would take that into consideration with respect to our future investments and potential cycling of capital.

Robert Kwan

And so just are you committed to the A-minus rating? And historically you haven’t issued common equity. Is that something that you would consider at the ATCO level?

Nancy Southern

No. No. And the larger your company gets, and particularly it’s evident in Canadian Utilities, new acquisition opportunities have to be of some substantial size to actually make a difference if you want to see growth.

But while we have a little bit of room in the A, everything we’re doing now is to firm up the A to give us the ability to continue to build cash and be very focused on premier opportunities that will continue to allow us to grow. But David Frei and I were having a little bit of a conversation. It feels
like low interest rates are a perpetuity. And after the GFC, we saw a little bit of bandwidth grow between riskier investments and the non-risky ones.

But that’s not a permanent state that we’re in today. And we feel that we’re providing our ratepayers and our shareowners with very good value by being absolutely disciplined about the balance sheet. So it’s very important to us, Robert.

And we don’t—I take great pride that we have been able to grow without issuing equity. And as long as I’m in the job, we don’t intend on issuing equity.

Robert Kwan

Great. If I can just finish the one other line of questioning, just on the power asset sale. What was the greatest driver from your point of view to explore this asset sale? Was it your view on the Alberta power market? Was it that you think that generally power valuations are very high? Is it raising funds? Or is it something different?

Nancy Southern

It’s probably all of the above. I think another thing that we’ve learned is we need to be a little quicker—like we have been in ATCO with Structures—a little quicker at recycling and recognizing where the opportunity should lie. We’ve got a wonderful fleet of generating plants: great reliability; they’re profitable; there’s hardly any debt on them. But we’re pretty—as we talked about, we’ve got high concentration in Alberta. We do see that policy makers like to tamper with electricity a lot, as evidenced here. We want to shore up the balance sheet, and we want to provide ourselves with future opportunities.
Having said that, my goodness, I’m so impressed with the skill set and the ingenuity that our generation team has brought to this coal-to-gas conversation; very low cost and very profitable. So it’s a great business, but we just feel that there is perhaps opportunities in other places for more greenfields or brownfields, and we can recycle the capital and shore up and make sure that we keep that A.

Siegfried Kiefer

I think one other aspect I would just add to that is just if you look at our philosophy around investing in long-term contracted assets, our fleet, as great as it is, is getting into the latter stages of its expected life—

Nancy Southern

Sure.

Siegfried Kiefer

—as well. And so I think it’s an opportune time to recycle that capital into longer-life assets going forward.

Myles Dougan

Just to get a question in from the webcast, one was: are the financials of Neltume private or public? I’ll answer that for you. It’s a private company although some of the ports do have public financials. The second question on the same e-mail is why aren’t we acquiring a majority stake in Neltume? Why the 40 percent?
Nancy Southern

Well, that was all that was offered, but in terms of governance, I believe we’ve struck a deal that looks very much like a 50/50. For any major business decision, dividends business plan, debt, acquisitions, super majority is required. We have in effect negative control on the entity. We don’t like to talk about that because we’re working with a partner and there are existing partners, and we believe that we are aligned and we’ll find ways to continue to move forward in a positive fashion. But we’re very, very comfortable with the shareholders’ agreement.

And so the 40 percent is not bothersome to us. In my father’s day, I know that many of you will have heard that he really wanted control of the entity, over 50 percent. But by a contract or shareholders’ agreements, we feel very comfortable with our ability to majority control.

Yup? Oh, sorry.

Bryan Pilsworth — Foyston, Gordon & Payne

Oh, yeah. Sorry about that. So folks can hear me in the internet world, just in terms … just I guess a simple question just in terms of financing. I mean, some of your peers in Canada that have pursued this path have … they have shares at the subsidiary, just like you do at CU. Is that something that you would contemplate modifying the capital structure a little bit to create publicly traded subs? And my second question is maybe just a more general one. I mean, you’ve got some big ambitions here. What gives ATCO an advantage over so many other deep-pocketed capital pools globally, whether it’s a CPPIB, whether it’s a Brookfield Asset Management? Like what are you going to bring to the table that those folks don’t?
Bryan Pilsworth

Except from a larger cheque perhaps.

