



**REPORT ON THE ACTUARIAL VALUATION
FOR FUNDING PURPOSES AS AT
DECEMBER 31, 2012
RETIREMENT PLAN FOR EMPLOYEES OF
CANADIAN UTILITIES LIMITED AND
PARTICIPATING COMPANIES – PLAN 2**

JULY 2013

Office of the Superintendent of Financial Institutions Registration Number: 56344
Canada Revenue Agency Registration Number: 0955138

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future and other factors.

The valuation results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes and the results are sensitive to all the assumptions used in the valuation.

Should the plan be wound up, the going concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the plan assuming it is wound up on the valuation date. Emerging experience will affect the wind-up financial position of the plan assuming it is wound up in the future. In fact, even if the plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the *Pension Benefits Standards Act*, the *Income Tax Act* and related regulations that are effective as of the valuation date. Mercer is not engaged in the practice of law or tax advice. This report does not constitute and is not a substitute for legal advice.

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Summary of Results

	31.12.2012	31.12.2011
Going Concern Financial Status		
Market / Smoothed value of assets	\$31,843,600	\$29,540,500
Going concern funding target	\$36,073,600	\$37,908,900
Funding excess (shortfall)	(\$4,230,000)	(\$8,368,400)
Hypothetical Wind-up Financial Position		
Wind-up assets	\$31,643,600	\$29,550,200
Wind-up liability	\$37,725,500	\$33,571,200
Wind-up excess (shortfall)	(\$6,081,900)	(\$4,021,000)
Funding Requirements in the Year Following the Valuation ¹		
Total current service cost	\$728,100	\$886,800
Estimated members' required contributions	(\$46,000)	(\$52,000)
Estimated employer's current service cost	\$682,100	\$834,800
Expense allowance	\$60,000	\$60,000
Total	\$742,100	\$894,800
Employer's current service cost as a percentage of members' pensionable earnings	30.31%	32.79%
Minimum special payments	\$469,100	\$877,680
Estimated minimum employer contribution	\$1,211,200	\$1,772,500
Estimated maximum eligible employer contribution	\$6,824,000	\$9,263,200
Next required valuation date	31.12.2013	31.12.2012

¹ Provided for reference purposes only. Contributions must be remitted to the Plan in accordance with the Minimum Funding Requirements and Maximum Eligible Contributions sections of this report.

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Introduction

To The Management Pension Committee of Canadian Utilities Limited

At your request, we have conducted an actuarial valuation of the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies - Plan 2 (the "Plan"), sponsored by Canadian Utilities Ltd. (the "Company"), as at the valuation date, December 31, 2012. We are pleased to present the results of the valuation.

Purpose

The purpose of this valuation is to determine:

- The funded status of the plan as at December 31, 2012 on going concern, hypothetical wind-up and solvency basis;
- The minimum required funding contributions from 2013, in accordance with the *Pensions Benefits Standards Act, 1985* (the "Act"); and
- The maximum permissible funding contributions from 2013, in accordance with the *Income Tax Act*.

The information contained in this report was prepared for the internal use of the Company and for filing with the Office of the Superintendent of Financial Institutions ("OSFI") and with the Canada Revenue Agency, in connection with our actuarial valuation of the Plan. This report will be filed with the OSFI and with the Canada Revenue Agency. This report is not intended or suitable for any other purpose.

In accordance with pension benefits legislation, the next actuarial valuation of the Plan will be required as at a date not later than December 31, 2013, or as at the date of an earlier amendment to the Plan.

Terms of Engagement

In accordance with our terms of engagement with the Company, our actuarial valuation of the Plan is based on the following material terms:

- It has been prepared in accordance with applicable pension legislation and actuarial standards of practice in Canada.
- As instructed by the Company, we have reflected a margin for adverse deviations in our going concern valuation by reducing the going concern discount rate by 2.1% per year after January 1, 2020.
- We have reflected the Company decisions for determining the solvency funding requirements. Specifically, the same plan wind-up scenario was hypothesized for both hypothetical wind-up and solvency valuations.

See the Valuation Results – Solvency section of the report for more information.

Events since the Last Valuation at December 31, 2011

Pension Plan

There have been no special events since the last valuation date.

This valuation reflects the provisions of the Plan as at December 31, 2012. The Plan has not been amended since the date of the previous valuation, and we are not aware of any pending definitive or virtually definitive amendments coming into effect during the period covered by this report. The Plan provisions are summarized in Appendix F.

Assumptions

We have used the same going concern valuation assumptions and methods as were used for the previous valuation, except for the following:

	Current valuation	Previous valuation
Discount rate:	6.10% initially, then 4.00% starting in 2020	6.10% initially, then 3.30% starting in 2020
Indexing rate:	1.85%	2.00%
Pensionable earnings increases:	3.25% plus merit & promotion	3.75% until 2012, 3.25% thereafter, plus merit and promotion
Termination rates:	No termination	100% of Plan experience 1983 through 1985
Asset valuation method:	Market	Smoothed

The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions at the valuation date.

A summary of the going concern methods and assumptions is provided in Appendix C. A summary of the hypothetical wind-up and solvency methods and assumptions is provided in Appendix D.

Regulatory Environment and Actuarial Standards

There have been no changes to the *Pension Benefits Standards Act* (the “Act”) or the relevant regulations which impact the funding of the Plan.

Subsequent Events

After checking with representatives of the Company, to the best of our knowledge there have been no events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation. Our valuation reflects the financial position of the Plan as of the valuation date and does not take into account any experience after the valuation date.

Impact of Case Law

This report has been prepared on the assumption that all of the assets in the pension fund are available to meet all of the claims on the Plan. We are not in a position to assess the impact that the Ontario Court of Appeal's decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* or similar decisions in other jurisdictions might have on the validity of this assumption.

We have assumed that all the Plan's assets are available to cover the Plan's liabilities presented in this report.

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Valuation Results – Going Concern

Financial Status

A going concern valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely.

The results of the current valuation, compared with those from the previous valuation, are summarized as follows:

	12.31.2012	12.31.2011
Assets		
Market value of assets	\$32,958,400	\$30,993,600
In-transit amount	(\$1,114,800)	(\$1,393,400)
Asset smoothing adjustment	\$0	(\$59,700)
Smoothed value of assets	\$31,843,600	\$29,540,500
Going concern funding target		
• Active members	\$20,288,900	\$25,820,900
• Pensioners and survivors	\$15,360,800	\$11,632,100
• Deferred pensioners	\$423,900	\$455,900
Total	\$36,073,600	\$37,908,900
Funding excess (shortfall)	(\$4,230,000)	(\$8,368,400)

Reconciliation of Financial Status

Funding excess (shortfall) as at previous valuation		(\$8,368,400)
Interest on funding excess (funding shortfall) at 6.10% per year		(\$510,500)
Employer's special payments, with interest		\$906,200
Expected funding excess (funding shortfall)		(\$7,972,700)
Net experience gains (losses)		
• Net Investment return	\$595,300	
• Increases in pensionable earnings	(\$79,500)	
• Increase in YMPE	(\$4,900)	
• Increase in maximum pension	\$12,900	
• Indexation	\$107,200	
• Mortality	(\$11,300)	
• Retirement	\$152,100	
• Termination	(\$69,300)	
• Net inter-plan transfers	(\$16,100)	
Total experience gains (losses)		\$686,400
Impact of changes in assumptions		
• Discount rate	\$2,629,100	
• Indexation rate	\$763,600	
• Termination decrement	(\$162,700)	
Total assumption changes impact		\$3,230,000
Impact of change in asset valuation method		\$175,800
Net impact of other elements of gains and losses		(\$349,500)
Funding excess (shortfall) as at current valuation		(\$4,230,000)

Current Service Cost

The current service cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely.

The current service cost during the year following the valuation date compared with the corresponding value determined in the previous valuation, is as follows:

	2013	2012
Total current service cost	\$728,100	\$886,800
Estimated members' required contributions	(\$46,000)	(\$52,000)
Estimated employer's current service cost	\$682,100	\$834,800
Expense allowance	\$60,000	\$60,000
Total	\$742,100	\$894,800
Employee's current service cost expressed as a percentage of members' pensionable earnings.	1.97%	1.91%
Employer's current service cost expressed as a percentage of members' pensionable earnings.	30.31%	32.79%
Total current service cost expressed as a percentage of members' pensionable earnings.	32.28%	34.70%

The key factors that have caused a change in the employer's current service cost since the previous valuation are summarized in the following table:

Employer's current service cost as at previous valuation	32.79%
Demographic changes	1.02%
Assumption changes	(3.50%)
Employer's current service cost as at current valuation	30.31%

Discount Rate Sensitivity

The following table summarizes the effect on the going concern funding target shown in this report of using a discount rate which is 1.00% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Going concern funding target	\$36,073,600	\$42,456,600
Current service cost		
• Total current service cost	\$728,100	\$895,700
• Estimated members' required contributions	(\$46,000)	(\$46,000)
• Estimated employer's current service cost	\$682,100	\$849,700
• Expense allowance	\$60,000	\$60,000
Total	\$742,100	\$909,700

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Valuation Results – Hypothetical Wind-up

Financial Position

When conducting a hypothetical wind-up valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities assuming the Plan is wound up and settled on the valuation date, assuming benefits are settled in accordance with the Act and under circumstances producing the maximum wind-up liabilities on the valuation date.

The hypothetical wind-up financial position as of the valuation date, compared with that at the previous valuation, is as follows:

	12.31.2012	12.31.2011
Assets		
Market value of assets	\$32,958,400	\$30,993,600
In transit amount	(\$1,114,800)	(\$1,393,400)
Termination expense provision	(\$200,000)	(\$50,000)
Wind-up assets	\$31,643,600	\$29,550,200
Present value of accrued benefits for:		
• active members	\$16,505,000	\$19,322,500
• pensioners and survivors	\$20,599,300	\$13,684,600
• deferred pensioners	\$621,200	\$564,100
Total wind-up liability	\$37,725,500	\$33,571,200
Wind-up excess (shortfall)	(\$6,081,900)	(\$4,021,000)

Wind-up Incremental Cost to December 31, 2013

The wind-up incremental cost is an estimate of the present value of the projected change in the hypothetical wind-up liabilities from the valuation date until the next scheduled valuation date, adjusted for the benefit payments expected to be made in that period.

The hypothetical wind-up incremental cost determined in this valuation, compared with the corresponding value determined in the previous valuation, is as follows:

	12.31.2012	12.31.2011
Number of years covered by report	1 year	1 year
Total hypothetical wind-up liabilities at the valuation date (A)	\$37,725,500	\$33,571,200
Present value of projected hypothetical wind-up liability at the next required valuation plus benefit payments until the next required valuation (B)	<u>\$39,996,900</u>	<u>\$35,823,600</u>
Hypothetical wind-up incremental cost (B – A)	\$2,271,400	\$2,252,400

The incremental cost is not an appropriate measure of the contributions that would be required to maintain the financial position of the Plan on a hypothetical wind-up basis unchanged from the valuation date and the next required valuation date, if actual experience is exactly in accordance with the going concern valuation assumptions. This is because it does not reflect the fact that the expected return on plan assets (based on the going concern assumptions) is greater than the discount rate used to determine the hypothetical wind-up liabilities.

Discount Rate Sensitivity

The following table summarizes the effect on the hypothetical wind-up liabilities shown in this report of using a discount rate which is 1.00% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Total hypothetical wind-up liability	\$37,725,500	\$43,794,300

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Valuation Results – Solvency

Overview

The Act also requires the financial position of the Plan to be determined on a solvency basis. The financial position on a solvency basis is determined in a similar manner to the Hypothetical Wind-up Basis, except for the following:

Exceptions	Reflected in valuation based on the terms of engagement
The circumstance under which the Plan is assumed to be wound up could differ for the solvency and hypothetical wind-up valuations.	The same circumstances were assumed for the solvency valuation as were assumed for the hypothetical wind-up valuation.
The benefit rate increases coming into effect after the valuation date can be reflected in the solvency valuation.	Not applicable.

Under the Federal pension legislation, the minimum funding requirements on a solvency basis are based on an alternative solvency basis under which the solvency deficiency and the resulting solvency special payments are based on an average solvency ratio determined over three years (current year plus the previous two) subject to prescribed adjustments. The determination of the solvency deficiency on that basis is detailed in Appendix A. The unadjusted solvency deficiency at the current valuation is presented below.

Financial Position

The financial position on a solvency basis is the same as the financial position on the Hypothetical Wind-up Basis shown in the previous section. The solvency ratio is 83.9% compared to 88.0% at the previous valuation.

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Minimum Funding Requirements

The Act prescribes the minimum contributions that Canadian Utilities Ltd. must make to the Plan. The minimum contributions in respect of a defined benefit component of a pension plan are comprised of going concern current service cost and special payments to fund any going concern or solvency shortfalls.

On the basis of the assumptions and methods described in this report, the rule for determining the minimum required employer monthly contributions, as well as an estimate of the employer contributions, from the valuation date until the next required valuation are as follows:

Employer's contribution rule			Estimated employer's contributions	
Period beginning	Monthly current service cost ²	Minimum monthly special payments	Monthly current service cost including expense allowance	Total minimum monthly contributions
December 31,2012	30.31%	\$39,090	\$61,842	\$100,932

The estimated contribution amounts above are based on projected members' pensionable earnings. If current service cost contributions are based on a percentage of members' pensionable earnings, then the actual employer's current service cost will be different from the above estimates and, as such, the contribution requirements should be monitored closely to ensure contributions are made in accordance with the Act.

Alternatively, as the Plan is closed to new employees and therefore the active membership is declining, it would be acceptable to contribute the above dollar amount of total minimum monthly contributions to the Plan.

The development of the minimum special payments is summarized in Appendix A.

Other Considerations

Differences between Valuation Basis

There is no provision in the minimum funding requirements to fund the difference between the hypothetical wind-up and solvency shortfalls, if any.

In addition, although minimum funding requirements do include a requirement to fund the going concern current service cost, there is no requirement to fund the expected growth in the

² Expressed as a percentage of members' pensionable earnings capped at \$150,164 per member.

hypothetical wind-up or solvency liability after the valuation date, which could be greater than the going concern current service cost.

Timing of Contributions

Required contributions must be remitted monthly, not later than 30 days after the end of the period to which they apply.

Retroactive Contributions

The Company must contribute the excess, if any, of the minimum contribution recommended in this report over contributions actually made in respect of the period following the valuation date. This contribution is due immediately following the date this report is filed.

Any over contributions made prior to filing this report may be used to reduce the otherwise required contributions to be made following the filing of this report.

Payment of Benefits

The Act imposes certain restrictions on the payment of lump sums from the Plan when the solvency ratio revealed in an actuarial valuation is less than one. If the solvency ratio shown in this report is less than one, the plan administrator should ensure that the monthly special payments are sufficient to meet the requirements of the Act to allow for the full payment of benefits, and otherwise should take the prescribed actions.

Specifically, based on the Directives of the Superintendent of Financial Institutions pursuant to the Act, transfers out of the Plan may be made in full provided an amount equal to the transfer deficiency has been remitted to the pension fund in addition to the minimum special payments.

However, transfer deficiencies that are less than 5% of the Year's Maximum Pensionable Earnings ("YMPE") under the Canada/Quebec Pension Plan can be paid in full until such time as the sum of all such transfer deficiencies paid since the date of the last actuarial valuation exceed 5% of the market value of the Plan assets at that date, at which time, this exemption no longer applies.

As such, the administrator should monitor the solvency ratio of the Plan and, if necessary, take the prescribed actions.

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Maximum Eligible Contributions

The *Income Tax Act* (the “ITA”) limits the amount of employer contributions that can be remitted to the defined benefit component of a registered pension plan. However, notwithstanding the limit imposed by the ITA, for plans which are not ‘Designated’ as defined in the ITA, in general, the minimum required contributions under the Act can be remitted.

In accordance with Section 147.2 of the ITA and *Income Tax Regulation* 8516, for a plan which is underfunded on either a going concern or on a hypothetical wind-up basis the maximum permitted contributions are equal to the employer’s current service cost, including the explicit expense allowance if applicable, plus the greater of the going concern funding shortfall and hypothetical wind-up shortfall.

For a plan which is fully funded on both going concern and hypothetical wind-up basis, the employer can remit a contribution equal to the employer’s current service cost, including the explicit expense allowance if applicable, as long as the surplus in the plan does not exceed a prescribed threshold. Specifically, in accordance with Section 147.2 of the ITA, for a plan which is fully funded on both going concern and hypothetical wind-up basis, the plan may not retain its registered status if the employer makes a contribution while the going concern funding excess exceeds 25% of the going concern funding target.

Schedule of Maximum Contributions

The Company is permitted to fully fund the greater of the going concern and hypothetical wind-up shortfalls; \$6,081,900, as well as make current service cost contributions. The portion of this contribution representing the payment of the going concern funding shortfall can be increased with interest at 6.10% per year from the valuation date to the date the payment is made, and must be reduced by the amount of any deficit funding made from the valuation date to the date the payment is made.

Assuming the Company contributes the greater of the going concern and hypothetical wind-up shortfall of \$6,081,900 as of the valuation date, the rule for determining the estimated maximum eligible annual contributions, as well as an estimate of the maximum eligible contributions until the next valuation are as follows:

Year beginning	Employer’s contribution rule		Estimated employer’s contributions
	Monthly current service cost ³	Deficit Funding	Monthly current service cost
December 31, 2012	30.31%	n/a	\$61,842

³ Expressed as a percentage of members’ pensionable earnings capped at \$150,164 per member.

The employer's current service cost in the above table was estimated based on projected members' pensionable earnings. The actual employer's current service cost will be different from these estimates and, as such, the contribution requirements should be monitored closely to ensure compliance with the ITA.

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Actuarial Opinion

In our opinion, for the purposes of the valuations:

- the membership data on which the valuation is based are sufficient and reliable
- the assumptions are appropriate
- the methods employed in the valuation are appropriate

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the *Pensions Benefits Standards Act*, 1985.



Mark Greenwood
FCIA, FIA

July 30, 2013

Date



Richard Dahonick
ASA

July 30, 2013

Date

APPENDIX A

Prescribed Disclosure

Definitions

The Act defines a number of terms as follows:

Defined Term	Description	Result
Going concern excess (deficit)	Amount by which the going concern assets exceed (are below) the going concern liabilities	(\$4,230,000)
Unfunded liability	The amount by which the going concern deficit of a plan determined at the valuation date exceeds the present value of going concern special payments of the plan established in respect of periods after the valuation date	\$0
Going concern special payment	A special payment made in respect of an unfunded liability	\$469,100
Solvency Liabilities	Liabilities that relate to defined benefit provisions and which are determined on the basis that the plan is terminated	\$37,725,500
Solvency Assets	Market value of the assets that relate to the defined benefit provisions of a plan minus the estimated expense of the winding-up of the plan	\$31,643,600
Solvency Ratio	Ratio of the solvency assets to the solvency liabilities, excluding those solvency assets and solvency liabilities that are attributable to benefits that are paid by means of an annuity, other than a revocable annuity, or an insurance contract	0.839
Average Solvency Ratio	Arithmetic average of the solvency ratios at the valuation date, the prior valuation date and the prior second valuation date adjusted as prescribed for special payments, contribution holidays, amendments and transfer of assets	0.984
Adjusted Solvency Asset Amount	Amount determined by multiplying the average solvency ratio by the amount of the solvency liabilities	\$37,113,100
Solvency excess (deficiency)	Amount by which the adjusted solvency asset amount exceeds (is below) the solvency liabilities	(\$612,400)
Solvency special payment	A special payment made in respect of a solvency deficiency	\$0

Timing of Next Required Valuation

In accordance with the Act and the Superintendent's Directives, an actuarial report must be prepared annually except where the solvency ratio disclosed in the most recent actuarial report filed under subsection 12(3) of the Act was 1.20 or greater.

Accordingly, the next valuation of the Plan will be required as of December 31, 2013.