Nancy Southern

Well, we can’t afford the larger cheque, so it’s a really good question. And I believe what we bring to the table, particularly on the utility side, is exactly what Siegfried demonstrated. I don’t believe we get credit for it for whatever reason, but it doesn’t matter, but our over-performance in the regulated utility sector has driven tremendous value in Canadian Utilities, and we’re able to demonstrate that in Australia.

We can’t compete with the CPPIs and the sovereign funds, and our cost of capital is higher. We have to find the right opportunities that really fit our criteria and culture value alignment. As apple pie and as qualitative as that sounds, is important. And I believe when we find those right opportunities, that’s why we have an advantage.

But on a purely economic financial scale, we can’t beat them. But I think that we can become a little more agile in offering our operating services and develop some future partnerships with the low-cost capital investors.

Siegfried Kiefer

Yeah. I mean, I think there’s many funds that have lower cost to capital, but if you look at developing projects and de-risking projects and commissioning projects, we bring a wealth of expertise in terms of doing that in a way that provides certainly around things like the West Fort Mac
transmission line, where we will bring that into service well within the time frame stipulated. And the financial players don’t really have that expertise in-house.

Nancy Southern

I just want to go back and correct what ... on the end of the comment about not having 50 percent investment in Neltume, and at the end I said we feel like we have majority control. Not majority control. We feel like we have a true partnership, and we have a very solid dispute mechanism. And major decisions have to be agreed to by both partners. I just wanted to clarify that. Sometimes I over-embellish.

Yes, Mark?

Mark Jarvi — CIBC Asset Management

Yeah.

Nancy Southern

Do you want to just wait for the mic?

Mark Jarvi

I just wanted to get your take in terms of the dividend at ATCO in perspective to the ... or in relation to this new investment, and just your comment again about not wanting to issue common equity and being self-financing from an equity perspective at ATCO. So maybe commentary on how we should reconcile where you guys are now on a payout ratio and your growth and expectations for the dividend?
Nancy Southern

Go ahead.

Dennis DeChamplain

As everyone’s likely aware, the ATCO dividend’s been growing at a great rate. The payout ratio now is approximately 50 percent. We take a look at no change in how we come about recommending our dividends to the board, taking a look at our financial strength, and the consistent growth profile of the companies, Canadian Utilities being the lion’s share, we’ll take a look at where CU is expected to grow on a long-term sustainable basis.

Also now adding to the mix for ATCO would be Neltume and the real estate. So to the extent that that would afford additional cover for the dividends, then that would go into the mix with respect to looking at where we recommend.

But we do recognize, though, that the payout ratio is still lower—

Mark Jarvi

Is there an actual cap you guys would consider? Or ...

Nancy Southern

Well, I think that’s always dependent upon the situation and the environment. And that’s not to say that we might not—we likely will in certain occasions slow the pace of growth down, but we feel very comfortable with the growth. And I think it really depends on what we’re facing.

If the Europeans are talking about a global recession right now, right? And when you get into an even more restricted or constricted environment like we have in Canada for capital investment
and growth which impacts the utilities, then we’re going to see some contraction. I think you’ll see it in a lot of companies, and ours won’t be an exception.

However, the way that we’ve planned and managed our company is that we’ve got lots of cushion. We don’t have—and we will be agile with whatever the economic conditions and our businesses bring.

Mark Jarvi

And then I want to go back to the Structures business, and you made a comment about making it a bit more resilient to the business cycle and the commodities cycle. And you did exit Chile; now you’re going back into it. So if you had to position the business the way you have it now, or thinking about it forward in terms of resiliency, would you have still made that move out of the country and then back in?