Special Payments Going Concern Basis

The present values, at the current valuation date, of the monthly going concern special payments determined in the previous valuation, are as follows:

Present Value of Going Concern Monthly Special Payments from the Previous Valuation

Type of Deficit	Effective Date	Special Payment	Last Payment	Present Value at the Current Valuation Date
Going concern	December 31, 2006	\$9,510	December 31, 2021	\$797,200
Going concern	December 31, 2009	\$26,430	December 31, 2024	\$2,762,800
Going concern	December 31, 2011	\$37,200	December 31, 2026	\$4,354,200
Total		\$73,140		\$7,914,200

Since the present value of the going concern special payments, \$7,914,200, exceeds the going concern deficit at the valuation date, \$4,230,000, the excess shall be used, as per the Act and regulations, to reduce the going concern special payments on a pro rata basis as follows:

Minimum Going Concern Monthly Special Payments

Type of Deficit	Effective Date	Special Payment	Last Payment	Present Value at the Current Valuation Date
Going concern	December 31, 2006	\$5,080	December 31, 2021	\$426,100
Going concern	December 31, 2009	\$14,130	December 31, 2024	\$1,476,600
Going concern	December 31, 2011	\$19,880	December 31, 2026	\$2,327,300
Total		\$39,090		\$4,230,000

Solvency Basis

In accordance with the Act and regulations, the solvency excess (deficiency) is defined as the amount by which the adjusted solvency asset amount exceeds (is below) the solvency liabilities. For this purpose, the adjusted solvency asset amount is determined by multiplying the average solvency ratio by the amount of the solvency liabilities. The average solvency ratio, adjusted solvency asset amount and solvency excess (deficiency) are determined as follows:

Determination of Average Solvency Ratio

	12.31.2010	12.31.2011	12.31.2012
Solvency assets			
Market value of assets	\$29,819,300	\$29,600,200	\$31,843,600
Termination expense provision	(\$50,000)	(\$50,000)	(\$200,000)
Solvency assets (A)	\$29,769,300	\$29,550,200	\$31,643,600
Present value of special payments made (contribution holiday) (B)			
2011	\$421,200	n/a	n/a
2012	\$820,400	\$862,400	n/a
Solvency assets adjusted for special payments (contribution holiday) (C = A + B)	\$31,010,900	\$30,412,600	\$31,643,600
Solvency liabilities (D)	\$25,701,100	\$33,571,200	\$37,725,500
Adjusted solvency ratio (C / D)	120.7%	90.6%	83.9%
Average solvency ratio (E)			98.4%

Calculation of adjusted solvency asset amount and solvency excess (deficiency)

	12.31.2012
Average solvency ratio (E)	98.4%
Solvency liabilities (F)	\$37,725,500
Adjusted solvency asset amount (G = E x F)	\$37,113,100
Solvency excess (deficiency) (G – F)	(\$612,400)

If there is a solvency deficiency, the Act and regulations require that solvency special payments be made in an amount equal to the amount by which the solvency deficiency divided by five exceeds the amount of going concern special payments that are payable during the year.

Minimum Solvency Special Payments

	2013
Solvency deficiency divided by five	\$122,500
Going concern special payments	\$469,100
Solvency special payments (not below \$0)	\$0

Total Special Payments

The following minimum monthly special payments must be made to the plan to eliminate any going concern deficit and any solvency deficiency at the valuation date, within the periods prescribed by the Act and regulations.

Minimum Monthly Special Payments	
	2013
Going concern special payments	\$39,090
Solvency special payments	\$0
Minimum monthly special payment	\$39,090

APPENDIX B

Plan Assets

The pension fund is held by RBC Investor Services. In preparing this report, we have relied upon fund statements prepared by RBC Investor Services without further audit. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

Reconciliation of Market Value of Plan Assets

The pension fund transactions since the last valuation are summarized in the following table:

	2012
January 1	30,993,618
PLUS	
Members' contributions	58,984
Company's contributions	1,805,397
Inter-plan transfers	(1,385,521)
Investment income	1,464,696
Net capital gains (losses)	1,055,203
LESS	
Pensions paid	985,311
Lump-sum refunds	-
Administration fees	48,656
December 31	32,958,410
Gross rate of return ⁴	8.20%
Rate of return net of expenses ⁴	8.04%

⁴ Assuming mid-period cash flows.

The market value of assets shown in the above table is adjusted to reflect in-transit amounts as follows:

	Current Valuation	Previous Valuation
Market value of invested assets	\$32,958,410	\$30,993,618
In-transit amounts		
• Transfers to Plan 1	(\$1,114,793)	(\$1,393,398)
Market value of assets adjusted for in-transit amounts	\$31,843,617	\$29,600,220

We have tested the pensions paid, the lump-sums paid and the contributions for consistency with the membership data for the Plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Investment Policy

The plan administrator adopted a statement of investment policy and procedures. This policy is intended to provide guidelines for the manager(s) as to the level of risk which is commensurate with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

The plan administrator is solely responsible for selecting the Plan's investment policies, asset allocations and individual investments.

The constraints on the asset mix and the actual asset mix at the valuation date are provided for information purposes:

	Investment Policy Target	Actual Asset Mix as at December 31, 2012
Fixed Income	50.0%	46.3%
Canadian equity	25.0%	27.3%
Global equity	25.0%	25.6%
Cash	0.0%	0.8%
	100.0%	100.0%

APPENDIX C

Methods and Assumptions – Going Concern

Valuation of Assets

For this valuation, we have used the market value of assets.

For the previous valuation, an adjusted market-value method to determine the smoothed value of assets was used. Under this method, 50% of realized and unrealized capital gains (losses) arising during a given year are recognized immediately and the remaining 50% of realized and unrealized capital gains (losses) arising during a given year are spread on a straight-line basis over three years in accordance with the schedule shown in the following table:

Year	Percentage of Gains (Losses) not Recognized
2011:	50% of 2/3
2010:	50% of 1/3
Before 2010	0%

Due to the expectation that the solvency position of the plan will determine the plan’s minimum funding requirements in the future, we have discontinued the use of this adjusted market-value method.

Going Concern Funding Target

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the projected unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings. This is referred to as the funding target.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to meet the plan’s cash flow requirements in respect of accrued benefits and absent additional contributions.

As required under the Act, a funding shortfall will be amortized over no more than 15 years through special payments. A funding excess may, from an actuarial standpoint, be applied immediately to reduce required employer current service contributions unless precluded by the terms of the plan or by legislation.

The actuarial cost method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial cost method provides an effective funding target for a plan that is maintained indefinitely.

Current Service Cost

The current service cost is the present value of projected benefits to be paid under the plan with respect to service expected to accrue during the period until the next valuation.

The employer's current service cost is the total current service cost reduced by the members' required contributions.

The employer's current service cost can be expressed as a percentage of the members' pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the projected unit credit actuarial cost method, the current service cost for an individual member will increase each year as the member approaches retirement. As the plan is closed to new members, the current service cost as a percentage of members' pensionable earnings is expected to increase as the average age of the members increases.

Actuarial Assumptions – Going Concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

Assumption	Current valuation	Previous valuation
Discount rate:	6.10% initially, then 4.00% starting in 2020	6.10% initially, then 3.30% starting in 2020
Explicit expenses:	\$60,000	\$60,000
Inflation:	2.00%	2.00%
ITA limit / YMPE increases:	2.25%	2.25%
Pensionable earnings increases:	3.25% plus merit and promotion	3.75% until 2012, 3.25% thereafter, plus merit and promotion
Post retirement pension increases:	1.85%	2.00%
Retirement rates:	Retirement occurs when age and service sum to 90 years, but not after age 65 or before 55	Retirement occurs when age and service sum to 90 years, but not after age 65 or before 55

Assumption	Current valuation	Previous valuation
Termination rates:	None	100% of Plan experience 1983 through 1985
Mortality rates:	100% of the rates of the 1994 Uninsured Pensioner Mortality Table	100% of the rates of the 1994 Uninsured Pensioner Mortality Table
Mortality improvements:	Fully generational using Scale AA	Fully generational using Scale AA
Disability rates:	None	None
Eligible spouse at retirement:	Based on current marital status	Based on current marital status
Spousal age difference:	Actual age if known (otherwise male 4 years older)	Actual age if known (otherwise male 4 years older)

The assumptions are best estimates with the exception that the discount rate includes a margin for adverse deviations, as described below in the Rationale for Assumptions.

Age Related Tables

Sample rates from the age related tables are summarized in the following table:

Age	Merit and Promotion
20	13.65%
25	6.02%
30	3.08%
35	1.75%
40	1.07%
45	0.70%
50	0.47%
55	0.33%

Pensionable Earnings

The benefits ultimately paid will depend on each member's final average earnings. To calculate the pension benefits payable upon retirement, death or termination of employment, we have taken the member's 2012 earnings and assumed that such pensionable earnings will increase at the assumed rate.

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using two different rates. Prior to 2020, the discount rate is based on the expected investment return on the market value of the fund.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy.
- A margin for adverse deviations of 2.10% after January 1, 2020.

We have also observed that the defined benefit program is closed to new entrants and therefore the requirements under the Act will eventually become dominated by the solvency considerations, which in turn are dominated by annuity purchase rates. The discount rate after 2020 partially reflects this lower rate, as instructed by the Company.

The discount rate was developed as follows:

	Before 1.1.2020	After 1.1.2020
Assumed investment return	6.10%	6.10%
Margin	(0.00%)	(2.10%)
Net discount rate	6.10%	4.00%

Expenses

The explicit assumption is based on the average amount of investment and administrative expenses over the last 3 years.

Inflation

The inflation assumption is based on the mid-point of the Bank of Canada's inflation target range of between 1% and 3%

Income Tax Act Pension Limit and Year's Maximum Pensionable Earnings

The assumption is based on historical real economic growth and the underlying inflation assumption.

Pensionable Earnings

The assumption is based on our best estimate of future merit and promotional increases over general wage growth considering current economic and financial market conditions. Such merit and promotion increases are assumed to be in accordance with the table developed based on an experience study considering increases over the years 1985 to 1992 and which has continued to be reasonably predictive of merit and promotion increases experienced since that time.

Post Retirement Pension Increases

The assumption is based on the Plan formula and inflation assumption above, considering that the Plan limits pension increases to 3% in the event that inflation exceeds 3%. We have determined the impact of this cap by performing a stochastic analysis based on trials using a mean of 2.0% and a standard deviation of 1.5%.

Retirement Rates

For this valuation we have continued to assume that active members will retire when their age and service sum to 90 years, provided that retirement does not occur after 65 or before 55. Individuals who have already attained this condition are assumed to retire immediately. This assumption is based on the Plan provisions and our experience of similar pension plans.

Retirement earlier than assumed will result in losses to the Plan, while later retirements will result in gains to the Plan. These gains and losses will be revealed in subsequent valuations.

Termination Rates

As the Plan is closed, most active members are now eligible for retirement. The termination decrement assumption no longer has a material impact on the Plan's funding.

Mortality Rates

Due to the size of the Plan, there is no meaningful mortality experience but there is no reason to expect the mortality to differ from the 1994 Uninsured Pensioners mortality table. Furthermore, there is strong evidence of continuing improvement in mortality since 1994 and it has become an industry standard to assume this trend continues into the future. We have used the AA projection scale to allow for improvements in mortality indefinitely in the future.

Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 19.8 years for males and 22.0 years for females.

Emerging information from in-progress mortality experience analysis suggests that mortality has recently improved faster than estimated by projection scale AA. However, no standard tables have been published to replace the 1994 Uninsured Pensioners mortality table and projection scale AA for Canadian pension plan purposes. We expect that the mortality assumption will be changed in the first valuation of the plan prepared following publication of alternative mortality tables and projection scales, based on Canadian experience.

Disability Rates

Use of a different assumption would not have a material impact on the valuation.

Eligible Spouse

The assumption is based on actual membership data, which we believe is the most reliable source.

Spousal Age Difference

Actual spouse age is used where available, otherwise males are assumed to be 4 years older than their spouse.

APPENDIX D

Methods and Assumptions – Hypothetical Wind-up and Solvency

Hypothetical Wind-up Basis

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound up on the effective date of the valuation, with benefits determined on the assumption that the pension plan has neither a surplus nor a deficit. For the purposes of the hypothetical wind-up valuation, the plan wind-up is assumed to occur in circumstances that maximize the actuarial liability.

To determine the actuarial liability on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date, with all members fully vested in their accrued benefits.

There are no benefits under the Plan contingent upon the circumstances of the plan wind-up or contingent upon other factors. In particular, there are no additional benefits that would be immediately payable if the employer's business were discontinued on the valuation date. Therefore, it was not necessary to postulate a scenario upon which the hypothetical wind-up valuation is made. Therefore, no benefits payable on plan wind-up were excluded from our calculations.

Upon plan wind-up members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer is based on the assumptions described in Section 3500 – *Pension Commuted Values* of the Canadian Institute of Actuaries Standards of Practice applicable for December 31, 2012.

Benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities based on an estimate of the cost of purchasing annuities.

We have estimated the cost of settlement through purchase of annuities in accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2012 and December 30, 2013*.

However, there is limited data available to provide credible guidance on the cost of a purchase of indexed annuities in Canada. In accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2012 and December 30, 2013*, we have assumed that an appropriate proxy for estimating the cost of such purchase is using the yield on the long-term Government of Canada Real Return bonds.

Interest rate assumptions net of COLA used for lump sum transfers and annuity purchases take into consideration the 3% cap on pension increases provided by the plan provisions. We have

carried out a stochastic analysis in order to determine the additional net interest rate as a result of this 3% cap.

We have not included a provision for adverse deviation in the solvency and hypothetical wind-up valuations.

The assumptions are as follows:

Form of Benefit Settlement Elected by Member

Lump sum	70% of active members under age 55 and 50% of active members over age 55 elect to receive their benefit entitlement in a lump sum
Annuity purchase	All remaining members are assumed to elect to receive their benefit entitlement in the form of a deferred or immediate pension. These benefits are assumed to be settled through the purchase of deferred or immediate annuities from a life insurance company.

Basis for Benefits Assumed to be Settled through a Lump Sum

Mortality rates:	UP94 generational
Interest rate:	2.40% per year for 10 years, 3.60% per year thereafter
Interest rate net of COLA:	1.10% per year for 10 years, 1.50% thereafter

Basis for Benefits Assumed to be Settled through the Purchase of an Annuity

Mortality rates:	UP94 generational
Interest rate:	2.96% per year
Interest rate net of COLA:	0.60% per year

Retirement Age

Maximum value:	Members are assumed to retire at the age which maximizes the value of their entitlement from the Plan based on the eligibility requirements which have been met at the valuation date
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Other Assumptions

Final average earnings:	Based on actual pensionable earnings over the averaging period
Family composition:	Same as for going concern valuation
Termination expenses:	\$200,000

To determine the hypothetical wind-up position of the Plan, a provision has been made for estimated termination expenses payable from the Plan's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

In addition, termination expenses also include a provision for transaction fees related to the liquidation of the Plan's assets and for expenses that may reasonably be expected to be paid by the pension fund under the postulated scenario between the wind-up date and the settlement date.

Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are not included in the estimated termination expense provisions.

In determining the provision for termination expenses payable from the Plan's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the Plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the Plan.

Actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Incremental Cost

In order to determine the incremental cost, we estimate the hypothetical wind-up liabilities at the next valuation date. We have assumed that the cost of settling benefits by way of a lump sum or purchasing annuities remains consistent with the assumptions described above. Since the projected hypothetical wind-up liabilities will depend on the membership in the Plan at the next valuation date, we must make assumptions about how the Plan membership will evolve over the period until the next valuation.

We have assumed that the Plan membership will evolve in a manner consistent with the going concern assumptions as follows:

- Members retire and die consistent with the retirement and mortality rates used for the going concern valuation.
- Pensionable earnings, the *Income Tax Act* pension limit and the Year's Maximum Pensionable Earnings increase in accordance with the related going concern assumptions.
- Active members accrue pensionable service in accordance with the terms of the Plan.
- Cost of living adjustments are consistent with the inflation assumption used for the going concern valuation.

Solvency Basis

In determining the financial position of the Plan on the solvency basis, we have used the same assumptions and methodology as were used for determining the financial position of the Plan on the hypothetical wind-up basis.

The solvency position is determined in accordance with the requirements of the Act.

APPENDIX E

Membership Data Analysis of Membership Data

The actuarial valuation is based on membership data as at December 31, 2012, provided by Canadian Utilities Ltd.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments and pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use in accordance with accepted actuarial practice in Canada, Mercer has not verified or audited any of the data or information provided.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	31.12.2012	31.12.2011
Active Members		
Number	28	33
Total pensionable earnings for the following year	\$2,915,007	\$3,452,193
Average pensionable earnings for the following year	\$104,107	\$103,794
Average years of pensionable service	24.9	24.7
Average age	54.2	53.9
Deferred Pensioners		
Number	5	5
Total annual pension	\$53,017	\$53,017
Average annual pension	\$10,603	\$10,603
Average age	51.9	50.9
Pensioners and Survivors		
Number	39	35
Total annual lifetime pension	\$1,077,857	\$833,232
Average annual lifetime pension	\$27,637	\$23,807
Average age	72.7	73.2

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	Actives	Deferred Vested	Pensioners and Survivors	Total
Total at 31.12.2011	33	5	35	73
Transfers from Plan 1				
Transfers to Plan 1	(1)			(1)
Terminations:				
• Lump sums				
• Deferred pensions				
Deaths			(1)	(1)
Retirements	(4)		4	0
Survivors			1	1
Total at 31.12.2012	28	5	39	72

The distribution of the active members by age and pensionable service as at December 31, 2012 is summarized as follows:

Age	Years of Pensionable Service									Total
	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 +	
< 25										
25 - 29										
30 - 34										
35 - 39										
40 - 44				1	3					4
45 - 49		1		1	1	1				4
50 - 54					2	1	3			6
55 - 59				1	2	3	2			8
60 - 64					2		1		1	4
65 - 69					1	1				2
70+										
Total	0	1	0	3	12	5	6	0	1	28

The distribution of the inactive members by age as at December 31, 2012 is summarized as follows:

Age	Deferred Pensioners		Pensioners and Survivors	
	Number	Average Pension	Number	Average Pension
< 45				
45 – 49	2	\$4,440		
50 – 54	1	\$26,351	1	\$79,562
55 – 59	2	\$8,893	2	\$49,101
60 – 64			4	\$38,841
65 – 69			9	\$26,707
70 – 74			8	\$25,095
75 – 79			4	\$25,985
80 – 84			8	\$19,086
85 – 89			3	\$15,660
90 – 94				
95 – 99				
100 +				
Total	5	\$10,603	39	\$27,637

APPENDIX F

Summary of Plan Provisions

Mercer has used and relied on the plan documents, including amendments and interpretations of plan provisions, supplied by Canadian Utilities Ltd.. If any plan provisions supplied are not accurate and complete, the results of any calculation may differ significantly from the results that would be obtained with accurate and complete information. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and the results of estimates under each of the different interpretations could vary.

This valuation is based on the plan provisions in effect on December 31, 2012. The following is a summary of the main provisions of the Plan in effect on December 31, 2012. This summary is not intended as a complete description of the Plan.