Nancy Southern

Yes.

Mark Jarvi

So you’re still of the view that recycling of capital and being pretty active in terms of those businesses is the way forward?

Nancy Southern

Yes. Especially in that business. It’s a very easy entry business. And you know when times are great and there’s a resource boom on, every mom-and-pop shop can build a trailer. It’s a very easy business to get into.
And it’s not a … it’s not an easy business to sustain. So that’s why I’m really positive about the permanent modular side that should give us bread and butter to ride out the more extreme cycles.

The other thing that we’re starting to see is greater activity on the base business, so the rental fleet. Certainly Eastern Canada and the Eastern Seaboard in Australia is we’ve seen 11 percent utilization growth this year over the end of 2016, and that’s a really good signal that we’ve got some areas of the geographies that we’re in that are strengthening; more activity.

But I think it’s very important for us to be on our toes about listening to the signals we get from that business and addressing them as soon as possible. We’re never going to be perfect on the timing. There’s going to be a little bit of a lag. Maybe the China-US war slows down copper demand. We’ve seen copper prices come off just recently, but there’s a tremendous amount of expansion close to FID in the area right now with some of our Canadian miners and the Codelcos of the world. So I feel good about it.

**Sue McNamara** — Beutel Goodman & Company

Just on the sale of your power business, if you were successful in doing that, are there any areas in the business that you are specifically looking that you’d like to restructure those funds into? And secondly, does it kind of sour your opinion on Alberta in the power market? Or is it more just the matureness of your assets? Would you still look at pursuing Slave Lake if there was ever an opportunity that came back there or anything like that?
Nancy Southern

I’m going to tell you that Dennis and Sieg have different ideas about if we sold it and got cash.

Siegfried Kiefer

I would not look at this strategic review as ATCO exiting the generation business. I would view or characterize the transaction more as an appropriate time to recycle the capital in that business. And we talked earlier about people with significantly lower cost of capital or access to lower-cost capital than we have.

And in some of these long-term contracted-type assets, there is in my mind emerging an appropriate strategy around once we have de-risked, commissioned, put a facility in place that has a long-term contract, at some point in that contract it’s appropriate for us to perhaps extract that capital and repeat that cycle of development investment.

And so I would I call it a recycling of capital. And we remain keenly interested in long-term assets like hydro, but as I have shown you that pancaking chart of regulations, any project with environmental impacts, which probably is all projects, are facing a higher and higher hurdle in Canada to proceed.

Myles Dougan

Just one question before I go to the back here. This one’s for Dennis. How much debt does Neltume Ports have? I think you talked about sources and uses. And net after the transaction, how much debt would Neltume Ports have?
Dennis DeChamplain

After the transaction, Neltume at the holding company level would have no debt. There is debt at the individual ports. That debt is typically project-financed, but consistent with the conservative nature of ATCO and the alignment of values with Ultramar, that is a relatively low leverage business.

Ben Pham — BMO Capital Markets

Hi. Couple questions for me. On the power side, Canadian, are you also looking to sell the development portfolio, the hydro, maybe some of the wind stuff in there? And then when you think about value creation, are you thinking about the post-contract cash flows that could be generated perhaps in more of a declining cash flow profile? Or are you just simply looking at this year’s contracted cash flows?

Dennis DeChamplain

In terms of the mix of assets, it’s generally the Canadian generating assets which are dominantly Alberta-based. And it’s generally our thermal fleet. And so we won’t be looking to get out of our renewable assets like Old Man Hydro and those types of assets. We look at it as a business that in that fleet a good portion of it is today still contracted, and so it has a stable income stream associated with it that frankly makes it quite attractive in the marketplace. But over time, it will come up for renewal or expiry of those contracts.

And as I said, the Alberta marketplace is changing to a capacity market design. We’re a few years away from seeing what that capacity design yields in terms of actual contract value. But for the
most part, the existing fleet will be in a very competitive position, particularly for the short-term capacity auctions for the next period of time. So there will be ability to take the uncontracted portions of the fleet and fit it into that market, I think, quite competitively.

**Ben Pham**

Okay. And then my second question, you had a couple slides on strategic focus, infrastructure, that wheel with different asset classes. I’m more curious perhaps if you can talk about what maybe other infrastructure assets that you could be looking at right now outside of what you own today? And also geographically, is there any other geographies that you are looking at that you’re not in today?

**Nancy Southern**

The global sectors that I spoke about, we have a good team, a really good team that is always keeping a lookout. They’ve become really very professional and experienced in assessing the targets and criteria, but I think it’s very important for us in ATCO and Canadian Utilities to make sure that we fully digest and integrate a new investment.

We’re a pretty lean team. And if we add too much at one time, that would be a real stretch for us. As we talk about these very exciting investments and reviews that we’re doing to look at the power generation or Alberta PowerLine, we’re also in the midst of retooling all of our businesses. As you well know, technology is changing the way we do business, and our utilities have to stay up to date.
And that’s requiring a lot of brain power, and it will require more ongoing capital investment to keep the utilities timely and meaningful to our customers. Otherwise, we’ll see a demand shift, just like big block retail stores and people going to Amazon. The utilities, there’s a lot of options out there.

And so internally, we are spending a lot of time and money on making very dynamic and relevant our services to our customers, which I believe will hold us in good stead. And hopefully in the future that will be a competitive advantage when we’re looking at other targets as well that we can bring real-time management, tri-gen, and hydrogen and the entire Internet of Things, sensors that will have a complete industrial-like system in a home. Those are often the future, but those are things that are going on as we speak within the companies, both on the housing side and the utility side.

So it’s not just about going out and finding a new opportunity; it’s about making sure that you keep your existing businesses relevant, profitable, and growing themselves. And of course, the greatest value comes from greenfields growth.

**Ben Pham**

Can I ask about telecommunications? Is that something that fits into the infrastructure realm? Have you looked at that? Or interested in that?

**Nancy Southern**

Yeah. Telecommunications is actually an operation that we do within our own utilities. And we’ve actually taken those skill sets—we have I think the longest-standing nonmilitary NATO contract in Bosnia providing telecommunications.
But did you want to talk about the infrastructure?

**Siegfried Kiefer**

As regions and particularly regions that we operate in today move to the new ... the 5G and those types of standards, we have assets that are complementary to many of those new installations, existing poles and infrastructure.

We have looked at times to the telecommunication industry whether it presents an opportunity for us. At the moment, the market is quite integrated with content providers kind of owning networks. In some parts of the world that is changing where they are separating out into a utility-like structure the telecommunications, the carrier, if you will, from the content providers to level the playing field and to get to less costly infrastructure associated with the pure transport of the data.

But we’ll continue to look at it. We operate a large—I think we’ve got the third-largest telecommunications network in Alberta just to operate our facilities. And so there are some regulatory complications. The CRTC is the not the easiest body to deal with in terms of carrying other people’s data on our fibre, if you will, but it’s an area that we stay close to.

**Ben Pham**

And sorry, can I ask one more, just in case the next Investor Day is ten years from now and I want to make sure I get all my questions I want to ask.
Robert’s question about structure, maybe for my own interest, can you talk about maybe the benefits of having two publicly traded securities now it’s set? And then maybe some of the impediments you see in terms of consolidating those two vehicles?

Nancy Southern

Well, first of all, there’s no intent to consolidate. And the second benefit ... secondly, the benefit is flexibility. That’s the primary benefit. And while you don’t see it today, and for sure Canadian Utilities is the predominant business in ATCO and rightly so—and we’re very, very proud of Canadian Utilities—both companies have a purpose and they’re very different purposes.