Background	<p>The Predecessor Plan was effective January 2, 1962. On December 31, 1986 the Predecessor Plan was split into three parts, covering employees in the Yukon (Plan 2), the Northwest Territories (Plan 3) and elsewhere (Plan 1). Plan 2A was established effective April 1, 1987 to cover Yukon based employees who had previously been employed by the Northern Canada Power Commission (NCPC).</p> <p>Effective January 1, 1994, Plan 2 was amended to extend coverage to all current and former members of Plan 2A and Plan 3. Service under Plan 2A and Plan 3 were assumed by Plan 2 in exchange for a transfer of assets.</p> <p>Effective December 30, 2003, the Plan was extended to cover employees located in Ontario.</p>
Eligibility for membership	<p>The Plan is closed to new entrants.</p> <p>Some individuals who were employed by NCPC immediately prior to April 1, 1987 elected to have their pension benefit entitlements under the PSSA transferred to the Plan. For these members, pensionable service under the Plan includes service that was pensionable under the PSSA. Service with NCPC counts for determination of vested rights whether or not the individual member elected to transfer his PSSA benefit entitlements to the Plan.</p>
Employee Contributions	<p>Members contribute 2.8% of earnings up to the YMPE and 4.0% of earnings over the YMPE, up to an annual maximum contribution of \$2,000. Disabled members and certain executive members are not required to contribute.</p>
Retirement Dates	<p>Normal Retirement Date</p> <ul style="list-style-type: none"> The normal retirement date is the first day of the month following the member's 65th birthday. <p>Early Retirement Date</p> <ul style="list-style-type: none"> If a member has been in the Plan for at least two years, the member may choose to retire as early as age 55.
Postponed Retirement	<p>A member who remains employed with the company after age 65 may elect to commence receipt of pension or continue to accrue benefits under the Plan up to his actual retirement.</p>

Normal Retirement Pension	<p>2% of annual final average earnings times years of pensionable service between January 2, 1962 and January 2, 1966;</p> <p>PLUS</p> <p>1.4% of annual final average earnings up to the YMPE, times years of pensionable service after January 2, 1966;</p> <p>PLUS</p> <p>2.0% of annual final average earnings in excess of the YMPE, times years of pensionable service after January 2, 1966.</p>																						
Pensionable earnings	Annual final average earnings are calculated over the 60 consecutive months for which earnings are highest. The YMPE is calculated over the same period.																						
Early Retirement Pension	<p>If a member retires from active service with the consent of the Company, a reduced early retirement benefit is payable, as follows:</p> <ul style="list-style-type: none"> • if age and service sum to 90 years or more, no reduction applies; • otherwise, the pension payable is equal to the normal retirement pension times a percentage from the following table: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;">Age at Retirement</th> <th style="text-align: center;">Percentage</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">64</td><td style="text-align: center;">100</td></tr> <tr><td style="text-align: center;">63</td><td style="text-align: center;">100</td></tr> <tr><td style="text-align: center;">62</td><td style="text-align: center;">100</td></tr> <tr><td style="text-align: center;">61</td><td style="text-align: center;">97</td></tr> <tr><td style="text-align: center;">60</td><td style="text-align: center;">94</td></tr> <tr><td style="text-align: center;">59</td><td style="text-align: center;">88</td></tr> <tr><td style="text-align: center;">58</td><td style="text-align: center;">82</td></tr> <tr><td style="text-align: center;">57</td><td style="text-align: center;">76</td></tr> <tr><td style="text-align: center;">56</td><td style="text-align: center;">70</td></tr> <tr><td style="text-align: center;">55</td><td style="text-align: center;">64</td></tr> </tbody> </table> <p>If retirement is not from active service, or if Company consent is not obtained, an actuarial reduction applies.</p> <ul style="list-style-type: none"> • In addition, female participants employed prior to June 1, 1972 are entitled to a bridge benefit payable only until age 65. The bridge benefit is equal to the expected Canada Pension Plan benefit times the ratio of 36 divided by the number of months from retirement to age 65, provided that the ratio is never more than 1. 	Age at Retirement	Percentage	64	100	63	100	62	100	61	97	60	94	59	88	58	82	57	76	56	70	55	64
Age at Retirement	Percentage																						
64	100																						
63	100																						
62	100																						
61	97																						
60	94																						
59	88																						
58	82																						
57	76																						
56	70																						
55	64																						
Maximum Pension	<p>The Plan provides that the pension payable at the time of commencement must not exceed:</p> <ul style="list-style-type: none"> • the defined benefit limit prescribed under the Income Tax Act, multiplied by years of pensionable service (with service rendered prior to January 1, 1992 limited to 35 years) <p>Reductions to this maximum apply if retirement occurs before age 60, before completion of 30 years service, and before attainment of age and service summing to 80. The maximum provision automatically reflects any increases to the defined benefit limit that occur in the ITA and Regulations.</p>																						

Cost of Living Adjustments	The annual adjustment will be as determined by the Company but will not exceed 3% per annum. In calculating the annual adjustment the Company will take into consideration annual percentage changes in the Consumer Price Index for Canada and any previous annual adjustments paid. The annual adjustment is granted to members who retired from active service.
Death Benefits	<p>Pre-retirement:</p> <ul style="list-style-type: none"> • If a member dies before becoming eligible for retirement, the member's spouse, or the member's beneficiary if there is no surviving spouse, will receive a benefit equal in value to the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value. • If a member dies after becoming eligible for retirement, the member's spouse will receive the greater of: <ul style="list-style-type: none"> • a benefit equal in value to the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value, and • an immediate pension equal to 60% of the pension to which the member would have been entitled had the member retired on their date of death. This pension will also receive future cost of living increases. • If a member dies after becoming eligible for retirement and there is no surviving spouse, the beneficiary will receive the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value. <p>Post retirement:</p> <ul style="list-style-type: none"> • The normal form of pension for single employees guarantees a return of the member's own contributions with interest up to retirement date • For employees with an eligible spouse, the normal form of pension provides a continuing survivorship pension to the member's spouse. If retirement occurs prior to July 1, 1987, the spouse's benefit is 50% of the member's benefit. If retirement occurs after July 1, 1987 the spouse's benefit is 60%.
Termination Benefits	A deferred pension commencing at normal retirement date, or alternatively the commuted value thereof may be transferred to the member's locked-in RRSP. If the member's own contributions exceed 50% of the commuted value of the deferred pension, the excess is available as an additional benefit.

APPENDIX G

Employer Certification

With respect to the Report on the Actuarial Valuation for Funding Purposes as at December 31, 2012 of the Retirement Plan For Employees of Canadian Utilities Limited and Participating Companies – Plan 2, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the Canadian Utilities Ltd. engagement with the actuary described in section 2 of this report, particularly the requirement to include a margin of 2.10% after January 1, 2020 in the discount rate used to perform the going concern valuation and the Company's decisions in regards to determining the going concern and solvency funding requirements.
- A copy of the official plan documents and of all amendments made up to December 31, 2012 were provided to the actuary and are reflected appropriately in the summary of plan provisions contained herein.
- The asset information summarised in Appendix B is reflective of the Plan's assets.
- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to December 31, 2012.
- All events subsequent to December 31, 2012 that may have an impact on the Plan have been communicated to the actuary.

JUNE 28/13
Date

 Carole Field
Signed

ERHARD KIEFER Carole Field
Name



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**REPORT ON THE ACTUARIAL VALUATION
FOR FUNDING PURPOSES AS AT
DECEMBER 31, 2013
RETIREMENT PLAN FOR EMPLOYEES OF
CANADIAN UTILITIES LIMITED AND
PARTICIPATING COMPANIES – PLAN 2
JUNE 2014**

Office of the Superintendent of Financial Institutions Registration Number: 56344
Canada Revenue Agency Registration Number: 0955138

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future and other factors.

The valuation results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes and the results are sensitive to all the assumptions used in the valuation.

Should the plan be wound up, the going concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the plan assuming it is wound up on the valuation date. Emerging experience will affect the wind-up financial position of the plan assuming it is wound up in the future. In fact, even if the plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the *Alberta Employment Pension Plans Act*, the *Income Tax Act* and related regulations that are effective as of the valuation date. Mercer is not a law firm, and the analysis presented in this report is not intended to be a legal opinion. You should consider securing the advice of legal counsel with respect to any legal matters related to this report.

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Summary of Results

	31.12.2013	31.12.2012
Going Concern Financial Status		
Market value of assets	\$35,416,500	\$31,843,600
Going concern funding target	\$36,552,600	\$36,073,600
Funding excess (shortfall)	\$(1,136,100)	\$(4,230,000)
Hypothetical Wind-up Financial Position		
Wind-up assets	\$35,216,500	\$31,643,600
Wind-up liability	\$35,743,900	\$37,725,500
Wind-up excess (shortfall)	\$(527,400)	\$(6,081,900)
Funding Requirements in the Year Following the Valuation¹		
Total current service cost	\$607,400	\$728,100
Estimated members' required contributions	\$(36,000)	\$(46,000)
Estimated employer's current service cost	\$571,400	\$682,100
Expense allowance	\$60,000	\$60,000
Total	\$631,400	\$742,100
Employer's current service cost as a percentage of members' pensionable earnings	30.79%	30.31%
Minimum special payments	\$582,700	\$469,100
Estimated minimum employer contribution	\$1,214,100	\$1,211,200
Estimated maximum eligible employer contribution	\$1,767,500	\$6,824,000
Next required valuation date	31.12.2014	31.12.2013

¹ Provided for reference purposes only. Contributions must be remitted to the Plan in accordance with the Minimum Funding Requirements and Maximum Eligible Contributions sections of this report.

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Introduction

To The Management Pension Committee of Canadian Utilities Limited

At your request, we have conducted an actuarial valuation of the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies - Plan 2 (the "Plan"), sponsored by Canadian Utilities Limited. (the "Company"), as at the valuation date, December 31, 2013. We are pleased to present the results of the valuation.

Purpose

The purpose of this valuation is to determine:

- The funded status of the plan as at December 31, 2013 on going concern, hypothetical wind-up and solvency basis;
- The minimum required funding contributions from 2014, in accordance with the *Pension Benefits Standards Act, 1985* (the "Act"); and
- The maximum permissible funding contributions from 2014, in accordance with the *Income Tax Act*.

The information contained in this report was prepared for the internal use of the Company and for filing with the Office of the Superintendent of Financial Institutions ("OSFI") and with the Canada Revenue Agency, in connection with our actuarial valuation of the Plan. This report will be filed with OSFI and with the Canada Revenue Agency. This report is not intended or suitable for any other purpose.

In accordance with pension benefits legislation, the next actuarial valuation of the Plan will be required as at a date not later than December 31, 2014, or as at the date of an earlier amendment to the Plan.

Terms of Engagement

In accordance with our terms of engagement with the Company, our actuarial valuation of the Plan is based on the following material terms:

- It has been prepared in accordance with applicable pension legislation and actuarial standards of practice in Canada.
- We have reflected a margin for adverse deviations in our going concern valuation by reducing the going concern discount rate by 1.5% per year after January 1, 2020. This level of margin is reasonable given the liability profile of the Plan and the Company's funding objectives. Further comments are given in the Rationale for Assumptions in Appendix C of this report.

- We have reflected the Company decisions for determining the solvency funding requirements. Specifically, the same plan wind-up scenario was hypothesized for both hypothetical wind-up and solvency valuations.

See the Valuation Results – Solvency section of the report for more information.

Events since the Last Valuation at December 31, 2012

Pension Plan

There have been no special events since the last valuation date.

This valuation reflects the provisions of the Plan as at December 31, 2013. The Plan has not been amended since the date of the previous valuation, and we are not aware of any pending definitive or virtually definitive amendments coming into effect during the period covered by this report. The Plan provisions are summarized in Appendix F.

Assumptions

We have used the same going concern valuation assumptions and methods as were used for the previous valuation, except for the following:

	Current valuation	Previous valuation
Discount rate:	6.00% initially, then 4.50% starting in 2020	6.10% initially, then 4.00% starting in 2020
Mortality rates:	95% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table	100% of the rates of the 1994 Uninsured Pensioner Mortality Table
Mortality improvements:	Fully generational using CPM Improvement Scale B	Fully generational using Scale AA

The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions at the valuation date.

A summary of the going concern methods and assumptions is provided in Appendix C. A summary of the hypothetical wind-up and solvency methods and assumptions is provided in Appendix D.

Regulatory Environment and Actuarial Standards

There have been no changes to the *Pension Benefits Standards Act, 1985* (the “Act”) or the relevant regulations which impact the funding of the Plan.

Subsequent Events

After checking with representatives of the Company, to the best of our knowledge there have been no events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation. Our valuation reflects the financial position of the Plan as of the valuation date and does not take into account any experience after the valuation date.

Impact of Case Law

This report has been prepared on the assumption that all of the assets in the pension fund are available to meet all of the claims on the Plan. We are not in a position to assess the impact that the Ontario Court of Appeal's decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* or similar decisions in other jurisdictions might have on the validity of this assumption.

We have assumed that all the Plan's assets are available to cover the Plan's liabilities presented in this report.

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Valuation Results – Going Concern

Financial Status

A going concern valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely.

The results of the current valuation, compared with those from the previous valuation, are summarized as follows:

	12.31.2013	12.31.2012
Assets		
Market value of assets	\$35,416,500	\$32,958,400
In-transit amount	\$0	\$(1,114,800)
Actuarial value of assets	\$35,416,500	\$31,843,600
Going concern funding target		
• Active members	\$18,637,200	\$20,288,900
• Pensioners and survivors	\$17,478,300	\$15,360,800
• Deferred pensioners	\$437,100	\$423,900
Total	\$36,552,600	\$36,073,600
Funding excess (shortfall)	\$(1,136,100)	\$(4,230,000)

Reconciliation of Financial Status

Funding excess (shortfall) as at previous valuation		\$(4,230,000)
Interest on funding excess (funding shortfall) at 6.10% per year		\$(258,000)
Employer's special payments, with interest		\$483,800
Expected funding excess (funding shortfall)		\$(4,004,200)
Net experience gains (losses)		
• Net Investment return	\$2,014,500	
• Increases in pensionable earnings	\$(224,900)	
• Increase in YMPE	\$6,900	
• Increase in maximum pension	\$(16,500)	
• Indexation	\$115,000	
• Mortality	\$792,100	
• Retirement	\$194,700	
• Termination	\$0	
• Expenses	\$(20,800)	
• Net inter-plan transfers	\$19,000	
Total experience gains (losses)	\$2,880,000	\$2,880,000
Impact of changes in assumptions		
• Discount rate	\$1,716,300	
• Mortality rate	\$(1,929,600)	
Total assumption changes impact	\$(213,300)	\$(213,300)
Net impact of other elements of gains and losses		\$201,400
Funding excess (shortfall) as at current valuation		\$(1,136,100)

Current Service Cost

The current service cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely.

The current service cost during the year following the valuation date compared with the corresponding value determined in the previous valuation, is as follows:

	2014	2013
Total current service cost	\$607,400	\$728,100
Estimated members' required contributions	\$(36,000)	\$(46,000)
Estimated employer's current service cost	\$571,400	\$682,100
Expense allowance	\$60,000	\$60,000
Total	\$631,400	\$742,100
Employee's current service cost expressed as a percentage of members' pensionable earnings.	1.76%	1.97%
Employer's current service cost expressed as a percentage of members' pensionable earnings.	30.79%	30.31%
Total current service cost expressed as a percentage of members' pensionable earnings.	32.55%	32.28%

The key factors that have caused a change in the employer's current service cost since the previous valuation are summarized in the following table:

Employer's current service cost as at previous valuation	30.31%
Demographic changes	1.31%
Assumption changes	(0.83%)
Employer's current service cost as at current valuation	30.79%

Discount Rate Sensitivity

The following table summarizes the effect on the going concern funding target shown in this report of using a discount rate which is 1.00% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Going concern funding target	\$36,552,600	\$42,723,200
Current service cost		
• Total current service cost	\$607,400	\$745,200
• Estimated members' required contributions	\$(36,000)	\$(36,000)
• Estimated employer's current service cost	\$571,400	\$709,200
• Expense allowance	\$60,000	\$60,000
Total	\$631,400	\$769,200

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Valuation Results – Hypothetical Wind-up

Financial Position

When conducting a hypothetical wind-up valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities assuming the Plan is wound up and settled on the valuation date, assuming benefits are settled in accordance with the Act and under circumstances producing the maximum wind-up liabilities on the valuation date.

The hypothetical wind-up financial position as of the valuation date, compared with that at the previous valuation, is as follows:

	12.31.2013	12.31.2012
Assets		
Market value of assets	\$35,416,500	\$32,958,400
In transit amount	\$0	\$(1,114,800)
Termination expense provision	\$(200,000)	\$(200,000)
Wind-up assets	\$35,216,500	\$31,643,600
Present value of accrued benefits for:		
• active members	\$13,778,100	\$16,505,000
• pensioners and survivors	\$21,451,000	\$20,599,300
• deferred pensioners	\$514,800	\$621,200
Total wind-up liability	\$35,743,900	\$37,725,500
Wind-up excess (shortfall)	\$(527,400)	\$(6,081,900)

Wind-up Incremental Cost to December 31, 2014

The wind-up incremental cost is an estimate of the present value of the projected change in the hypothetical wind-up liabilities from the valuation date until the next scheduled valuation date, adjusted for the benefit payments expected to be made in that period.

The hypothetical wind-up incremental cost determined in this valuation, compared with the corresponding value determined in the previous valuation, is as follows:

	12.31.2013	12.31.2012
Number of years covered by report	1 year	1 year
Total hypothetical wind-up liabilities at the valuation date (A)	\$35,743,900	\$37,725,500
Present value of projected hypothetical wind-up liability at the next required valuation plus benefit payments until the next required valuation (B)	\$37,533,900	\$39,996,900
Hypothetical wind-up incremental cost (B – A)	\$1,790,000	\$2,271,400

The incremental cost is not an appropriate measure of the contributions that would be required to maintain the financial position of the Plan on a hypothetical wind-up basis unchanged from the valuation date to the next required valuation date, if actual experience is exactly in accordance with the going concern valuation assumptions. This is because it does not reflect the fact that the expected return on plan assets (based on the going concern assumptions) is greater than the discount rate used to determine the hypothetical wind-up liabilities.

Discount Rate Sensitivity

The following table summarizes the effect on the hypothetical wind-up liabilities shown in this report of using a discount rate which is 1.00% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Total hypothetical wind-up liability	\$35,743,900	\$41,533,400

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Valuation Results – Solvency

Overview

The Act also requires the financial position of the Plan to be determined on a solvency basis. The financial position on a solvency basis is determined in a similar manner to the Hypothetical Wind-up Basis.

Under the Federal pension legislation, the minimum funding requirements on a solvency basis are based on an alternative solvency basis under which the solvency deficiency and the resulting solvency special payments are based on an average solvency ratio determined over three years (current year plus the previous two) subject to prescribed adjustments. The determination of the solvency deficiency on that basis is detailed in Appendix A.

Financial Position

The financial position on a solvency basis is the same as the financial position on the Hypothetical Wind-up Basis shown in the previous section. The solvency ratio is 98.5% compared to 83.9% at the previous valuation.

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Minimum Funding Requirements

The Act prescribes the minimum contributions that Canadian Utilities Ltd. must make to the Plan. The minimum contributions in respect of a defined benefit component of a pension plan are comprised of going concern current service cost and special payments to fund any going concern or solvency shortfalls.

On the basis of the assumptions and methods described in this report, the rule for determining the minimum required employer monthly contributions, as well as an estimate of the employer contributions, from the valuation date until the next required valuation are as follows:

Employer's contribution rule			Estimated employer's contributions	
Period beginning	Monthly current service cost ²	Minimum monthly special payments	Monthly current service cost including expense allowance	Total minimum monthly contributions
January 1, 2014	30.79%	\$48,558	\$52,617	\$101,175

The estimated contribution amounts above are based on projected members' pensionable earnings. If current service cost contributions are based on a percentage of members' pensionable earnings, then the actual employer's current service cost will be different from the above estimates and, as such, the contribution requirements should be monitored closely to ensure contributions are made in accordance with the Act.

Alternatively, as the Plan is closed to new employees and therefore the active membership is declining, it would be acceptable to contribute the above dollar amount of total minimum monthly contributions to the Plan.

The development of the minimum special payments is summarized in Appendix A.

Other Considerations

Differences between Valuation Basis

There is no provision in the minimum funding requirements to fund the difference between the hypothetical wind-up and solvency shortfalls, if any.

In addition, although minimum funding requirements do include a requirement to fund the going concern current service cost, there is no requirement to fund the expected growth in the hypothetical wind-up or solvency liability after the valuation date, which could be greater than the going concern current service cost.

² Expressed as a percentage of members' pensionable earnings capped at \$154,250 per member.

Timing of Contributions

Required contributions must be remitted monthly, not later than 30 days after the end of the period to which they apply.

Retroactive Contributions

The Company must contribute the excess, if any, of the minimum contribution recommended in this report over contributions actually made in respect of the period following the valuation date. This contribution is due immediately following the date this report is filed.

Any over contributions made prior to filing this report may be used to reduce the otherwise required contributions to be made following the filing of this report.

Payment of Benefits

The Act imposes certain restrictions on the payment of lump sums from the Plan when the solvency ratio revealed in an actuarial valuation is less than one. If the solvency ratio shown in this report is less than one, the plan administrator should ensure that the monthly special payments are sufficient to meet the requirements of the Act to allow for the full payment of benefits, and otherwise should take the prescribed actions.

Specifically, based on the Directives of the Superintendent of Financial Institutions pursuant to the Act, transfers out of the Plan may be made in full provided an amount equal to the transfer deficiency has been remitted to the pension fund in addition to the minimum special payments.

However, transfer deficiencies that are less than 5% of the Year's Maximum Pensionable Earnings ("YMPE") under the Canada/Quebec Pension Plan can be paid in full until such time as the sum of all such transfer deficiencies paid since the date of the last actuarial valuation exceed 5% of the market value of the Plan assets at that date, at which time, this exemption no longer applies.

As such, the administrator should monitor the solvency ratio of the Plan and, if necessary, take the prescribed actions.

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Maximum Eligible Contributions

The *Income Tax Act* (the “ITA”) limits the amount of employer contributions that can be remitted to the defined benefit component of a registered pension plan. However, notwithstanding the limit imposed by the ITA, for plans which are not ‘Designated’ as defined in the ITA, in general, the minimum required contributions under the Act can be remitted.

In accordance with Section 147.2 of the ITA and *Income Tax Regulation* 8516, for a plan which is underfunded on either a going concern or on a hypothetical wind-up basis the maximum permitted contributions are equal to the employer’s current service cost, including the explicit expense allowance if applicable, plus the greater of the going concern funding shortfall and hypothetical wind-up shortfall.