And the strategy for ATCO is to be a holding company of sterling investments, and the strategy for Canadian Utilities is to grow energy infrastructure. So I don’t see—so that’s my answer.

Myles Dougan

Another question from the webcast on ATCO investments in the commercial real estate business. Is there a timeline for development of that real estate? And what types of development? Would it be sales or the leasing that you referred to, Nancy?

Nancy Southern

Well, I think we’re really looking at the real estate business as complementary to the existing businesses. So when I talked about permanent modular space, we have some very key locations in our properties that could support apartment buildings, seniors housing, hotels, here and in the US and in Australia. And it’s really a matter of sustainability.
What we want to see is that we develop enough of the properties to make sure that we’ve got stable lease income from those properties. And then have, sorry, have some nice properties on the shelf that on occasion when the price is right we may take the opportunity to sell.

If we looked at the whole real estate portfolio, we could extract tremendous value out of it today, but quite frankly we think we’ll get a lot more value in the future out of it.

Mark, I think—sorry, go ahead.

Mark Jarvi

I think it’s interesting and positive that ATCO has shown the ability to both buy and sell assets at different parts in the cycle. I mean, obviously the Structure sale, I think it was quite sensible. I’m just curious to understand how you think about it at a very sort of big-picture level with every asset you have. And I’m just going to cite two small examples.

I mean, we’ve seen two interesting family-controlled companies in Canada here, Thomson Reuters selling off one of their largest divisions to a private equity firm, and you’ve seen some interesting things coming from the Weston family repurposing their—not to speak specifically about real estate—but they’re adding a leg of stability in there. And so I’m just sort of thinking, my question to the team is how far are you willing to go with recycling capital? I mean, is it conceivable to say that every asset is potentially on the table for reviewing if it’s a very deep-pocked investor? I’m thinking of AltaLink. When that AltaLink transaction happened with Berkshire Hathaway, I think we all just said, holy smokes. So I’m just trying to explore that notion a bit more.
Nancy Southern

When you think about long-term sustainable growth, I’m not talking and Dennis isn’t talking and Siegfried isn’t talking five years or ten years; we’re talking generations. And we have a commitment to our companies for generations. That’s not to say that one business might not be relevant or we’re not good at it, or somebody else would be better at it. But our businesses are here for the long term, and they’re not for sale.

Pieces may be for sale. Opportunities may arise that allow us to sell portions because of the strategic partnership, much like we’ve acquired in the Neltume Ports. But ATCO and CU are not for sale.

Myles Dougan

One more question from the webcast. It’s a shameless plug, really. It says it’s nice to hear from management; are you planning on doing Investor Days annually from this point on?

Nancy Southern

Is that your question?

Myles Dougan

The name wasn’t Myles Dougan on that webcast question.

Nancy Southern

Poor Myles. He’s always pulling teeth with us. Do you want to see us more often? Or do you care? You do want to see us more often.
Audience Member

Yes.

Nancy Southern


Audience Members

Communication.

Nancy Southern

There’s a—here, Myles.

Manash Goswami — First Asset Investment Management

Just with Neltume, you talked about 300 million for future growth project. Could you give a sense of when that’s going to be deployed? Or kind of the cadence of maybe that spend?

Siegfried Kiefer

The Neltume, like any business, has a lead list of opportunities that they’re in pursuit of currently. These are long lead time-type opportunities. And as you can appreciate, ports aren’t built every day and so ... and they don’t come for sale very often either. So that timeline’s not predetermined in terms of it’ll be spent in a couple of years.

I think certainly if all of their opportunities were to come to fruition, we would probably well within kind of a four- or five-year time period have invested that money. And so it’d be subject to the opportunities closing.
Manash Goswami

And if a bigger opportunity came up, you guys would have a say sort of in terms of a call for capital or anything going forward, I imagine?

Siegfried Kiefer

Absolutely.

Manash Goswami

And just one question on the real estate portfolio. Just generally, what sort of vacancy rates would you guys have within your office and industrial portfolio?