For a plan which is fully funded on both going concern and hypothetical wind-up basis, the employer can remit a contribution equal to the employer’s current service cost, including the explicit expense allowance if applicable, as long as the surplus in the plan does not exceed a prescribed threshold. Specifically, in accordance with Section 147.2 of the ITA, for a plan which is fully funded on both going concern and hypothetical wind-up basis, the plan may not retain its registered status if the employer makes a contribution while the going concern funding excess exceeds 25% of the going concern funding target.

Schedule of Maximum Contributions

The Company is permitted to fully fund the greater of the going concern and hypothetical wind-up shortfalls; \$1,136,100, as well as make current service cost contributions. The portion of this contribution representing the payment of the going concern funding shortfall can be increased with interest at 6.00% per year from the valuation date to the date the payment is made, and must be reduced by the amount of any deficit funding made from the valuation date to the date the payment is made.

Assuming the Company contributes the greater of the going concern and hypothetical wind-up shortfall of \$1,136,100 as of the valuation date, the rule for determining the estimated maximum eligible annual contributions, as well as an estimate of the maximum eligible contributions until the next valuation are as follows:

Year beginning	Employer’s contribution rule		Estimated employer’s contributions
	Monthly current service cost ³	Deficit Funding	Monthly current service cost including expense allowance
January 1, 2014	30.79%	n/a	\$52,617

³ Expressed as a percentage of members’ pensionable earnings capped at \$154,250 per member.

The employer's current service cost in the above table was estimated based on projected members' pensionable earnings. The actual employer's current service cost will be different from these estimates and, as such, the contribution requirements should be monitored closely to ensure compliance with the ITA.

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Actuarial Opinion

In our opinion, for the purposes of the valuations:

- The membership data on which the valuation is based are sufficient and reliable.
- The assumptions are appropriate.
- The methods employed in the valuation are appropriate.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the *Pension Benefits Standards Act, 1985*.



Mark Greenwood
FCIA, FIA



Jay Stanley

June 27, 2014
Date

June 27, 2014
Date

APPENDIX A

Prescribed Disclosure

Definitions

The Act defines a number of terms as follows:

Defined Term	Description	Result
Going concern excess (deficit)	Amount by which the going concern assets exceed (are below) the going concern liabilities	\$(1,136,100)
Unfunded liability	The amount by which the going concern deficit of a plan determined at the valuation date exceeds the present value of going concern special payments of the plan established in respect of periods after the valuation date	\$0
Going concern special payment	A special payment made in respect of an unfunded liability	\$133,300
Solvency Liabilities	Liabilities that relate to defined benefit provisions and which are determined on the basis that the plan is terminated	\$35,743,900
Solvency Assets	Market value of the assets that relate to the defined benefit provisions of a plan minus the estimated expense of the winding-up of the plan	\$35,216,500
Solvency Ratio	Ratio of the solvency assets to the solvency liabilities, excluding those solvency assets and solvency liabilities that are attributable to benefits that are paid by means of an annuity, other than a revocable annuity, or an insurance contract	0.985
Average Solvency Ratio	Arithmetic average of the solvency ratios at the valuation date, the prior valuation date and the prior second valuation date adjusted as prescribed for special payments, contribution holidays, amendments and transfer of assets	0.918
Adjusted Solvency Asset Amount	Amount determined by multiplying the average solvency ratio by the amount of the solvency liabilities	\$32,830,400
Solvency excess (deficiency)	Amount by which the adjusted solvency asset amount exceeds (is below) the solvency liabilities	\$(2,913,500)
Solvency special payment	A special payment made in respect of a solvency deficiency	\$449,400

Timing of Next Required Valuation

In accordance with the Act and the Superintendent's Directives, an actuarial report must be prepared annually except where the solvency ratio disclosed in the most recent actuarial report filed under subsection 12(3) of the Act was 1.20 or greater.

Accordingly, the next valuation of the Plan will be required as of December 31, 2014.

Special Payments Going Concern Basis

The present values, at the current valuation date, of the monthly going concern special payments determined in the previous valuation, are as follows:

Present Value of Going Concern Monthly Special Payments from the Previous Valuation

Type of Deficit	Effective Date	Special Payment	Last Payment	Present Value at the Current Valuation Date
Going concern	December 31, 2006	\$5,080	December 31, 2021	\$390,000
Going concern	December 31, 2009	\$14,130	December 31, 2024	\$1,392,000
Going concern	December 31, 2011	\$19,880	December 31, 2026	\$2,216,300
Total		\$39,090		\$3,998,300

Since the present value of the going concern special payments, \$3,998,300, exceeds the going concern deficit at the valuation date, \$1,136,100, the excess shall be used, as per the Act and regulations, to reduce the going concern special payments on a pro rata basis as follows:

Minimum Going Concern Monthly Special Payments

Type of Deficit	Effective Date	Special Payment	Last Payment	Present Value at the Current Valuation Date
Going concern	December 31, 2006	\$1,443	December 31, 2021	\$110,800
Going concern	December 31, 2009	\$4,015	December 31, 2024	\$395,500
Going concern	December 31, 2011	\$5,649	December 31, 2026	\$629,800
Total		\$11,107		\$1,136,100

Solvency Basis

In accordance with the Act and regulations, the solvency excess (deficiency) is defined as the amount by which the adjusted solvency asset amount exceeds (is below) the solvency liabilities. For this purpose, the adjusted solvency asset amount is determined by multiplying the average solvency ratio by the amount of the solvency liabilities. The average solvency ratio, adjusted solvency asset amount and solvency excess (deficiency) are determined as follows:

Determination of Average Solvency Ratio

	12.31.2011	12.31.2012	12.31.2013
Solvency assets			
Market value of assets	\$29,600,200	\$31,843,600	\$35,416,500
Termination expense provision	\$(50,000)	\$(200,000)	\$(200,000)
Solvency assets (A)	\$29,550,200	\$31,643,600	\$35,216,500
Present value of special payments made (contribution holiday) (B)			
2012	\$862,400	n/a	n/a
2013	\$446,100	\$461,700	n/a
Solvency assets adjusted for special payments (contribution holiday) (C = A + B)	\$30,858,700	\$32,105,300	\$35,216,500
Solvency liabilities (D)	\$33,571,200	\$37,725,500	\$35,743,900
Adjusted solvency ratio (C / D)	91.9%	85.1%	98.5%
Average solvency ratio (E)			91.8%

Calculation of adjusted solvency asset amount and solvency excess (deficiency)

	12.31.2013
Average solvency ratio (E)	91.8%
Solvency liabilities (F)	\$35,743,900
Adjusted solvency asset amount (G = E x F)	\$32,830,400
Solvency excess (deficiency) (G – F)	\$(2,913,500)

If there is a solvency deficiency, the Act and regulations require that solvency special payments be made in an amount equal to the amount by which the solvency deficiency divided by five exceeds the amount of going concern special payments that are payable during the year.

Minimum Solvency Special Payments

	2014
Solvency deficiency divided by five	\$582,700
Going concern special payments	\$133,300
Solvency special payments (not below \$0)	\$449,400

Total Special Payments

The following minimum monthly special payments must be made to the plan to eliminate any going concern deficit and any solvency deficiency at the valuation date, within the periods prescribed by the Act and regulations.

Minimum Monthly Special Payments	
	2014
Going concern special payments	\$11,107
Solvency special payments	\$37,451
Minimum monthly special payment	\$48,558

APPENDIX B

Plan Assets

The pension fund is held by RBC Investor Services. In preparing this report, we have relied upon fund statements prepared by RBC Investor Services without further audit. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

Reconciliation of Market Value of Plan Assets

The pension fund transactions since the last valuation are summarized in the following table:

	2013
January 1	32,958,410
PLUS	
Members' contributions	44,458
Company's contributions	1,318,440
Investment income	930,323
Net capital gains (losses)	3,048,949
LESS	
Pensions paid	1,147,562
Lump-sum refunds	526,426
Inter-plan transfers	1,129,815
Administration and investment management fees	80,227
December 31	35,416,550
Gross rate of return ⁴	12.36%
Rate of return net of expenses ⁴	12.09%

⁴ Assuming mid-period cash flows.

The market value of assets shown in the above table is adjusted to reflect in-transit amounts as follows:

	Current Valuation	Previous Valuation
Market value of invested assets	\$35,416,550	\$32,958,410
In-transit amounts		
• Transfers to Plan 1	\$0	\$(1,114,793)
Market value of assets adjusted for in-transit amounts	\$35,416,550	\$31,843,617

We have tested the pensions paid, the lump-sums paid and the contributions for consistency with the membership data for the Plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Investment Policy

The plan administrator adopted a statement of investment policy and procedures. This policy is intended to provide guidelines for the manager(s) as to the level of risk which is commensurate with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

The plan administrator is solely responsible for selecting the Plan's investment policies, asset allocations and individual investments.

The constraints on the asset mix and the actual asset mix at the valuation date are provided for information purposes:

	Investment Policy			Actual Asset Mix as at December 31, 2013
	Minimum	Target	Maximum	
Fixed income	50.0%	60.0%	85.0%	59.5%
Equity	15.0%	40.0%	50.0%	39.1%
Cash and equivalents	-	-	-	1.4%
		100.0%		100.0%

APPENDIX C

Methods and Assumptions – Going Concern

Valuation of Assets

For this valuation, we have used the market value of assets.

Going Concern Funding Target

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the projected unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings. This is referred to as the funding target.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to meet the plan's cash flow requirements in respect of accrued benefits and absent additional contributions.

As required under the Act, a funding shortfall will be amortized over no more than 15 years through special payments. A funding excess may, from an actuarial standpoint, be applied immediately to reduce required employer current service contributions unless precluded by the terms of the plan or by legislation.

The actuarial cost method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial cost method provides an effective funding target for a plan that is maintained indefinitely.

Current Service Cost

The current service cost is the present value of projected benefits to be paid under the plan with respect to service expected to accrue during the period until the next valuation.

The employer's current service cost is the total current service cost reduced by the members' required contributions.

The employer's current service cost can be expressed as a percentage of the members' pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the projected unit credit actuarial cost method, the current service cost for an individual member will increase each year as the member approaches retirement. As the plan is closed to new members, the current service cost as a percentage of members' pensionable earnings is expected to increase as the average age of the members increases.

Actuarial Assumptions – Going Concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary.

Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

Assumption	Current valuation	Previous valuation
Discount rate:	6.00% to January 1, 2020, 4.50% thereafter	6.10% to January 1, 2020, 4.00% thereafter
Explicit expenses:	\$60,000	\$60,000
Inflation:	2.00%	2.00%
ITA limit / YMPE increases:	2.25%	2.25%
Pensionable earnings increases:	3.25% plus merit and promotion	3.25% plus merit and promotion
Post retirement pension increases:	1.85%	1.85%
Retirement rates:	Retirement occurs when age and service sum to 90 years, but not after age 65 or before 55	Retirement occurs when age and service sum to 90 years, but not after age 65 or before 55
Termination rates:	None	None
Mortality rates:	95% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv)	100% of the rates of the 1994 Uninsured Pensioner Mortality Table
Mortality improvements:	Fully generational using CPM Improvement Scale B (CPM-B)	Fully generational using Scale AA
Disability rates:	None	None
Eligible spouse at retirement:	Based on current marital status	Based on current marital status
Spousal age difference:	Male 4 years older	Male 4 years older

The assumptions are best estimates with the exception that the discount rate includes a margin for adverse deviations, as described below in the Rationale for Assumptions.

Age Related Tables

Sample rates from the age related tables are summarized in the following table:

Age	Merit and Promotion
20	13.65%
25	6.02%
30	3.08%
35	1.75%
40	1.07%
45	0.70%
50	0.47%
55	0.33%

Pensionable Earnings

The benefits ultimately paid will depend on each member's final average earnings. To calculate the pension benefits payable upon retirement, death or termination of employment, we have taken the member's 2013 earnings and assumed that such pensionable earnings will increase at the assumed rate.

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using two different rates. Prior to 2020, the discount rate is based on the expected investment return on the market value of the fund.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy.
- A margin for adverse deviations of 1.50% after January 1, 2020.

We have also observed that the defined benefit program is closed to new entrants and therefore the requirements under the Act will eventually become dominated by the solvency considerations, which in turn are dominated by annuity purchase rates. Given the funding objective to reflect annuity purchase rates after 2020, a going-concern discount rate of 4.50% after 2020 is reasonable when combined with the mortality assumption used in this report.

The discount rate was developed as follows:

	Before 1.1.2020	After 1.1.2020
Assumed investment return	6.00%	6.00%
Margin	(0.00%)	(1.50%)
Net discount rate	6.00%	4.50%

Expenses

The explicit assumption is based on the average amount of investment and administrative expenses over the last 3 years.

Inflation

The inflation assumption is based on the mid-point of the Bank of Canada's inflation target range of between 1% and 3%.

Income Tax Act Pension Limit and Year's Maximum Pensionable Earnings

The assumption is based on historical real economic growth and the underlying inflation assumption.

Pensionable Earnings

The assumption is based on our best estimate of future merit and promotional increases over general wage growth considering current economic and financial market conditions. Such merit and promotion increases are assumed to be in accordance with the table developed based on an experience study considering increases over the years 1985 to 1992 and which has continued to be reasonably predictive of merit and promotion increases experienced since that time.

Post Retirement Pension Increases

The assumption is based on the Plan formula and inflation assumption above, considering that the Plan limits pension increases to 3% in the event that inflation exceeds 3%. We have determined the impact of this cap by performing a stochastic analysis based on trials using a mean of 2.0% and a standard deviation of 1.5%.

Retirement Rates

For this valuation we have continued to assume that active members will retire when their age and service sum to 90 years, provided that retirement does not occur after 65 or before 55. Individuals who have already attained this condition are assumed to retire immediately. This assumption is based on the Plan provisions and our experience of similar pension plans.

Retirement earlier than assumed will result in losses to the Plan, while later retirements will result in gains to the Plan. These gains and losses will be revealed in subsequent valuations.

Termination Rates

Use of a different assumption would not have a material impact on the valuation.

Mortality Rates

The assumption for the mortality rates is based on the Canadian Pensioners' Mortality (CPM) study published by the Canadian Institute of Actuaries in February 2014.

Due to the size of the Plan, specific data on plan mortality experience is insufficient to determine the mortality rates. The CPM mortality rates have been adjusted after considering plan-specific characteristics, such as the type of employment, the pension and employment income for the plan members, and data in the CPM study.

There is broad consensus among actuaries and other longevity experts that mortality improvement will continue in the future, but the degree of future mortality improvement is uncertain. The mortality improvement scale published in the CPM study represents one reasonable outlook for future improvement. We have used the CPM mortality improvement scale without adjustment.

Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 21.8 years for males and 24.3 years for females.

Disability Rates

Use of a different assumption would not have a material impact on the valuation.

Eligible Spouse

The assumption is based on actual membership data, which we believe is the most reliable source.

Spousal Age Difference

This assumption is based on an industry standard for the typical spousal age difference.

APPENDIX D

Methods and Assumptions – Hypothetical Wind-up and Solvency

Hypothetical Wind-up Basis

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound up on the effective date of the valuation, with benefits determined on the assumption that the pension plan has neither a surplus nor a deficit. For the purposes of the hypothetical wind-up valuation, the plan wind-up is assumed to occur in circumstances that maximize the actuarial liability.

To determine the actuarial liability on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date, with all members fully vested in their accrued benefits.

There are no benefits under the Plan contingent upon the circumstances of the plan wind-up or contingent upon other factors. In particular, there are no additional benefits that would be immediately payable if the employer's business were discontinued on the valuation date. Therefore, it was not necessary to postulate a scenario upon which the hypothetical wind-up valuation is made. Therefore, no benefits payable on plan wind-up were excluded from our calculations.

Upon plan wind-up members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer is based on the assumptions described in Section 3500 – *Pension Commuted Values* of the Canadian Institute of Actuaries Standards of Practice applicable for December 31, 2013.

Benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities based on an estimate of the cost of purchasing annuities.

We have estimated the cost of settlement through purchase of annuities in accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2013 and December 30, 2014*.

Interest rate assumptions net of COLA used for lump sum transfers and annuity purchases take into consideration the 3% cap on pension increases provided by the plan provisions. We have carried out a stochastic analysis in order to determine the additional net interest rate for calculating lump sum transfers as a result of this 3% cap.

We have not included a provision for adverse deviation in the solvency and hypothetical wind-up valuations.

The assumptions are as follows:

Form of Benefit Settlement Elected by Member

Lump sum	70% of active members under age 55 and 50% of active members over age 55 elect to receive their benefit entitlement in a lump sum
Annuity purchase	All remaining members are assumed to elect to receive their benefit entitlement in the form of a deferred or immediate pension. These benefits are assumed to be settled through the purchase of deferred or immediate annuities from a life insurance company.

Basis for Benefits Assumed to be Settled through a Lump Sum

Mortality rates:	UP94 generational using Scale AA
Interest rate:	3.00% per year for 10 years, 4.60% per year thereafter
Interest rate net of COLA:	1.70% per year for 10 years, 2.50% thereafter

Basis for Benefits Assumed to be Settled through the Purchase of an Annuity

Mortality rates:	UP94 generational using Scale AA
Interest rate:	3.93% per year
Interest rate net of COLA:	0.90% per year

Retirement Age

Maximum value:	Members are assumed to retire at the age which maximizes the value of their entitlement from the Plan based on the eligibility requirements which have been met at the valuation date
----------------	---

Other Assumptions

Final average earnings:	Based on actual pensionable earnings over the averaging period
Family composition:	Same as for going concern valuation
Termination expenses:	\$200,000

To determine the hypothetical wind-up position of the Plan, a provision has been made for estimated termination expenses payable from the Plan's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

In addition, termination expenses also include a provision for transaction fees related to the liquidation of the Plan's assets and for expenses that may reasonably be expected to be paid by the pension fund under the postulated scenario between the wind-up date and the settlement date.

Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are not included in the estimated termination expense provisions.

In determining the provision for termination expenses payable from the Plan's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the Plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the Plan.

Actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Incremental Cost

In order to determine the incremental cost, we estimate the hypothetical wind-up liabilities at the next valuation date. We have assumed that the cost of settling benefits by way of a lump sum or purchasing annuities remains consistent with the assumptions described above. Since the projected hypothetical wind-up liabilities will depend on the membership in the Plan at the next valuation date, we must make assumptions about how the Plan membership will evolve over the period until the next valuation.

We have assumed that the Plan membership will evolve in a manner consistent with the going concern assumptions as follows:

- Members retire and die consistent with the retirement and mortality rates used for the going concern valuation.
- Pensionable earnings, the *Income Tax Act* pension limit and the Year's Maximum Pensionable Earnings increase in accordance with the related going concern assumptions.
- Active members accrue pensionable service in accordance with the terms of the Plan.
- Cost of living adjustments are consistent with the inflation assumption used for the going concern valuation.

Solvency Basis

In determining the financial position of the Plan on the solvency basis, we have used the same assumptions and methodology as were used for determining the financial position of the Plan on the hypothetical wind-up basis.

The solvency position is determined in accordance with the requirements of the Act.

APPENDIX E

Membership Data Analysis of Membership Data

The actuarial valuation is based on membership data as at December 31, 2013, provided by Canadian Utilities Ltd.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments and pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use in accordance with accepted actuarial practice in Canada, Mercer has not verified or audited any of the data or information provided.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	31.12.2013	31.12.2012
Active Members		
Number	24	28
Total pensionable earnings for prior year	\$2,685,030	\$2,915,007
Average pensionable earnings for prior year	\$111,876	\$104,107
Average years of pensionable service	24.8	24.9
Average age	54.6	54.2
Deferred Pensioners		
Number	5	5
Total annual pension	\$53,017	\$53,017
Average annual pension	\$10,603	\$10,603
Average age	52.9	51.9
Pensioners and Survivors		
Number	41	39
Total annual lifetime pension	\$1,189,146	\$1,077,857
Average annual lifetime pension	\$29,004	\$27,637
Average age	72.7	72.7

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	Actives	Deferred Vested	Pensioners and Survivors	Total
Total at 31.12.2012	28	5	39	72
Terminations:				
• Lump sums				
• Deferred pensions				
Deaths	(1)		(2)	(3)
Retirements	(3)		3	0
Survivors			1	1
Total at 31.12.2013	24	5	41	70

The distribution of the active members by age and pensionable service as at December 31, 2013 is summarized as follows:

Age	Years of Pensionable Service									Total
	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 +	
< 25										
25 - 29										
30 - 34										
35 - 39										
40 - 44					1					1
45 - 49		1		1	2	1				5
50 - 54					2	2	3			7
55 - 59				1	1	4	1			7
60 - 64					1		1			2
65 - 69					2					2
70+										
Total		1		2	9	7	5			24

The distribution of the inactive members by age as at December 31, 2013 is summarized as follows:

Age	Deferred Pensioners		Pensioners and Survivors	
	Number	Average Pension	Number	Average Pension
< 45				
45 – 49	2	*		
50 – 54	1	*		
55 – 59	1	*	3	\$72,919
60 – 64	1	*	5	\$30,990
65 – 69			9	\$30,262
70 – 74			9	\$27,349
75 – 79			5	\$22,682
80 – 84			7	\$19,432
85 – 89			3	\$15,883
90 – 94				
95 – 99				
100 +				
Total	5	\$10,603	41	\$29,004

* Information suppressed to preserve member confidentiality.

APPENDIX F

Summary of Plan Provisions

Mercer has used and relied on the plan documents, including amendments and interpretations of plan provisions, supplied by Canadian Utilities Ltd.. If any plan provisions supplied are not accurate and complete, the results of any calculation may differ significantly from the results that would be obtained with accurate and complete information. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and the results of estimates under each of the different interpretations could vary.

This valuation is based on the plan provisions in effect on December 31, 2013. Since the previous valuation, the Plan has not been amended.

The following is a summary of the main provisions of the Plan in effect on December 31, 2013. This summary is not intended as a complete description of the Plan.

Background	<p>The Predecessor Plan was effective January 2, 1962. On December 31, 1986 the Predecessor Plan was split into three parts, covering employees in the Yukon (Plan 2), the Northwest Territories (Plan 3) and elsewhere (Plan 1). Plan 2A was established effective April 1, 1987 to cover Yukon based employees who had previously been employed by the Northern Canada Power Commission (NCPC).</p> <p>Effective January 1, 1994, Plan 2 was amended to extend coverage to all current and former members of Plan 2A and Plan 3. Service under Plan 2A and Plan 3 were assumed by Plan 2 in exchange for a transfer of assets.</p> <p>Effective December 30, 2003, the Plan was extended to cover employees located in Ontario.</p>
Eligibility for membership	<p>The Plan is closed to new entrants.</p> <p>Some individuals who were employed by NCPC immediately prior to April 1, 1987 elected to have their pension benefit entitlements under the PSSA transferred to the Plan. For these members, pensionable service under the Plan includes service that was pensionable under the PSSA. Service with NCPC counts for determination of vested rights whether or not the individual member elected to transfer his PSSA benefit entitlements to the Plan.</p>
Employee Contributions	<p>Members contribute 2.8% of earnings up to the YMPE and 4.0% of earnings over the YMPE, up to an annual maximum contribution of \$2,000. Disabled members and certain executive members are not required to contribute.</p>
Retirement Dates	<p>Normal Retirement Date</p> <ul style="list-style-type: none"> • The normal retirement date is the first day of the month following the member's 65th birthday. <p>Early Retirement Date</p> <ul style="list-style-type: none"> • If a member has been in the Plan for at least two years, the member may choose to retire as early as age 55.

Postponed Retirement	A member who remains employed with the company after age 65 may elect to commence receipt of pension or continue to accrue benefits under the Plan up to his actual retirement.																						
Normal Retirement Pension	2% of annual final average earnings times years of pensionable service between January 2, 1962 and January 2, 1966; PLUS 1.4% of annual final average earnings up to the YMPE, times years of pensionable service after January 2, 1966; PLUS 2.0% of annual final average earnings in excess of the YMPE, times years of pensionable service after January 2, 1966.																						
Pensionable earnings	Annual final average earnings are calculated over the 60 consecutive months for which earnings are highest. The YMPE is calculated over the same period.																						
Early Retirement Pension	If a member retires from active service with the consent of the Company, a reduced early retirement benefit is payable, as follows: <ul style="list-style-type: none"> • if age and service sum to 90 years or more, no reduction applies; • otherwise, the pension payable is equal to the normal retirement pension times a percentage from the following table: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Age at Retirement</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>64</td><td>100</td></tr> <tr><td>63</td><td>100</td></tr> <tr><td>62</td><td>100</td></tr> <tr><td>61</td><td>97</td></tr> <tr><td>60</td><td>94</td></tr> <tr><td>59</td><td>88</td></tr> <tr><td>58</td><td>82</td></tr> <tr><td>57</td><td>76</td></tr> <tr><td>56</td><td>70</td></tr> <tr><td>55</td><td>64</td></tr> </tbody> </table> <p>If retirement is not from active service, or if Company consent is not obtained, an actuarial reduction applies.</p> <ul style="list-style-type: none"> • In addition, female participants employed prior to June 1, 1972 are entitled to a bridge benefit payable only until age 65. The bridge benefit is equal to the expected Canada Pension Plan benefit times the ratio of 36 divided by the number of months from retirement to age 65, provided that the ratio is never more than 1. 	Age at Retirement	Percentage	64	100	63	100	62	100	61	97	60	94	59	88	58	82	57	76	56	70	55	64
Age at Retirement	Percentage																						
64	100																						
63	100																						
62	100																						
61	97																						
60	94																						
59	88																						
58	82																						
57	76																						
56	70																						
55	64																						
Maximum Pension	The Plan provides that the pension payable at the time of commencement must not exceed: <ul style="list-style-type: none"> • the defined benefit limit prescribed under the Income Tax Act, multiplied by years of pensionable service (with service rendered prior to January 1, 1992 limited to 35 years) <p>Reductions to this maximum apply if retirement occurs before age 60, before completion of 30 years service, and before attainment of age and service summing to 80. The maximum provision automatically reflects any increases to the defined benefit limit that occur in the ITA and Regulations.</p>																						

Cost of Living Adjustments	The annual adjustment will be as determined by the Company but will not exceed 3% per annum. In calculating the annual adjustment the Company will take into consideration annual percentage changes in the Consumer Price Index for Canada and any previous annual adjustments paid. The annual adjustment is granted to members who retired from active service.
Death Benefits	<p>Pre-retirement:</p> <ul style="list-style-type: none"> • If a member dies before becoming eligible for retirement, the member's spouse, or the member's beneficiary if there is no surviving spouse, will receive a benefit equal in value to the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value. • If a member dies after becoming eligible for retirement, the member's spouse will receive the greater of: <ul style="list-style-type: none"> • a benefit equal in value to the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value, and • an immediate pension equal to 60% of the pension to which the member would have been entitled had the member retired on their date of death. This pension will also receive future cost of living increases. • If a member dies after becoming eligible for retirement and there is no surviving spouse, the beneficiary will receive the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value. <p>Post retirement:</p> <ul style="list-style-type: none"> • The normal form of pension for single employees guarantees a return of the member's own contributions with interest up to retirement date • For employees with an eligible spouse, the normal form of pension provides a continuing survivorship pension to the member's spouse. If retirement occurs prior to July 1, 1987, the spouse's benefit is 50% of the member's benefit. If retirement occurs after July 1, 1987 the spouse's benefit is 60%.
Termination Benefits	A deferred pension commencing at normal retirement date, or alternatively the commuted value thereof may be transferred to the member's locked-in RRSP. If the member's own contributions exceed 50% of the commuted value of the deferred pension, the excess is available as an additional benefit.

APPENDIX G

Employer Certification

With respect to the Report on the Actuarial Valuation for Funding Purposes as at December 31, 2013 of the Retirement Plan For Employees of Canadian Utilities Limited and Participating Companies – Plan 2, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the Canadian Utilities Ltd. engagement with the actuary described in section 2 of this report, particularly the requirement to include a margin of 1.50% after January 1, 2020 in the discount rate used to perform the going concern valuation and the Company's decisions in regards to determining the going concern and solvency funding requirements.
- A copy of the official plan documents and of all amendments made up to December 31, 2013 were provided to the actuary and are reflected appropriately in the summary of plan provisions contained herein.
- The asset information summarized in Appendix B is reflective of the Plan's assets.
- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to December 31, 2013.
- All events subsequent to December 31, 2013 that may have an impact on the Plan have been communicated to the actuary.

Date

JUNE 26 / 14

Signed



Name

ERHARD KIEFER



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TALENT • HEALTH • RETIREMENT • INVESTMENTS

REPORT ON THE PROPOSED PLAN MERGER EFFECTIVE JANUARY 1, 2015

THE RETIREMENT PLAN FOR EMPLOYEES OF CANADIAN UTILITIES LIMITED AND PARTICIPATING COMPANIES – PLAN 2

THE RETIREMENT PLAN FOR EMPLOYEES OF CANADIAN UTILITIES LIMITED AND PARTICIPATING COMPANIES – PLAN 1

AUGUST 2015

Plan 2:

Office of the Superintendent of Financial Institutions Registration Number: 56344

Canada Revenue Agency Registration Number: 0955138

Plan 1:

Canada Revenue Agency Registration Number: 0343343

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future and other factors. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes and the results are sensitive to all the assumptions used in the valuation.

Should the plan be wound up, the going concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the plan assuming it is wound up on the valuation date. Emerging experience will affect the wind-up financial position of the plan assuming it is wound up in the future. In fact, even if the plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the *Pension Benefits Standards Act, 1985*, the *Alberta Employment Pension Plans Act*, the *Income Tax Act* and related regulations that are effective as of the valuation date. Mercer is not a law firm, and the analysis presented in this report is not intended to be a legal opinion. You should consider securing the advice of legal counsel with respect to any legal matters related to this report.

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1

Introduction

To The Office of the Superintendent of Financial Institutions (“OSFI”)

As per OSFI requirements, this report sets out actuarial information with respect to the proposed plan merger effective January 1, 2015 of the following plans:

- The Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies - Plan 2 (“Plan 2”), sponsored by Canadian Utilities Limited (the “Company”), and
- The Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies – Plan 1 (“Plan 1”), sponsored by the Company.

The Company wishes to merge the plans to achieve administrative efficiencies. Should the plan merger proceed as proposed, all assets and liabilities of Plan 2 would be transferred to Plan 1, which is registered with Alberta Treasury Board and Finance. As requested by OSFI in an email of June 23, 2015, this report addresses both of the following asset transfer requests:

- Assets relating to service prior to the proposed plan merger date, January 1, 2015, and
- Assets relating to service after December 31, 2014.

Following the merger, the registration of Plan 2 with OSFI would then be cancelled. Throughout this report, we refer to Plan 1 after the proposed merger has taken effect as the “Merged Plan”. We also refer to Plan 2 and Plan 1 collectively as the “Plans”.

This report presents the results of valuations of the Plans as at the valuation date, December 31, 2014.

Purpose

The purpose of this report is to determine:

- The funded status of the Plans as at December 31, 2014 on going concern, hypothetical wind-up and solvency bases,
- The funded status that would have resulted for the Merged Plan as at December 31, 2014 on going concern, hypothetical wind-up and solvency bases, and
- A reconciliation of contributions paid to Plan 2 after December 31, 2014.

The above results will be used to demonstrate that the funding ratios of Plan 2 and the Merged Plan are not materially different and that contributions made to Plan 2 after December 31, 2014 are in accordance with OSFI’s guidance.

The information contained in this report was prepared for the internal use of the Company and for filing with OSFI. This report is not intended or suitable for any other purpose. In particular, this report is not intended to be used to determine the funding requirements of the Merged Plan, which will be based on the actuarial valuation for funding purposes for Plan 1 as at December 31, 2013. The valuation will be updated to allow for the impact of the merger by filing a revised cost certificate with Alberta Treasury Board and Finance. The next actuarial valuation for funding purposes is due at a date no later than December 31, 2016.

Terms of Engagement

In accordance with our terms of engagement with the Company, our actuarial valuation of the Plans is based on the following material terms:

- It has been prepared in accordance with applicable pension legislation and actuarial standards of practice in Canada.
- We have reflected margins for adverse deviations in our going concern valuations by reducing the going concern discount rate by 0.9% per year after January 1, 2020 for Plan 2, and by 1.0% per year after January 1, 2020 for Plan 1. These levels of margin are reasonable given the liability profiles of each Plan and the Company's funding objectives. Further comments are given in the Rationale for Assumptions in Appendix B of this report.
- We have reflected the Company decisions for determining the solvency position. Specifically, the same plan wind-up scenario was hypothesized for both hypothetical wind-up and solvency valuations.

See the Valuation Results – Solvency section of the report for more information.

Pension Plans

This valuation reflects the provisions of the Plans as at December 31, 2014. Plan 1 is made up of a defined benefit (DB) component and a defined contribution (DC) component which applies to new hires after January 1, 1997. The Plan 1 and Merged Plan results in this report are in respect of the DB component only. Plan 2 only contains DB provisions.

An amendment has been made to Plan 1 which will incorporate the provisions of Plan 2 into the Merged Plan effective January 1, 2015, or such other date as determined by the pension regulator. We are not aware of any pending definitive or virtually definitive amendments. The Plan provisions are summarized in Appendix E.

Assumptions

We have used the same going concern valuation assumptions and methods as were used for the previous valuations as at December 31, 2013, except for the following:

	Current valuation	Previous valuation
Discount rate - Plan 2:	4.90% to 2020, 4.00% thereafter	6.00% to 2020, 4.50% thereafter
Discount rate - Plan 1:	5.00% to 2020, 4.00% thereafter	5.90% to 2020, 4.50% thereafter

The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions at the valuation date.

A summary of the going concern methods and assumptions is provided in Appendix B. A summary of the hypothetical wind-up and solvency methods and assumptions is provided in Appendix C.

Regulatory Environment and Actuarial Standards

There have been no changes to the *Pension Benefits Standards Act, 1985* (the "PBSA") or the relevant regulations which impact the funding of Plan 2.

Alberta Treasury Board and Finance issued Update 13-01 to the *Alberta Employment Pension Plans Act* (the "EPPA") in November 2013, titled *Alternative Settlement Methods for Hypothetical Wind-Up and Solvency Valuations* ("Update 13-01"). This update clarifies the position of the Alberta Superintendent of Pensions with respect to alternative settlement methods for hypothetical wind-up and solvency valuations proposed by the Canadian Institute of Actuaries.

Update 13-01 indicates that an assumed modification to the terms of the benefit promise upon plan wind-up is acceptable to the Alberta Superintendent. In particular, for a plan providing pensions that are fully or partially indexed to the Consumer Price Index, the actuary may assume that the plan would provide a fixed increase percentage on plan wind-up. This approach reflects the capacity constraints within the Canadian annuity market with respect to such indexed pensions. Update 13-01 also provides a formula for the fixed increase percentage for fully indexed plans based on the break-even inflation rate derived from yields on government of Canada nominal and real-return bonds.

Changes were made to the EPPA and the accompanying regulations effective September 1, 2014. This included changes with respect to the utilization of excess assets, but these changes do not have a material impact on the funding of Plan 1 or the Merged Plan at the present time.

At its meeting on June 9, 2015, the Actuarial Standards Board (ASB) decided to promulgate the use of the following mortality table with respect of the computation of pension commuted values ("CIA CV Standard"), effective October 1, 2015: Mortality rates equal to the 2014 Canadian Pensioners Mortality Table (CPM2014) combined with mortality improvement scale CPM Improvement Scale B (CPM-B). The change will affect the mortality assumption used to value the solvency and wind-up liabilities for benefits assumed to be settled through a lump sum transfer. As the valuation date is prior to October 1, 2015, the financial impact of the change in the CIA CV Standard has not been reflected in this actuarial valuation on a solvency and hypothetical wind-up basis.

Subsequent Events

After checking with representatives of the Company, to the best of our knowledge there have been no events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuations. Our valuations reflect the financial position of the Plans as of the valuation date and do not take into account any experience after the valuation date.

Impact of Case Law

This report has been prepared on the assumption that all of the assets in the pension funds are available to meet all of the claims on the Plans. We are not in a position to assess the impact that the Ontario Court of Appeal's decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* or similar decisions in other jurisdictions might have on the validity of this assumption.

We have assumed that all the Plans' assets are available to cover the Plans' liabilities presented in this report.

2

Valuation Results – Going Concern

Financial Status

A going concern valuation compares the relationship between the value of a plan's assets and the present value of expected future benefit cash flows in respect of accrued service, assuming the plan will be maintained indefinitely.

The results of the valuations as at December 31, 2014 for Plan 2, Plan 1 and the Merged Plan, are summarized as follows:

December 31, 2014	Plan 2	Plan 1	Merged Plan
Assets			
Actuarial value of assets	\$40,976,000	\$2,402,828,000	\$2,443,804,000
Going concern funding target			
• Active members	\$20,511,300	\$1,211,643,400	\$1,232,060,100
• Pensioners and survivors	\$20,823,800	\$1,228,042,200	\$1,248,781,400
• Deferred pensioners	\$529,700	\$24,914,200	\$25,441,400
Total	\$41,864,800	\$2,464,599,800	\$2,506,282,900
Funding excess (shortfall)	(\$888,800)	(\$61,771,800)	(\$62,478,900)
Funded Ratio	97.9%	97.5%	97.5%

Please note that the liabilities for the Merged Plan are calculated using the going-concern assumptions applicable for Plan 1, since these assumptions would be used for the Merged Plan. For this reason, the liabilities of the Merged Plan are not exactly equal to the sum of the Plan 2 and Plan 1 liabilities. Measuring the Plan 2 liabilities using a basis that is consistent with Plan 1 results in a funding shortfall of \$707,100 and a funded ratio of 98.3% for Plan 2.

The above results demonstrate that the funded ratio of Plan 2 and the Merged Plan would not be materially different as at December 31, 2014.

3

Valuation Results – Hypothetical Wind-up

Financial Position

When conducting a hypothetical wind-up valuation, we determine the relationship between the respective values of a plan's assets and liabilities assuming the plan is wound up and settled on the valuation date, assuming benefits are settled in accordance with the PBSA or EPPA as applicable.

We have determined the hypothetical wind-up financial positions using assumptions appropriate for Plan 2 (i.e., in the absence of Alberta Update 13-01 described in Section 1). For this purpose, we have assumed that for pensions eligible for increases, annuities would be purchased with a fixed rate of increase of 3.0% per year, which is the maximum rate of increase under the Plans' provisions, as described in Appendix E.

The hypothetical wind-up financial positions determined on this basis as of the valuation date for Plan 2, Plan 1 and the Merged Plan are detailed in the following table:

December 31, 2014	Plan 2	Plan 1	Merged Plan
Assets			
Market value of assets	\$40,976,000	\$2,402,828,000	\$2,443,804,000
Termination expense provision	(\$200,000)	(\$2,000,000)	(\$2,000,000)
Wind-up assets	\$40,776,000	\$2,400,828,000	\$2,441,804,000
Present value of accrued benefits for:			
• active members	\$15,680,300	\$1,026,422,200	\$1,042,102,500
• pensioners and survivors	\$26,873,500	\$1,603,565,500	\$1,630,439,000
• deferred pensioners	\$679,000	\$30,494,100	\$31,173,100
Total wind-up liability	\$43,232,800	\$2,660,481,800	\$2,703,714,600
Wind-up excess (shortfall)	(\$2,456,800)	(\$259,653,800)	(\$261,910,600)
Hypothetical wind-up ratio	94.3%	90.2%	90.3%

Please note that the results in the above table are for illustration purposes only, based on assumptions applicable for Plan 2, in order to compare the funding positions of the Plans and the Merged Plan.

The hypothetical wind-up position of the Merged Plan is expected to be carried out at the next actuarial valuation for funding purposes taking into consideration Alberta Update 13-01 as described in Section 1. We have therefore determined the hypothetical wind-up financial positions based on assumptions that take into consideration Alberta Update 13-01, as follows:

December 31, 2014	Plan 2	Plan 1	Merged Plan
Assets			
Market value of assets	\$40,976,000	\$2,402,828,000	\$2,443,804,000
Termination expense provision	(\$200,000)	(\$2,000,000)	(\$2,000,000)
Wind-up assets	\$40,776,000	\$2,400,828,000	\$2,441,804,000
Present value of accrued benefits for:			
• active members	\$14,582,700	\$944,390,600	\$958,973,300
• pensioners and survivors	\$22,683,200	\$1,350,098,900	\$1,372,782,100
• deferred pensioners	\$679,000	\$30,494,100	\$31,173,100
Total wind-up liability	\$37,944,900	\$2,324,983,600	\$2,362,928,500
Wind-up excess (shortfall)	\$2,831,100	\$75,844,400	\$78,875,500
Hypothetical wind-up ratio	107.5%	103.3%	103.3%

Please note that the results in the above table are for illustration purposes only, based on assumptions applicable for Plan 1 and the Merged Plan, in order to compare the funding positions of the Plans and the Merged Plan.

4

Valuation Results – Solvency

Overview

The PBSA and EPPA also require the financial positions of the Plans to be determined on a solvency basis. The financial position on a solvency basis is determined in a similar manner to the Hypothetical Wind-up Basis.