Nancy Southern

Well, luckily we don’t have many offices, especially in Calgary. That vacancy rate’s still very high. We’ve just finished the development of a new park that’s fully occupied. And we’re starting to see some of the older buildings starting to come back, but I think we’re still … I think we’re seeing about 35 percent, 30 percent, much like the other offices.

The good news is we have no debt attached to those. They’re fully paid down. That’s kind of a common theme in our business, right?

Dennis DeChamplain

Maybe just going back to the previous questions, would you like to see more of us and why? For communications. I mean, in the year and a half I’ve been CFO, Myles has dragged me out, or Myles and I have gone out on numerous occasions. And the feedback that we’ve gotten from people is that
it is appreciated. More information is better, particularly with the kind of the strategic long-term view items that Nancy and Sieg are much better equipped than myself at communicating and relaying.

I haven’t heard anything different from what I’ve messaged, in the past number of quarters, so I think that’s a good thing. But everyone’s time is extremely valuable and limited, but we are doing our best to get out to you guys as much as we can.

**Dominique Barker** — CIBC Asset Management

It’s—over here. Dominique Barker, CIBC Asset Management. And actually wanted to—I’d be remiss just to not to comment on you coming out annually. I don’t think annually is required at all. But I think every three to four years, I think, is appropriate.

**Nancy Southern**

God willing. Fair enough. And it’s not that ... it’s not a comment in anyway on coming out and talking about our companies. I love our companies. Siegfried does. Dennis does. And I think you can tell that we love what we do. And we enjoy talking about it. And I’m encouraged to hear that you do think it’s worthwhile. So we will undertake to do more.

**Myles Dougan**

One more from the webcast. Is the Canadian economy in such a poor state that companies are getting out of Canada? What do you see in the future that can bring investment back to Canada?

**Nancy Southern**

That’s a hot potato, isn’t it? I think tax reform. If we are not competitive, especially compared to our neighbours next door in the United States in terms of the tax environment, so fiscal
policy. NAFTA is very important. And access to markets, Tidewater. We can build all the roads and infrastructure within our country, but we have to be able to take our products to market. We’re a small country. And if we want to grow to any scale, we need to access global markets, whether it’s a manufacturing business here in Ontario or in Quebec or the eastern provinces or in western provinces.

And the other thing, I think, that we need to do is bring what Siegfried talked about, far greater certainty to our regulatory framework because right now a lot of companies feel that the goalposts continue to be moved. And there is a regulatory fatigue. It doesn’t matter whether it’s with who you’re consulting or how you’re consulting, it costs extraordinary amounts of money and then not to have certainty at the end of the day.

So I think those things I would encourage all of our governments, provincially, municipally, and federally, to come up with certainty for future investments, an improved fiscal regime in terms of tax policy, and access to global markets through Tidewater. Thank you.

Can we go off-camera now and just have a talk here? No, I’m just teasing.

**Myles Dougan**

Are there any further questions in the room?

**Sam Baldwin** – Guardian Capital

Hi. Thanks. Can you talk a bit about the interaction between regulators at the provincial level and government, particularly with respect to the utilities? And would there be the potential for if there were a change, for example, in Alberta, would there be potential for a different tone coming
out of the regulators that may be more able to provide more certainty for aspects of your business regarding regulation and how the regulator might act? Maybe just talk a bit about that. Because we’re at the, I guess, the lowest equity thickness in the continent and the lowest ROE. These type of things build on one another, and then you get the certainty aspects of what you’re touching on there. And so to what degree is there a potential for a positive rate of change if certain aspects were to—

**Nancy Southern**

Well, Sieg is best to answer that. But I will say, I feel just as bad for the regulators because they’re not making the policy changes, they’re not making the legislative changes, and they’re having to cope just as much as we are with constant change, so.