Financial Position

The solvency ratios are the same as the applicable hypothetical wind-up ratios shown in the previous section. The solvency excess or deficiency applicable to each plan would also be based on the hypothetical wind-up position shown in the previous section, although under the PBSA the solvency deficiency of Plan 2 would be based on an average taken over the three most recent valuations using the prescribed approach.

Based on OSFI's instruction guide, Asset Transfers related to Defined Benefit Provisions of Pension Plans, a receiving plan would be considered materially less well funded than a transferring plan if the solvency ratio of the receiving plan is less than 100% and is lower than the solvency ratio of the transferring plan by 10% or more. Based on the results shown in the previous section:

- the solvency ratio of Plan 1 is only 4.1% lower than Plan 2 (90.2% compared with 94.3%, as shown on page 7 using assumptions appropriate to Plan 2), and
- the solvency ratio of the Merged Plan is only 4.0% lower than Plan 2 (90.3% compared with 94.3%, as shown on page 7 using assumptions appropriate to Plan 2).

The above results demonstrate that the receiving plan would not be considered by OSFI to be materially less well funded than the transferring plan.

5

Contribution Reconciliation

Overview

Section IV.1 of the applicable Instruction Guide (Asset Transfers related to Defined Benefit Provisions of Pension Plans) states that:

"Unless notified by OSFI, both plans may make contributions based on the assumption that permission is granted for the transfer. Any minimum funding requirement payments owing will be due immediately following notification of the Superintendent's decision."

The reconciliation of contributions set out below demonstrates that contributions paid to Plan 2 in respect of the period from January 1, 2015 to July 31, 2015 are adequate to meet the contribution requirements for the Merged Plan in respect of Plan 2 members.

Contributions 2015 Year to Date

Company contributions to the Plans for the year to date have been based on the respective Reports on the Actuarial Valuations for Funding Purposes as at December 31, 2013 (the "Funding Reports"), dated June 2014. Member contributions are defined in the Plan documents and are not affected by the plan merger.

Contributions paid to Plan 2 in 2015 have been determined in accordance with the Funding Report for Plan 2. The amount of the Company contributions in respect of the period from January 1, 2015 to July 31, 2015, as reported to us by the Company, was \$708,225.

Contributions payable to the Merged Plan for 2015 will be determined in accordance with the Funding Report for Plan 1 and a Cost Certificate to be filed for Plan 1. This Cost Certificate includes the increase to the Plan 1 funding requirements in respect of former Plan 2 members.

A reconciliation of Company contributions in respect of Plan 2 members for the period from January 1, 2015 to July 31, 2015 is set out below:

Contributions paid to Plan 2 in accordance with Funding Report:	\$708,225
Contribution requirement to Merged Plan in respect of former Plan 2 members as per Cost Certificate:	<u>(\$440,592)</u>
Excess contributions paid to Plan 2 compared with required contributions to Merged Plan:	\$267,633

The above reconciliation demonstrates that contributions paid to Plan 2 are adequate to meet the contribution requirements for the Merged Plan in respect of former Plan 2 members.

6

Actuarial Opinion


In my opinion, for the purposes of the valuations,

- the membership data on which the valuations are based are sufficient and reliable,
- the assumptions are appropriate, and
- the methods employed are appropriate.

This report has been prepared, and my opinion given, in accordance with accepted actuarial practice in Canada except that it does not include the following disclosures which were not required to be provided under our terms of the engagement with the Company:

- Sensitivity of the results to a 1% decrease in the discount rate;
- Service cost and solvency incremental cost; and
- An analysis of the gains and losses since the previous valuation.

The report has been prepared in accordance with the funding and solvency standards set by the PBSA and the EPPA.



Mark Greenwood
FCIA, FIA

13 August 2015

Date

APPENDIX A

Plan Assets

The pension fund is held by RBC Investor Services. In preparing this report, we have relied upon the audited fund statements. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

Reconciliation of Market Value of Plan Assets

The pension fund transactions since the last valuation are summarized in the following table:

	Plan 2	Plan 1
January 1 ¹	\$35,393,000	\$2,126,051,000
PLUS		
Members' contributions	\$38,000	\$2,225,000
Company's contributions	\$1,193,000	\$38,568,000
Investment income	\$1,930,000	\$92,766,000
Net capital gains (losses)	\$3,817,000	\$228,084,000
LESS		
Pensions paid	\$1,295,000	\$71,630,000
Lump-sum refunds	\$0	\$5,189,000
Inter-plan transfers	\$0	\$0
Administration fees	\$100,000	\$8,047,000
December 31	\$40,976,000	\$2,402,828,000
Gross rate of return ²	16.28%	15.25%
Rate of return net of expenses ¹	15.97%	14.85%

We have tested the pensions paid, the lump-sums paid and the contributions for consistency with the membership data for the Plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Investment Policy

The plan administrator adopted statements of investment policy and procedures. These policies are intended to provide guidelines for the manager(s) as to the level of risk which is

¹ Unaudited market values used in the actuarial valuations as at December 31, 2013 were \$35,416,500 for Plan 2 and \$2,123,001,300 for Plan 1.

² Assuming mid-period cash flows.

commensurate with the Plans' investment objectives. A significant component of this investment policy is the asset mix.

The plan administrator is solely responsible for selecting the Plans' investment policies, asset allocations and individual investments.

The constraints on the asset mix and the actual asset mix at the valuation date are provided for information purposes:

Plan 2:

	Investment Policy			Actual Asset Mix as at December 31, 2014
	Minimum	Target	Maximum	
Fixed income	60.0%	70.0%	75.0%	61.6%
Equity	25.0%	30.0%	40.0%	35.0%
Cash and equivalents	-	-	-	3.4%
		100.0%		100.0%

Plan 1:

	Investment Policy			Actual Asset Mix as at December 31, 2014
	Minimum	Target	Maximum	
Fixed income	50.0%	60.0%	75.0%	58.6%
Equity	20.0%	30.0%	40.0%	29.4%
Real estate	5.0%	10.0%	15.0%	8.6%
Cash and equivalents	-	-	-	3.4%
		100.0%		100.0%

APPENDIX B

Methods and Assumptions – Going Concern

Valuation of Assets

For this valuation we have used the market value of assets.

Going Concern Funding Target

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the projected unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings. This is referred to as the funding target.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to meet the plan's cash flow requirements in respect of accrued benefits and absent additional contributions.

Actuarial Assumptions – Going Concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation for Plan 2, Plan 1 and the Merged Plan.

Assumption	Plan 2	Plan 1 and Merged Plan
Discount rate:	4.90% to January 1, 2020, 4.00% thereafter	5.00% to January 1, 2020, 4.00% thereafter
Investment and administrative expenses:	\$100,000	Implicit in discount rate
Inflation:	2.00%	2.00%
ITA limit / YMPE increases:	2.25%	2.25%

Assumption	Plan 2	Plan 1 and Merged Plan
Pensionable earnings increases:	3.25% plus age-related merit and promotion (see below)	3.25% plus age-related merit and promotion (see below)
Post retirement pension increases:	1.85%	1.85%
Retirement rates:	Retirement occurs when age and service sum to 90 years, but not after age 65 or before 55	Retirement occurs when age and service sum to 90 years, but not after age 65 or before 55
Termination rates:	None	None
Mortality rates:	95% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv)	95% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv)
Mortality improvements:	Fully generational using CPM Improvement Scale B (CPM-B)	Fully generational using CPM Improvement Scale B (CPM-B)
Disability rates:	None	None
Eligible spouse at retirement:	Based on current marital status	Based on current marital status
Spousal age difference:	Male 4 years older	Male 4 years older

The assumptions are best estimates with the exception that the discount rate includes a margin for adverse deviations, as described below in the Rationale for Assumptions.

Age Related Merit and Promotion

Sample rates are summarized in the following table:

Age	Merit and Promotion
20	13.65%
25	6.02%
30	3.08%
35	1.75%
40	1.07%
45	0.70%
50	0.47%
55	0.33%

Pensionable Earnings

The benefits ultimately paid will depend on each member's final average earnings. To calculate the pension benefits payable upon retirement or death, we have taken the member's 2014 earnings and assumed that such pensionable earnings will increase at the assumed rate.

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using two different rates. Prior to 2020, the discount rate is based on the expected investment return on the market value of the fund.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy.
- Additional returns assumed to be achievable due to active equity management equal to the fees related to active equity management. Such fees were determined by the difference between the provision for total investment expenses and the hypothetical fees that would be incurred for passive management of all assets.
- For Plan 1, an implicit provision for expenses.
- A margin for adverse deviations after January 1, 2020.

We have also observed that the defined benefit provisions are closed to new entrants and therefore the requirements under the PBSA and EPPA will eventually become dominated by the solvency considerations, which in turn are dominated by annuity purchase rates. The discount rate after January 1, 2020 partially reflects these lower rates.

The discount rate for Plan 2 was developed as follows:

	Before 1.1.2020	After 1.1.2020
Assumed investment return	4.77%	4.77%
Additional returns for active management	0.13%	0.13%
Margin	(0.00%)	(0.90%)
Net discount rate	4.90%	4.00%

The discount rate for Plan 1 and the Merged Plan was developed as follows:

	Before 1.1.2020	After 1.1.2020
Assumed investment return	5.11%	5.11%
Additional returns for active management	0.28%	0.28%
Implicit expense provision	(0.39%)	(0.39%)
Margin	(0.00%)	(1.00%)
Net discount rate	5.00%	4.00%

Expenses

The assumption for administrative expense is based on the average expenses over the past 3 years. The assumption for investment management expenses is the expected expenses in the future based on CUL's investment mandates.

Inflation

The inflation assumption is based on the mid-point of the Bank of Canada's inflation target range of between 1% and 3%.

Income Tax Act Pension Limit and Year's Maximum Pensionable Earnings

The assumption is based on historical real economic growth and the underlying inflation assumption.

Pensionable Earnings

The assumption is based on our best estimate of future merit and promotional increases over general wage growth considering current economic and financial market conditions. Such merit and promotion increases are assumed to be in accordance with the table developed based on an experience study considering increases over the years 1985 to 1992 and which has continued to be reasonably predictive of merit and promotion increases experienced since that time.

Post Retirement Pension Increases

The assumption is based on the Plan formula and inflation assumption above, considering that the Plan limits pension increases to 3% in the event that inflation exceeds 3%. We have determined the impact of this cap by performing a stochastic analysis based on trials using a mean of 2.0% and a standard deviation of 1.5%.

Retirement Rates

For this valuation we have continued to assume that active members will retire when their age and service sum to 90 years, provided that retirement does not occur after 65 or before 55. Individuals who have already attained this condition are assumed to retire immediately. This assumption is based on the Plan provisions and our experience of similar pension plans.

Retirement earlier than assumed will result in losses to the Plan, while later retirements will result in gains to the Plan. These gains and losses will be revealed in subsequent valuations.

Termination Rates

Use of a different assumption would not have a material impact on the valuation.

Mortality Rates

The assumption for the mortality rates is based on the Canadian Pensioners' Mortality (CPM) study published by the Canadian Institute of Actuaries in February 2014.

Due to the size of the Plan, specific data on plan mortality experience is insufficient to determine the mortality rates. The CPM mortality rates have been adjusted after considering plan-specific characteristics, such as the type of employment, the pension and employment income for the plan members, and data in the CPM study.

There is broad consensus among actuaries and other longevity experts that mortality improvement will continue in the future, but the degree of future mortality improvement is uncertain. The mortality improvement scale published in the CPM study represents one reasonable outlook for future improvement. We have used the CPM mortality improvement scale without adjustment.

Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 21.9 years for males and 24.4 years for females.

Disability Rates

Use of a different assumption would not have a material impact on the valuation.

Eligible Spouse

The assumption is based on actual membership data, which we believe is the most reliable source.

Spousal Age Difference

This assumption is based on an industry standard for the typical spousal age difference.

APPENDIX C

Methods and Assumptions – Hypothetical Wind-up and Solvency

Hypothetical Wind-up Basis

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound up on the effective date of the valuation, with benefits determined on the assumption that the pension plan has neither a surplus nor a deficit. For the purposes of the hypothetical wind-up valuation, the plan wind-up is assumed to occur in circumstances that maximize the actuarial liability.

To determine the actuarial liability on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the Plans been wound up on the valuation date, with all members fully vested in their accrued benefits.

There are no benefits under the Plans contingent upon the circumstances of the plan wind-up or contingent upon other factors. In particular, there are no additional benefits that would be immediately payable if the employer's business were discontinued on the valuation date. Therefore, it was not necessary to postulate a scenario upon which the hypothetical wind-up valuation is made. Therefore, no benefits payable on plan wind-up were excluded from our calculations.

Upon plan wind-up members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer is based on the assumptions described in Section 3500 – *Pension Commuted Values* of the Canadian Institute of Actuaries Standards of Practice applicable for December 31, 2014.

Benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities based on an estimate of the cost of purchasing annuities.

We have estimated the cost of settlement through purchase of annuities in accordance with the *Canadian Institute of Actuaries Educational Note Supplement: Guidance for Assumptions for Hypothetical Wind-Up and Solvency Valuations Update – Effective December 31, 2014, and Applicable to Valuations with Effective Dates Between December 31, 2014, and December 30, 2015*. For Plan 1 and the Merged Plan, we have also used the methodology set out in Update 13-01 as described in Section 1.

For Plan 1 and the Merged Plan, however, it may not be possible to settle the liabilities through the purchase of annuities due to the size of the Plan and the limited annuity market in Canada. In accordance with the *Canadian Institute of Actuaries Educational Note Supplement: Guidance for Assumptions for Hypothetical Wind-Up and Solvency Valuations Update – Effective December 31, 2014, and Applicable to Valuations with Effective Dates Between December 31,*

2014, and December 30, 2015, we have assumed that the settlement of such liabilities would be priced on the same basis as the smaller group annuities that are available in the market.

Interest rate assumptions net of COLA used for lump sum transfers and annuity purchases take into consideration the 3% cap on pension increases provided by the plan provisions. We have carried out a stochastic analysis in order to determine the additional net interest rate for calculating lump sum transfers as a result of this 3% cap. For the annuity purchase assumption for Plan 1 and the Merged Plan, the analysis was based on a mean rate of inflation of 1.70% and a standard deviation of 1.50%. The mean rate of inflation for this purpose was derived using Update 13-01 as described in Section 1. For the commuted value assumption, the analysis was based on inflation of 1.18% for 10 years and 2.17% thereafter and a standard deviation of 1.50%.

We have not included a provision for adverse deviation in the solvency and hypothetical wind-up valuations.

The assumptions are as follows:

Form of Benefit Settlement Elected by Member

Lump sum	70% of active members under age 55 and 50% of active members over age 55 elect to receive their benefit entitlement in a lump sum
Annuity purchase	All remaining members are assumed to elect to receive their benefit entitlement in the form of a deferred or immediate pension. These benefits are assumed to be settled through the purchase of deferred or immediate annuities from a life insurance company.

Basis for Benefits Assumed to be Settled through a Lump Sum (Plan 1, Plan 2 and Merged Plan)

Mortality rates:	UP94 generational using Scale AA
Interest rate:	2.50% per year for 10 years, 3.80% per year thereafter
Interest rate net of COLA:	1.30% per year for 10 years, 1.81% thereafter

Basis for Benefits Assumed to be Settled through the Purchase of an Annuity (Plan 2)

Mortality rates:	UP94 generational using Scale AA
Interest rate:	2.82% per year (duration exceeds 13.5 years)
Interest rate net of COLA:	-0.17% per year

Basis for Benefits Assumed to be Settled through the Purchase of an Annuity (Plan 1 and Merged Plan)

Mortality rates:	UP94 generational using Scale AA
Interest rate:	2.82% per year (duration exceeds 13.5 years)
Interest rate net of COLA:	1.17% per year

Retirement Age

Maximum value:	Members are assumed to retire at the age which maximizes the value of their entitlement from the Plan based on the eligibility requirements which have been met at the valuation date
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Other Assumptions

Final average earnings:	Based on actual pensionable earnings over the averaging period
Family composition:	Same as for going concern valuation
Projection of Income Tax Act pension limits:	2.25% per year (the long term assumption in this regard is not material to the solvency position due to the age profile of the membership)
	\$200,000
Termination expenses (Plan 2):	
Termination expenses (Plan 1 and Merged Plan):	\$2,000,000

To determine the hypothetical wind-up position of the Plans, a provision has been made for estimated termination expenses payable from the Plans' assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the Plans and to be charged to the Plans.

In addition, termination expenses also include a provision for transaction fees related to the liquidation of the Plans' assets and for expenses that may reasonably be expected to be paid by the pension fund under the postulated scenario between the wind-up date and the settlement date. For Plan 1 and the Merged Plan, however, the settlement of all benefits on wind-up is assumed to occur on the valuation date and is assumed to be uncontested. The provision for termination expenses does not include custodial, investment management, auditing, consulting and legal expenses that would be incurred between the wind-up date and the settlement date or due to the terms of a wind-up being contested.

Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are also not included in the estimated termination expense provisions.

In determining the provision for termination expenses payable from the Plan's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the Plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the Plan.

Actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Solvency Basis

In determining the financial position of Plan 2 on the solvency basis, we have used the same assumptions and methodology as were used for determining the financial position of this plan on the hypothetical wind-up basis.

In determining the financial position of Plan 1 and the Merged Plan on the solvency basis, we have used the same assumptions and methodology as were used for determining the financial position of these plans on the hypothetical wind-up basis, in accordance with Update 13-01 published by Alberta Treasury Board and Finance.

**REPORT ON THE PROPOSED PLAN MERGER AS AT
JANUARY 1, 2015**

**THE RETIREMENT PLANS FOR EMPLOYEES OF CANADIAN
UTILITIES LIMITED AND PARTICIPATING
COMPANIES**

The solvency positions are determined in accordance with the requirements of the PBSA and the EPPA, as applicable.

APPENDIX D

Membership Data Analysis of Membership Data

The actuarial valuations are based on membership data for the Plans as at December 31, 2014, provided by Canadian Utilities Ltd.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments and pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use in accordance with accepted actuarial practice in Canada, Mercer has not verified or audited any of the data or information provided.

Plan membership data for the DB components as at December 31, 2014 are summarized below.

REPORT ON THE PROPOSED PLAN MERGER AS AT
JANUARY 1, 2015

THE RETIREMENT PLANS FOR EMPLOYEES OF CANADIAN
UTILITIES LIMITED AND PARTICIPATING
COMPANIES

	Plan 2	Plan 1
Active Members Accruing DB Benefits		
Number	21	1,147
Total pensionable earnings for prior year	\$2,510,059	\$126,551,529
Average pensionable earnings for prior year	\$119,527	\$110,333
Average years of pensionable service	25.6	28.1
Average age	54.5	54.7
Active Members with DB Benefits, but Accruing DC Benefits		
Number	NA	81
Total pensionable earnings for prior year		\$9,836,907
Average pensionable earnings for prior year		\$121,443
Average years of pensionable service		8.9
Average age		52.9
Deferred Pensioners		
Number	5	111
Total annual pension	\$53,017	\$2,112,924
Average annual pension	\$10,603	\$19,035
Average age	53.9	55.3
Pensioners and Survivors		
Number	42	2,134
Total annual lifetime pension	\$1,276,186	\$76,387,782
Average annual lifetime pension	\$30,385	\$35,796
Average age	72.5	71.9

The membership movements for all categories of membership since the previously filed actuarial valuations as at December 31, 2013 are as follows:

Plan 2:

	Actives	Deferred Vested	Pensioners and Survivors	Total
Total at 31.12.2013	24	5	41	70
Terminations:				
• Transfer / lump sums				
• Deferred pensions				
Deaths			(2)	(2)
Retirements	(3)		3	0
Beneficiaries				
Total at 31.12.2014	21	5	42	68

Plan 1:

	Active Members Accruing DB Benefits	Active Members with DB Benefits but Accruing DC Benefits	Deferred Vested	Pensioners and Survivors	Total
Total at 31.12.2013	1,333	91	90	2,001	3,515
Transfers in	1				1
Terminations:					
• Transfer / lump sums	(7)	(2)			(9)
• Deferred pensions	(20)	(2)	22		0
Deaths	(3)			(56)	(59)
Retirements	(157)	(6)	(2)	165	0
Beneficiaries			1	24	25
Total at 31.12.2014	1,147	81	111	2,134	3,473

APPENDIX E

Summary of Plan Provisions

Mercer has used and relied on the plan documents, including amendments and interpretations of plan provisions, supplied by Canadian Utilities Ltd.. If any plan provisions supplied are not accurate and complete, the results of any calculation may differ significantly from the results that would be obtained with accurate and complete information. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and the results of estimates under each of the different interpretations could vary.

This valuation is based on the Plans' provisions in effect on December 31, 2014. Since the previous valuation, Plan 2 has not been amended, but Plan 1 was amended to comply with changes to the EPPA. This amendment included immediate vesting for members of the DC component, but did not have a material impact on the cost of the DB component.

The following is a summary of the main provisions of the Plans. This summary is not intended as a complete description of the Plans. The DB benefit formula provisions of Plan 1 and Plan 2 are identical, except for any differences due to the federal minimum standards which apply to Plan 2 members. As part of the merger process, an amendment that has been made to Plan 1 will incorporate the provisions of Plan 2 into the Merged Plan.

Background	<p>The Predecessor Plan became effective January 2, 1962. On December 31, 1986 the Predecessor Plan was split into three parts, covering employees in the Yukon (Plan 2), the Northwest Territories (Plan 3) and elsewhere (Plan 1). Plan 2A was established effective April 1, 1987 to cover Yukon based employees who had previously been employed by the Northern Canada Power Commission (NCPC).</p> <p>Effective January 1, 1994, Plan 2 was amended to extend coverage to all current and former members of Plan 2A and Plan 3. Service under Plan 2A and Plan 3 were assumed by Plan 2 in exchange for a transfer of assets.</p> <p>Effective January 1, 1997, money purchase provisions were introduced into Plan 1, at which time existing members had an option to continue to accrue benefits under the DB component or participate in the new DC component. All new employees participate only in the DC component of Plan 1.</p> <p>Effective December 30, 2003, Plan 2 was extended to cover employees located in Ontario.</p>
Eligibility for membership	<p>Plan 2 and the DB component of Plan 1 are closed to new entrants.</p> <p>Plan 2 covers salaried employees employed in Canada in Ontario, the Yukon and Northwest Territories upon appointment to permanent staff. Plan 1 covers salaried employees employed in Canada outside of these jurisdictions. Appointment to permanent staff typically occurs after 6 months service. In the event that a salaried employee is not appointed to permanent staff earlier, participation in the Plan will commence upon completion of two years' service provided earnings exceed 35% of the YMPE in two consecutive calendar years.</p> <p>Participation in the Plan is compulsory for all eligible employees who are not participating in another registered pension plan of the employer.</p>

Employee Contributions	Members contribute 2.8% of earnings up to the YMPE and 4.0% of earnings over the YMPE, up to an annual maximum contribution of \$2,000. Disabled members and certain executive members are not required to contribute.
Retirement Dates	<p>Normal Retirement Date</p> <ul style="list-style-type: none"> The normal retirement date is the first day of the month following the member's 65th birthday. <p>Early Retirement Date</p> <ul style="list-style-type: none"> If a member has been in the Plan for at least two years, the member may choose to retire as early as age 55.
Postponed Retirement	A member who remains employed with the company after age 65 may elect to commence receipt of pension or continue to accrue benefits under the Plans up to his actual retirement.
Normal Retirement Pension	<p>2% of annual final average earnings times years of pensionable service between January 2, 1962 and January 2, 1966;</p> <p>PLUS</p> <p>1.4% of annual final average earnings up to the YMPE, times years of pensionable service after January 2, 1966;</p> <p>PLUS</p> <p>2.0% of annual final average earnings in excess of the YMPE, times years of pensionable service after January 2, 1966.</p>
Pensionable earnings	Annual final average earnings are calculated over the 60 consecutive months for which earnings are highest. The YMPE is calculated over the same period.

Early Retirement Pension If a member retires from active service with the consent of the Company, a reduced early retirement benefit is payable, as follows:

- if age and service sum to 90 years or more, no reduction applies;
- otherwise, the pension payable is equal to the normal retirement pension times a percentage from the following table:

Age at Retirement	Percentage
64	100
63	100
62	100
61	97
60	94
59	88
58	82
57	76
56	70
55	64

If retirement is not from active service, or if Company consent is not obtained, an actuarial reduction applies.

- In addition, female participants employed prior to June 1, 1972 are entitled to a bridge benefit payable only until age 65. The bridge benefit is equal to the expected Canada Pension Plan benefit times the ratio of 36 divided by the number of months from retirement to age 65, provided that the ratio is never more than 1.

Maximum Pension The Plan provides that the pension payable at the time of commencement must not exceed:

- the defined benefit limit prescribed under the Income Tax Act, multiplied by years of pensionable service (with service rendered prior to January 1, 1992 limited to 35 years)

Reductions to this maximum apply if retirement occurs before age 60, before completion of 30 years of service, and before attainment of age and service summing to 80. The maximum provision automatically reflects any increases to the defined benefit limit that occur in the ITA and Regulations.

Cost of Living Adjustments The annual adjustment will be as determined by the Company but will not exceed 3% per annum. In calculating the annual adjustment the Company will take into consideration annual percentage changes in the Consumer Price Index for Canada and any previous annual adjustments paid. The annual adjustment is granted to members who retired from active service.

Death Benefits Pre-retirement:

- If a member dies before becoming eligible for retirement, the member's spouse, or the member's beneficiary if there is no surviving spouse, will receive a benefit equal in value to the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value.
- If a member dies after becoming eligible for retirement, the member's spouse will receive the greater of:

- a benefit equal in value to the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value, and
- an immediate pension equal to 60% of the pension to which the member would have been entitled had the member retired on their date of death. This pension will also receive future cost of living increases.
- If a member dies after becoming eligible for retirement and there is no surviving spouse, the beneficiary will receive the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value.

Post retirement:

- The normal form of pension for single employees guarantees a return of the member's own contributions with interest up to retirement date
- For employees with an eligible spouse, the normal form of pension provides a continuing survivorship pension to the member's spouse. If retirement occurs prior to July 1, 1987, the spouse's benefit is 50% of the member's benefit. If retirement occurs after July 1, 1987 the spouse's benefit is 60%.

Termination Benefits	A deferred pension commencing at normal retirement date, or alternatively the commuted value thereof may be transferred to the member's locked-in RRSP. If the member's own contributions exceed 50% of the commuted value of the deferred pension, the excess is available as an additional benefit.
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DC Component of Plan 1

The following is a summary of the main provisions of the DC component of Plan 1 in effect on December 31, 2014. This summary is not intended as a complete description.

Background	The DC component of Plan 1 became effective January 1, 1997. Employer and employee contributions are remitted to individual member accounts and are credited with interest.
Eligibility for Membership	An employee must join the DC component of Plan 1 on the date the member is appointed to the permanent staff of Canadian Utilities Limited.
Employee Contributions	Employees contribute 4% of pensionable earnings. Executive Officers do not contribute.
Employer Contributions	6% of member's pensionable earnings (10% of Executive Officers' pensionable earnings).
Benefits	Members receive a benefit equal to the total balance in their individual employer and employee accounts upon termination, death or retirement.
Maximum Contribution	The employer and employee contributions are limited to the amounts under the <i>Income Tax Act</i> .
Pensionable Earnings	Base salary.

APPENDIX F

Employer Certification

With respect to the Report on the Proposed Plan Merger Effective January 1, 2015 between the Retirement Plans For Employees of Canadian Utilities Limited and Participating Companies, Plan 2 and Plan 1, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the Canadian Utilities Ltd. engagement with the actuary described in section 1 of this report, particularly the requirement to include margins in the discount rates used to perform the going concern valuations (1.0% after January 1, 2020 for Plan 1 and 0.9% after January 1, 2020 for Plan 2) and the Company's decisions in regards to determining the going concern and solvency funding requirements.
- A copy of the official plan documents and of all amendments made up to December 31, 2014 were provided to the actuary and are reflected appropriately in the summary of plan provisions contained herein.
- The asset information summarized in Appendix A is reflective of the Plans' assets.
- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plans for service up to December 31, 2014.
- All events subsequent to December 31, 2014 that may have an impact on the Plans have been communicated to the actuary.

August 7, 2015.
Date

Carole Field
Signed

Carole Field
Name



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**RETIREMENT PLAN FOR EMPLOYEES OF
CANADIAN UTILITIES LIMITED AND
PARTICIPATING COMPANIES – PLAN 1
REPORT ON THE ACTUARIAL VALUATION
FOR FUNDING PURPOSES AS AT
DECEMBER 31, 2015
JUNE 22, 2016**

Canada Revenue Agency Registration Number: 0343343

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future and other factors.

The valuation results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes and the results are sensitive to all the assumptions used in the valuation.

Should the plan be wound up, the going concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the plan assuming it is wound up on the valuation date. Emerging experience will affect the wind-up financial position of the plan assuming it is wound up in the future. In fact, even if the plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the *Alberta Employment Pension Plans Act*, the *Income Tax Act* and related regulations that are effective as of the valuation date. Mercer is not a law firm, and the analysis presented in this report is not intended to be a legal opinion. You should consider securing the advice of legal counsel with respect to any legal matters related to this report.

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Summary of Results

	31.12.2015	31.12.2013
Going Concern Financial Status		
Market value of assets	\$2,573,672,300	\$2,158,417,800
Going concern funding target	\$2,558,847,600	\$2,209,413,700
Funding excess (shortfall)	\$14,824,700	\$(50,995,900)
Hypothetical Wind-up Financial Position		
Wind-up assets	\$2,571,672,300	\$2,156,217,800
Wind-up liability	\$2,562,916,900	\$1,962,898,300
Wind-up excess (shortfall)	\$8,755,400	\$193,319,500
Funding Requirements in the Year Following the Valuation¹		
Total current service cost	\$27,516,000	\$35,385,700
Estimated members' required contributions	\$(1,313,000)	\$(2,075,500)
Estimated employer's current service cost	\$26,203,000	\$33,310,200
Employer's current service cost as a percentage of members' pensionable earnings	34.40%	29.43%
Minimum special payments	\$0	\$6,633,100
Estimated minimum employer contribution	\$26,203,000	\$39,943,300
Estimated maximum eligible employer contribution	\$26,203,000	\$84,306,100
Next required valuation date	31.12.2018	31.12.2016

¹ Provided for reference purposes only. Contributions must be remitted to the Plan in accordance with the Minimum Funding Requirements and Maximum Eligible Contributions sections of this report. Contributions for the defined contribution component of the Plan are payable in addition.

2

Introduction

To the Management Pension Committee of Canadian Utilities Limited

At your request we have conducted an actuarial valuation of the defined benefit component of the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies - Plan 1 ("Plan 1") and the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies - Plan 2 ("Plan 2"), sponsored by Canadian Utilities Limited (the "Company"), as at the valuation date, December 31, 2015. We are pleased to present the results of the valuation.

The Company wishes to merge the plans to achieve administrative efficiencies. Plan 1 has been amended to reflect the merger of the plans effective January 1, 2015. A request to merge the plans has been submitted to the Office of the Superintendent of Financial Institutions ("OSFI"), which maintains the registration of Plan 2. Should the plan merger proceed as proposed, all assets and liabilities of Plan 2 would be transferred to Plan 1 and the registration of Plan 2 with OSFI would then be cancelled.

OSFI has yet to approve the merger of Plan 1 and Plan 2. Until approval is given, the Company is permitted to and has been funding the plans on the basis that the merger is approved. The results shown in this report therefore represent the totals for the two plans combined, and in the remainder of this report we refer to the combined plan as the "Plan".

The contributions to the defined contribution component of Plan 1 are determined by the plan provisions. An estimate of the defined contributions for 2016 is included in this report.

Purpose

The purpose of this valuation is to determine:

- The funded status of the Plan as at December 31, 2015 on going concern, hypothetical wind-up and solvency bases;
- The minimum required funding contributions from 2016, in accordance with the *Alberta Employment Pension Plans Act* (the "Act"); and
- The maximum permissible funding contributions from 2016, in accordance with the *Income Tax Act*.

The information contained in this report was prepared for the internal use of the Management Pension Committee and the Company and for filing with Alberta Treasury Board and Finance and with the Canada Revenue Agency, in connection with our actuarial valuation of the Plan. This report will be filed with Alberta Treasury Board and Finance and with the Canada Revenue Agency. This report is not intended or suitable for any other purpose.

In accordance with pension benefits legislation, the next actuarial valuation of the Plan will be required as at a date not later than December 31, 2018, or as at the date of an earlier amendment to the Plan.

Terms of Engagement

In accordance with our terms of engagement with the Company, our actuarial valuation of the Plan is based on the following material terms:

- It has been prepared in accordance with applicable pension legislation and actuarial standards of practice in Canada.
- We have reflected a margin for adverse deviations in our going concern valuation by reducing the going concern discount rate by 0.9% per year after January 1, 2020. This level of margin is reasonable given the liability profile of the Plan and the Company's funding objectives. Further comments are given in the Rationale for Assumptions in Appendix C of this report.
- We have reflected the Company's decisions for determining the solvency funding requirements, summarized as follows:
 - The same plan wind-up scenarios were hypothesized for both the hypothetical wind-up and solvency valuations.
 - No funding relief measures have been applied.

See the Valuation Results – Solvency section of the report for more information.

Events since the Last Valuation at December 31, 2013

Pension Plan

There has been a significant reduction in the number of active plan members since the previous valuation. Plan 1 has been amended as a result of the proposed merger of the plans. There have been no other special events since the last valuation date.

This valuation reflects the provisions of the Plan as at December 31, 2015. We are not aware of any other pending definitive or virtually definitive amendments coming into effect during the period covered by this report. The Plan provisions are summarized in Appendix F.

Assumptions

We have used the same going concern valuation assumptions and methods as were used for the previous valuation, except for the following:

	Current valuation	Previous valuation
Discount rate:	4.80% to 2020, 3.90% thereafter	5.90% to 2020 ² , 4.50% thereafter
Pensionable earnings increases:	Union employees: 3.25% in 2016, 1.50% in 2017, 1.50% in 2018, 2.50% thereafter (plus Merit and Promotion) Salaried employees: 0.00% in 2016, 1.50% in 2017, 1.50% in 2018, 2.50% thereafter (plus Merit and Promotion)	3.25% plus merit and promotion

A summary of the going concern methods and assumptions is provided in Appendix C.

The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions at the valuation date. A summary of the hypothetical wind-up and solvency methods and assumptions is provided in Appendix D.

Regulatory Environment and Actuarial Standards

Alberta Treasury Board and Finance issued Update 13-01 to the Alberta *Employment Pension Plans Act* (the “Act”) in November 2013, titled *Alternative Settlement Methods for Hypothetical Wind-Up and Solvency Valuations* (“Update 13-01”). This update clarifies the position of the Alberta Superintendent of Pensions with respect to alternative settlement methods for hypothetical wind-up and solvency valuations proposed by the Canadian Institute of Actuaries.

Update 13-01 indicates that an assumed modification to the terms of the benefit promise upon plan wind-up is acceptable to the Superintendent. In particular, for a plan providing pensions that are fully or partially indexed to the Consumer Price Index, the actuary may assume that the plan would provide a fixed increase percentage on plan wind-up. This approach reflects the capacity constraints within the Canadian annuity market with respect to such indexed pensions. Update 13-01 also provides a formula for the fixed increase percentage for fully indexed plans based on the break-even inflation rate derived from yields on government of Canada nominal and real-return bonds.

There have been a number of changes to the Act and regulations since the previous valuation which impact the funding of the Plan.

A new Employment Pension Plans Act and Regulation came into force on September 1, 2014. There were several items which impacted member benefits, notably, immediate vesting, retroactive entitlement to pre-retirement death benefits for all service and a requirement for gender neutral commuted values. The funding of pension plans was impacted to the extent that new rules apply before a contribution holiday may be taken and there are restrictions on the amount of a contribution holiday in a given fiscal year. A plan sponsor may also establish a

² For Plan 2 as at December 31, 2013, the discount rate prior to 2020 was 6.0%, but an explicit expense allowance of \$60,000 was added to the current service cost

solvency reserve account to hold solvency special payments which may be subsequently withdrawn by the plan sponsor subject to conditions outlined in the regulation. These changes have been reflected in this actuarial valuation. However, they do not impact the financial position of the Plan.

At its meeting on June 9, 2015, the Actuarial Standards Board (ASB) decided to promulgate the use of the following mortality table with respect of the computation of pension commuted values (“CIA CV Standard”), effective October 1, 2015: *Mortality rates equal to the 2014 Canadian Pensioners Mortality Combined Table (CPM2014) with mortality improvement scale CPM Improvement Scale B (CPM-B)*. The change affects the mortality assumption used to value the solvency and wind-up liabilities for benefits assumed to be settled through a lump sum transfer. The financial impact of the change in the CIA CV Standard has been reflected in this actuarial valuation on a solvency and hypothetical wind-up basis.

There have been no other changes to the Act and regulations which impact the funding of the Plan.

Subsequent Events

Further to the significant reduction in the number of active plan members since the previous valuation, in the first few months of 2016 more active members were terminated or retired. As requested by the Company, we have reflected these reductions in active plan members in the valuation results. After checking with representatives of the Company, to the best of our knowledge there have been no other events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation.

Impact of Case Law

This report has been prepared on the assumption that all of the assets in the pension fund are available to meet all of the claims on the Plan. We are not in a position to assess the impact that the Ontario Court of Appeal’s decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* or similar decisions in other jurisdictions might have on the validity of this assumption.

We have assumed that all the Plan’s assets are available to cover the Plan’s liabilities presented in this report.

3

Defined Contribution Component of the Plan

Plan 1 is made up of defined contribution (“DC”) and defined benefit (“DB”) components. The DC component of Plan 1 is considered in this Section. The remainder of the report relates to the DB component of the Plan, unless otherwise noted.

Current Service Cost

For the DC component of the Plan, Canadian Utilities Limited’s funding requirement is the employer DC current service cost. We have estimated the employer DC current service cost based on the projected payroll of participants. Our estimate, compared with the result of the previous valuation, is as follows:

	2016	2014
Estimated DC pensionable earnings that will attract an employer contribution	\$436,542,000	\$510,402,100
Employer DC current service cost	\$26,193,000	\$30,624,100

For reference, the Plan terms are summarized in Appendix F.

4

Valuation Results – Going Concern

Financial Status

A going concern valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely.

The results of the current valuation, compared with those from the previous valuation, are summarized as follows:

	31.12.2015	31.12.2013
Assets		
Market value of assets	\$2,573,672,300	\$2,158,417,800
Going concern funding target		
• Active members	\$931,504,900	\$1,192,163,600
• Pensioners and survivors	\$1,597,714,900	\$1,004,333,500
• Deferred pensioners and pending transfers	\$29,627,800	\$12,916,600
Total	\$2,558,847,600	\$2,209,413,700
Funding excess (shortfall)	\$14,824,700	\$(50,995,900)

The going concern funding target includes a provision for adverse deviations.

Reconciliation of Financial Status (\$millions)

Funding excess (shortfall) as at previous valuation		\$ (51.0)
Interest on funding excess (funding shortfall)		\$ (6.2)
Employer's special payments, with interest		\$ 13.8
Expected funding excess (funding shortfall)		\$ (43.4)
Net experience gains (losses)		
• Investment return	\$ 241.50	
• Increases in pensionable earnings	\$ 3.6	
• Indexation	\$ 4.7	
• Data changes as determined by pensioner life audit	\$ 1.9	
• Mortality	\$ (0.4)	
• Retirement	\$ 13.0	
• Termination	\$ 20.3	
Total experience gains (losses)	\$ 284.6	\$ 284.6
Impact of changes in assumptions		
• Discount rate	\$ (252.2)	
• Salary Scale	\$ 27.7	
Total assumption changes impact	\$ (224.5)	\$ (224.5)
Net impact of other elements of gains and losses		\$ (1.9)
Funding excess (shortfall) as at current valuation		\$ 14.8

Current Service Cost

The current service cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely.

The current service cost during the year following the valuation date compared with the corresponding value determined in the previous valuation, is as follows:

	2016	2014
Total current service cost	\$27,516,000	\$35,385,700
Estimated members' required contributions	\$(1,313,000)	\$(2,075,500)
Estimated employer's current service cost	\$26,203,000	\$33,310,200
Employee's current service cost expressed as a percentage of members' pensionable earnings.	1.72%	1.83%
Employer's current service cost expressed as a percentage of members' pensionable earnings.	34.40%	29.43%
Total current service cost expressed as a percentage of members' pensionable earnings.	36.12%	31.26%

The key factors that have caused a change in the employer's current service cost since the previous valuation are summarized in the following table:

Employer's current service cost as at previous valuation	29.43%
Demographic changes	1.46%
Changes in assumptions	3.52%
Employer's current service cost as at current valuation	34.40%

Discount Rate Sensitivity

The following table summarizes the effect on the going concern funding target and current service cost shown in this report of using a discount rate which is 1.00% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Going concern funding target	\$2,558,847,600	\$2,975,163,700
Current service cost		
• Total current service cost	\$27,516,000	\$33,594,500
• Estimated members' required contributions	\$(1,313,000)	\$(1,313,000)
• Estimated employer's current service cost	\$26,203,000	\$32,281,500

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Valuation Results – Hypothetical Wind-up

Financial Position

When conducting a hypothetical wind-up valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities assuming the Plan is wound up and settled on the valuation date, assuming benefits are settled in accordance with the Act and under circumstances producing the maximum wind-up liabilities on the valuation date.