**Siegfried Kiefer**

Yeah. I mean, I think regulators tend to move in a pack. And I would agree your point that in Alberta we’ve been probably seeing the most aggressive, if you will, movements with respect to low equity thickness and returns generally, or at least in my tenure.

And Dennis can talk eloquently about the generic cost of capital proceedings. And a move to a formula, I think, would be just that. It removes the discretion, if you will, from the regulator. They’re looking for an easier way to look at these things because they don’t like the uncertainty. They themselves, I think, are uncomfortable with the arguments around what is the right returns and thickness to provide regulated companies in a monopoly situation.
Very conflicting signals in the marketplace when you look at the premiums being paid for regulated assets around the world. The imputed returns are significantly lower than the approved return rates, and that’s what keeps them wanting to try to chase the numbers down.

When it comes to, I’m going to call it, all the other regulations and legislation that’s going on in the country. I mean Bill 68 and Bill 69 and the clean fuel standards and the huge environmental and Aboriginal push that has come with a stack of new regulations in Canada, we are for the first time in my working career we’re driving a direction that is dramatically different than what we’re seeing with our major trading partner in the US. And be it tax policy, be it environmental, in the US you’re seeing a streamlining of regulation; you’re seeing a reduction in the red tape to do business there. And their economic growth is, I think, reflecting that.

I think Canada needs to be cognizant that capital will flow to where it’s most certain and most attractive to be, and we’ve seen dramatic declines in foreign direct investment in our country. We’ve seen dramatic declines in Canadian domestic investment in property, plant, and equipment. And that’s a direct reflection of the uncertainty associated with getting approvals and getting your assets installed.

So I agree wholeheartedly with Nancy’s comments around what we need to do about that is we need to provide that certainty. We need to get through this desired change, and we need to get through it in a balanced way. We’ve introduced Bill 68, which is the Fisheries Act that has no economic ... no mention of the economics of what you’re undertaking. And so it’s—by default you read it you’re
going to protect fish habitat at all costs. And clearly, that’s not the kind of balance that we need, not
the kind of balance that regulators can bring to things.

And that’s why you have regulators. They need to take into account a number of factors
when they make a ruling, and some of the legislation is removing that discretion.

Dennis DeChamplain

And just to pile on, what we’ve seen in Alberta is some of the interveners there, their mantra
was lowest possible costs, which is kind of at odds with the just and reasonable rates. Like I can get it
for you cheaper today, but it may cost longer—it may cost more long term. And we’re seeing that in
some of these, I’ll call them, proposed proceedings that the Alberta Utilities Commissions has, such
as the electric transmission utilization. Well, why do we need to build it today when I don’t need it
until tomorrow? Well, it’s overall long-term lowest cost.

So that seemingly has caught a little bit of traction with the Alberta Utilities Commission in
signalling that they’re going to launch some of these proceedings, so we’re very concerned about
that.

With respect to generic cost of capital, a formula, if it’s bang on, is fantastic. But with the
last formula that we had, it didn’t track spreads. It may have tracked the bond rates, but it didn’t track
the spreads. So we saw a disconnect. So if you get it right, it’s fantastic. But there always seem to be
some extenuating circumstances, or something comes up where we would like to preserve that right
to argue our case in light of the current regime.
So we’ll need to see where it goes, but kind of just referring back to that lowest possible cost mantra that seems to have found its way into Alberta’s lexicon, so.

Nancy Southern

And I don’t think any of us are saying that we shouldn’t have very prudent and stringent environmental policy. I agree with that. I also highly respect the constitutional rights of the Indigenous people of Canada. That Alberta PowerLine, it was a linear project; we had 26 nations that we, including Metis, that we had to—wanted to consult with. And those nations directly in line with the right of way, we didn’t have any problems. We had a few differences. But that line and that right of way was agreed to; it’s moved on. Our commitment to them was to have ownership in it after commissioning. They believe in us. We have trust.

So I’m not saying that that’s the case in every project. I feel very proud of how we’ve managed and run our projects. I feel very proud that I was given an honorary chieftainship because we do have trust, and I believe in our company. We have a very good understanding of the hardships.

Those are all important things, and they’re all part of Canada. But we have to be competitive as well. When you layer tax after tax and change in procedure after change in procedure onto our obligations and responsibilities to be good Canadian citizens, corporate citizens, then we’re losing ground.
Myles Dougan

I have another question from the webcast. I think it’s fair to say we have nearly 7,000 employees worldwide and several of them—I’m not sure of the numbers—and some of them are watching now, and I think this is an employee question.

We’ve lowered our O&M costs considerably, and some of that has been from employee downsizing. What are we doing to ensure the safety and reliability of our assets is being continued as we go through this process on our O&M restructuring?

Siegfried Kiefer

Our tenets around safe and reliable operations have not changed in our drive for efficiency. In fact, our tension is heightened. And in fact, I think our safety performance has improved over this same period of time. And so efficiency does not mean a downgrade in the safety of your work environment.

In fact, in many cases it’s an improvement because you are more aware of what’s going on; your work’s more orderly and scheduled more effectively, so you’re not rushing around haphazardly. So our attention and our safety programs remain intact. We have not downsized or reduced our efforts with respect to running a safe operation that is safe for our customers, for our communities, and for our employees.

Nancy Southern

When you have to reposition the Company and you’re looking at efficiencies, letting people go is the hardest aspect of my job or your job or Dennis’ job. It’s the hardest thing to do in business.
And it breaks my heart. But we have to be—I just finished talking a lot about competition. And we do have to be competitive. And we do have ... we have changing expectations from our customers, the ratepayers, and the regulators. And unfortunately, but actually fortunately, there is technology that is allowing us to perform many of the same functions with less people and more accurately. And if we don’t stay current, if we don’t continuously strive to improve, just like the country, we’ll end up losing ground.

It’s important for all of us. And I firmly believe that, as hard as it is. It does break my heart to lay people off. Many of them are terrific, terrific people that have been with our company for years, decades, and have done an extraordinary job.

Our shareowners and our customers expect us to be the very best that we can be. And part of that is being competitive and efficient and continually striving to improve that.

**Myles Dougan**

We’re nearing the end of our designated time, but I want to make sure if there’s a question in the room, while we’re here, that you have an opportunity to ask it. Otherwise, I’ve got one more from the webcast as our last question.

Any more questions in the room? Okay. Last question.

What are the succession plans for Nancy and Siegfried?

**Nancy Southern**

We’re going to live forever. No, in all seriousness we have a very active—we call it GOCOM, so Governance, Nomination, and Succession Committee for both ATCO and Canadian Utilities. We’re
constantly reviewing expertise, skill sets, high potentials, and have well-developed career development plans for succession within the companies.

And I don’t like this question because I still feel very young. Right, Sieg?

Siegfried Kiefer

That’s right.

Nancy Southern

He has to say that. Siegfried’s taking on a much bigger role this year as President of both of the companies. Dennis is brand new in his job almost—well, a year and a half. Year young? And you’re young.

But if the question is about my succession and where principal control lies, we have a very well developed plan to maintain principal control. And we have a terrific roster of future leaders within the Company now. And we have within the family begun a decade, more than a decade ago a very strong governance education program. So I feel very comfortable that we’ve got good succession plans at all levels of the organization.

Good. Thank you all very, very much. I really do appreciate you taking the time. And I recognize it was a short notice. And I’ll commit to you that we will undertake far more communication so that you have more access to myself and Sieg, and Dennis and the managers in our businesses.

I think it would be nice for you to meet the managing directors of the businesses next time. And George Lidgett and Wayne Stensby and Adam Beattie, I think they can give you a real sense and
flavour of how their actual operations are going. So that’s probably where we’ll go in the not too distant future, okay?

Thanks very, very much.

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