The hypothetical wind-up financial position as of the valuation date, compared with that at the previous valuation, is as follows. The hypothetical wind-up position takes into consideration Update 13-01 described in Section 2 of this report.

	31.12.2015	31.12.2013
Assets		
Market value of assets	\$2,573,672,300	\$2,158,417,800
Termination expense provision	\$(2,000,000)	\$(2,200,000)
Wind-up assets	\$2,571,672,300	\$2,156,217,800
Present value of accrued benefits for:		
• active members	\$784,955,900	\$870,805,500
• pensioners and survivors	\$1,743,448,700	\$1,077,285,700
• deferred pensioners and pending transfers	\$34,512,300	\$14,807,100
Total wind-up liability	\$2,562,916,900	\$1,962,898,300
Wind-up excess (shortfall)	\$8,755,400	\$193,319,500

As required by guidance from the Canadian Institute of Actuaries, we have also estimated the hypothetical wind-up financial position in the absence of Update 13-01. This scenario assumes that there would be sufficient capacity in the annuity market to purchase the appropriate annuities on plan wind-up in a single premium. For this purpose, we have assumed that for pensions eligible for increases, annuities would be purchased with a fixed rate of increase of 3.0% per year, which is the maximum rate of increase under the Plan provisions. All other assumptions are equal to those set out in Appendix D. Based on this alternative approach, the hypothetical wind-up liabilities would have been \$3,025.7 million as at December 31, 2015 and there would have been a hypothetical wind-up shortfall of \$454.0 million.

The hypothetical wind-up financial position reflects Update 13-01 for both Plan 1 and Plan 2. If Update 13-01 is applied for Plan 1, but not applied for Plan 2, the total hypothetical wind-up liability as of December 31, 2015 would have been \$2,569.1 million. This would represent an increase of \$6.2 million to the above liability, resulting in a hypothetical wind-up excess of \$2.6 million as at December 31, 2015. We have discussed this adjustment with Alberta Treasury and they have confirmed that, on the grounds of materiality, it is acceptable to reflect Update 13-01

for the entire Plan. At December 31, 2015, Plan 2 accounts for 20 of the 929 active members, 43 of the 2,515 inactive members and \$42.1 million of the \$2,562.9 million wind-up liability. As the DB component is closed to new members, we would not expect the split between Plan 1 and former Plan 2 members to change materially in the future.

Wind-up Incremental Cost to December 31, 2018

The hypothetical wind-up incremental cost is an estimate of the present value of the projected change in the hypothetical wind-up liabilities from the valuation date until the next scheduled valuation date, adjusted for the benefit payments expected to be made in that period.

The hypothetical wind-up incremental cost determined in this valuation, compared with the corresponding value determined in the previous valuation, is as follows:

	31.12.2015	31.12.2013
Number of years covered by report	3 years	3 years
Total hypothetical wind-up liabilities at the valuation date (A)	\$2,562,916,900	\$1,962,898,300
Present value of projected hypothetical wind-up liability at the next required valuation plus benefit payments until the next required valuation (B)	\$2,822,701,900	\$2,307,217,200
Hypothetical wind-up incremental cost (B – A)	\$259,785,000	\$344,318,900

The incremental cost is not an appropriate measure of the contributions that would be required to maintain the financial position of the Plan on a hypothetical wind-up basis unchanged from the valuation date to the next required valuation date, if actual experience is exactly in accordance with the going concern valuation assumptions. This is because it does not reflect the fact that the expected return on plan assets (based on the going concern assumptions) is greater than the discount rate used to determine the hypothetical wind-up liabilities.

Discount Rate Sensitivity

The following table summarizes the effect on the hypothetical wind-up liabilities shown in this report of using a discount rate which is 1.00% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Total hypothetical wind-up liability	\$2,562,916,900	\$2,987,629,100

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Valuation Results – Solvency

Overview

The Act also requires the financial position of the Plan to be determined on a solvency basis. The financial position on a solvency basis is determined in a similar manner to the Hypothetical Wind-up Basis.

Financial Position

The financial position on a solvency basis, compared with the corresponding figures from the previous valuation, is as follows:

	31.12.2015	31.12.2013
Assets		
Market value of assets	\$2,573,672,300	\$2,158,417,800
Present value of going-concern special payments	\$0	\$27,621,300
Termination expense provision	\$(2,000,000)	\$(2,200,000)
Net assets	\$2,571,672,300	\$2,183,839,100
Liabilities		
Total hypothetical wind-up liabilities	\$2,562,916,900	\$1,962,898,300
Difference in circumstances of assumed wind-up	\$0	\$0
Value of excluded benefits	\$(0)	\$(0)
Liabilities on a solvency basis	\$2,562,916,900	\$1,962,898,300
Surplus (shortfall) on a solvency basis ³	\$8,755,400	\$220,940,800
Solvency ratio ⁴	100.3%	109.8%

³ For comparison purposes, the solvency shortfall for Plan 2 as at December 31, 2013 is based on the market value of assets, net of the termination expense provision, less the solvency liabilities.

⁴ The calculation of the solvency ratio excludes the present value of going-concern special payments.

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Minimum Funding Requirements

The Act prescribes the minimum contributions that Canadian Utilities Limited must make to the Plan. The minimum contributions in respect of a defined benefit component of a pension plan are comprised of going concern current service cost and special payments to fund any going concern or solvency shortfalls.

On the basis of the assumptions and methods described in this report, the rule for determining the minimum required employer monthly contributions, as well as an estimate of the employer contributions, from the valuation date until the next required valuation are as follows:

Employer's contribution rule				Estimated employer's contributions	
Period beginning	Monthly current service cost ⁵	Explicit monthly expense allowance	Minimum monthly deficiency payments	Monthly current service cost	Total minimum monthly contributions
January 1, 2016	34.40%	\$0	\$0	\$2,183,600	\$2,183,600

The estimated contribution amounts above are based on projected members' pensionable earnings. If current service cost contributions are based on a percentage of members' pensionable earnings, then the actual employer's current service cost will be different from the above estimates and, as such, the contribution requirements should be monitored closely to ensure contributions are made in accordance with the Act.

Alternatively, as the Plan is closed to new employees and therefore the active membership is declining, it would be acceptable to contribute the above dollar amount of total minimum monthly contributions to the Plan.

The development of the minimum deficiency payments compared with the previous valuation is summarized in Appendix A.

The estimated 2016 contributions to the defined contribution component of Plan 1 are set out in Section 3.

Other Considerations

Differences between Valuation Bases

There is no provision in the minimum funding requirements to fund the difference between the hypothetical wind-up and solvency shortfalls, if any.

⁵ Expressed as a percentage of members' pensionable earnings capped at \$160,970 per member.

In addition, although minimum funding requirements do include a requirement to fund the going concern current service cost, there is no requirement to fund the expected growth in the hypothetical wind-up or solvency liability after the valuation date, which could be greater than the going concern current service cost.

Timing of Contributions

Funding contributions must be made no less frequently than monthly and made within 30 days following the end of the month to which they apply.

Retroactive Contributions

The Company must contribute the excess, if any, of the minimum contribution recommended in this report over contributions actually made in respect of the period following the valuation date. This contribution, along with an allowance for interest, is due no later than 30 days following the date this report is filed.

Payment of Benefits

The Act imposes certain restrictions on the payment of lump sums from the Plan when the solvency ratio revealed in an actuarial valuation is less than one. If the solvency ratio shown in this report is less than one, the plan administrator should ensure that the monthly special payments are sufficient to meet the requirements of the Act to allow for the full payment of benefits, and otherwise should take the prescribed actions.

Specifically, pursuant to the Act, transfers out of the Plan may only be made in full provided an amount equal to the transfer deficiency has been remitted to the pension fund in addition to the minimum special payments.

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Maximum Eligible Contributions

The *Income Tax Act* (the “ITA”) limits the amount of employer contributions that can be remitted to the defined benefit component of a registered pension plan.

In accordance with Section 147.2 of the ITA and *Income Tax Regulation* 8516, for a plan which is underfunded on either a going concern or on a hypothetical wind-up basis the maximum permitted contributions are equal to the employer’s current service cost, including the explicit expense allowance if applicable, plus the greater of the going concern funding shortfall and hypothetical wind-up shortfall.

For a plan which is fully funded on both going concern and hypothetical wind-up bases, the employer can remit a contribution equal to the employer’s current service cost as long as the surplus in the plan does not exceed a prescribed threshold. Specifically, in accordance with Section 147.2 of the ITA, for a plan which is fully funded on both going concern and hypothetical wind-up bases, the plan may not retain its registered status if the employer makes a contribution while the going concern funding excess exceeds 25% of the going concern funding target.

Notwithstanding the above, any contributions that are required to be made in accordance with pension benefits legislation are eligible contributions in accordance with Section 147.2 of the ITA and can be remitted.

Schedule of Maximum Contributions

Since the surplus does not exceed 25% of the going concern funding target, the Company may make contributions of up to the amount of the current service cost until the next valuation. The current service cost is set out in section 7 and the monthly amount is estimated at \$2,183,600.

The estimated 2016 contributions to the defined contribution component of Plan 1 are set out in section 3.

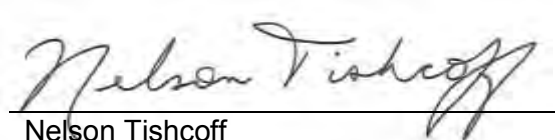
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Actuarial Opinion

In our opinion, for the purposes of the valuation:

- The membership data on which the valuation is based are sufficient and reliable.
- The assumptions are appropriate.
- The methods employed in the valuation are appropriate.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the *Alberta Employment Pension Plans Act*.



Nelson Tishcoff
FSA, FCIA

June 22, 2016

Date



Mark Greenwood
FCIA, FIA

June 22, 2016

Date

APPENDIX A

Prescribed Disclosure

Definitions

The Act defines a number of terms as follows:

Defined Term	Description	Result
Going Concern Assets	The value of the assets of a plan as of the relevant review date, determined on the basis of a going concern valuation.	\$2,573,672,300
Going Concern Liabilities Value	The actuarial present value of a plan's benefits as of the relevant review date, determined on the basis of a going concern valuation	\$2,558,847,600
Unfunded Liability	The amount, if any, by which a plan's going concern liabilities exceed its going concern assets	\$0
Going Concern Funded Ratio	The fraction obtained by dividing the Going Concern Assets Value by the Going Concern Liabilities Value	1.0058
Accessible Going Concern Excess	The amount, if any, by which a plan's Going Concern Assets Value exceed 105% of its Going Concern Liabilities Value.	\$0
Solvency Asset Value	The value of the plan's assets determined on a plan termination basis including any cash balances and accrued and receivable income and reduced by the actuary's estimate of the expenses that would be incurred in winding-up the plan.	\$2,571,672,300
Solvency Liabilities Value	The liabilities of the plan calculated on a plan termination basis.	\$2,562,916,900
Solvency Asset Adjustment	The sum of a) the present value of special payments sufficient to amortize the unfunded liability due over the next five years, and b) the face amount of any prescribed letters of credit.	\$0 \$0
Solvency Ratio	The fraction obtained by dividing: (a) the Solvency Asset Value, and (b) the Solvency Liabilities Value.	1.0034 \$2,571,672,300 \$2,562,916,900

Defined Term	Description	Result
Solvency Deficiency	The amount, if any, by which:	
	(a) the Solvency Liabilities Value	\$2,562,916,900
	exceed the sum of:	
	(a) the Solvency Asset Value, and	\$2,571,672,300
	(b) the Solvency Asset Adjustment.	\$0
		\$0
Accessible Solvency Excess	The amount, if any, by which a plan's Solvency Asset Value exceed 105% of its Solvency Liabilities Value.	\$0
Special Payments	A monthly special payment established to amortize an unfunded liability is hereafter referred to as an unfunded liability special payment.	\$0
	A monthly special payment established to amortize a solvency deficiency is hereafter referred to as a solvency special payment.	\$0

Timing of Next Required Valuation

In accordance with the Act and the Superintendent's Directives, an actuarial report must be prepared at intervals not exceeding three years. The Superintendent also directs that the Plan administrator file actuarial reports annually if the solvency ratio or going concern funded ratio of the Plan is less than 85%. Triennial filings may resume with the filing of a report showing that the solvency ratio and going concern funded ratio are at least 85%.

Accordingly, the next valuation of the Plan will be required as of December 31, 2018.

Deficiency Payments *Going Concern Basis*

The present values, at the current valuation date, of the monthly unfunded liability special payments determined at the previous valuation for Plan 1 and Plan 2, are as follows:

Present Value of Monthly Payments from the Previous Valuation - Plan 1

Type of Deficit	Effective Date	Payment	Last Payment	Present Value at the Current Valuation Date
Unfunded liability	December 31, 2009	\$504,200	December 31, 2024	\$44,814,100
Unfunded liability	December 31, 2014 ⁶	\$5,400	December 31, 2029	\$681,500
Total		\$509,600		\$45,495,600

⁶ The unfunded liability as at December 31, 2014 and associated special payments were set out in an interim cost certificate dated August 2015

Present Value of Monthly Payments from the Previous Valuation - Plan 2

Type of Deficit	Effective Date	Special Payment	Last Payment	Present Value at the Current Valuation Date
Unfunded liability	December 31, 2006	\$1,443	December 31, 2021	\$90,600
Unfunded liability	December 31, 2009	\$4,015	December 31, 2024	\$356,900
Unfunded liability	December 31, 2011	\$5,649	December 31, 2026	\$591,300
Total		\$11,107		\$1,038,800

Due to the experience gain arising since the previous valuation, there is no unfunded liability as at the valuation date. In accordance with the Act, unfunded liability special payments are no longer required.

Solvency Basis

There were no solvency deficiency special payments determined at the previous valuation for Plan 1. The present values, at the current valuation date, of the monthly solvency deficiency special payments determined at the previous valuation for Plan 2, are as follows:

Present Value of Monthly Payments from the Previous Valuation - Plan 2

Type of Deficit	Effective Date	Payment	Last Payment	Present Value at the Current Valuation Date
Solvency Deficiency	December 31, 2013	\$37,451	December 31, 2018	\$1,287,300

There is no solvency deficiency as at the valuation date. In accordance with the Act, no solvency special payments are required.

APPENDIX B

Plan Assets

The pension fund is held by RBC Investor Services. In preparing this report, we have relied upon the fund statements prepared by RBC Investor Services without further audit. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

Reconciliation of Market Value of Plan Assets

The pension fund transactions since the last valuation are summarized in the following table:

	2015	2014
January 1	2,445,615,115	2,158,417,805
PLUS		
Members' contributions	1,871,525	2,263,713
Company's contributions	38,386,913	39,766,933
Investment income	114,116,058	94,830,979
Net capital gains (losses)	74,069,589	233,823,323
LESS		
Pensions paid	82,244,293	72,924,940
Lump-sum refunds	7,966,173	3,056,190
Administration and investment management fees	10,176,402	7,506,508
December 31	2,573,672,331	2,445,615,115
Gross rate of return ⁷	7.79%	15.37%
Rate of return net of expenses ⁴	7.35%	15.00%

⁷ Assuming mid-period cash flows.

We have tested the pensions paid, the lump-sums paid and the contributions for consistency with the membership data for the Plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Investment Policy

The plan administrator adopted a statement of investment policy and procedures. This policy is intended to provide guidelines for the manager(s) as to the level of risk which is commensurate with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

The plan administrator is solely responsible for selecting the Plan's investment policies, asset allocations and individual investments.

The constraints on the asset mix and the actual asset mix at the valuation date for Plan 1 and Plan 2 are provided for information purposes:

Plan 1:

	Investment Policy			Actual Asset Mix as at December 31, 2015
	Minimum	Target	Maximum	
Canadian Fixed Income	30.0%	40.0%	60.0%	37.6%
Global Fixed Income	10.0%	20.0%	30.0%	17.9%
Real Estate	0.0%	10.0%	10.0%	8.6%
Global Equity	10.0%	20.0%	30.0%	21.3%
Canadian Equity	0.0%	10.0%	15.0%	10.7%
Cash and equivalents	-	-	-	3.9%
		100.0%		100.0%

Plan 2:

	Investment Policy			Actual Asset Mix as at December 31, 2015
	Minimum	Target	Maximum	
Canadian Fixed Income	30.0%	47.0%	60.0%	43.9%
Global Fixed Income	15.0%	23.0%	30.0%	23.5%
Global Equity	20.0%	25.0%	30.0%	27.1%
Canadian Equity	0.0%	5.0%	10.0%	4.9%
Cash and equivalents	-	-	-	0.6%
		100.0%		100.0%

APPENDIX C

Methods and Assumptions – Going Concern

Valuation of Assets

For this valuation, we have used the market value of assets.

Going Concern Funding Target

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the projected unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings. This is referred to as the funding target.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to meet the plan's cash flow requirements in respect of accrued benefits and absent additional contributions.

As required under the Act, a funding shortfall will be amortized over no more than 15 years through special payments. A funding excess may, from an actuarial standpoint, be applied immediately to reduce required employer current service contributions unless precluded by the terms of the plan or by legislation.

The actuarial cost method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial cost method provides an effective funding target for a plan that is maintained indefinitely.

Current Service Cost

The current service cost is the present value of projected benefits to be paid under the plan with respect to service expected to accrue during the period until the next valuation.

The employer's current service cost is the total current service cost reduced by the members' required contributions.

The employer's current service cost can be expressed as a percentage of the members' pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the projected unit credit actuarial cost method, the current service cost for an individual member will increase each year as the member approaches retirement. Consequently, the current service cost of the entire group, expressed as a percentage of the members' pensionable earnings, can be expected to increase steadily in the absence of new entrants, with occasional decreases if significant retirements result in a reduction of the average age.

Actuarial Assumptions – Going Concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

Assumption	Current valuation	Previous valuation
Discount rate:	4.80% to January 1, 2020, 3.90% thereafter	5.90% to January 1, 2020, ⁸ 4.50% thereafter
Inflation:	2.00%	2.00%
ITA limit / YMPE increases:	2.25%	2.25%
Pensionable earnings increases:	Union employees: 3.25% in 2016, 1.50% in 2017, 1.50% in 2018, 2.50% thereafter (plus Merit and Promotion) Salaried employees: 0.00% in 2016, 1.50% in 2017, 1.50% in 2018, 2.50% thereafter (plus Merit and Promotion)	3.25% plus merit and promotion
Post retirement pension increases:	1.85%	1.85%
Retirement rates:	Retirement occurs when age and service sum to 90 years, but not after age 65 or before 55	Retirement occurs when age and service sum to 90 years, but not after age 65 or before 55
Termination rates:	None	None
Mortality rates:	95% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv)	95% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv)
Mortality improvements:	Fully generational using CPM Improvement Scale B (CPM-B)	Fully generational using CPM Improvement Scale B (CPM-B)
Disability rates:	None	None

⁸ For Plan 2 as at December 31, 2013, the discount rate prior to 2020 was 6.0%, but an explicit expense allowance of \$60,000 was added to the current service cost

Assumption	Current valuation	Previous valuation
Eligible spouse at retirement:	Based on current marital status	Based on current marital status
Spousal age difference:	Male 4 years older	Male 4 years older

The assumptions are best estimates with the exception that the discount rate includes a margin for adverse deviations, as shown below.

Age Related Tables

Sample rates from the age related tables are summarized in the following table:

Age	Merit and Promotion
20	13.65%
25	6.02%
30	3.08%
35	1.75%
40	1.07%
45	0.70%
50	0.47%
55	0.33%

Pensionable Earnings

The benefits ultimately paid will depend on each member's final average earnings. To calculate the pension benefits payable upon retirement, death or termination of employment, we have taken 2015 earnings and assumed that such pensionable earnings will increase at the assumed rate.

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using two different rates. Prior to 2020, the discount rate is based on the expected investment return on the market value of the fund.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy.
- Additional returns assumed to be achievable due to active equity management equal to the fees related to active equity management. Such fees were determined by the difference between the provision for total investment expenses and the hypothetical fees that would be incurred for passive management of all assets.
- Implicit provision for expenses based on the average rate of expenses paid from the fund over the last three years.
- A margin for adverse deviations of 0.90% after January 1, 2020.

We have also observed that the defined benefit program is closed to new entrants and therefore the requirements under the Act will eventually become dominated by the solvency considerations, which in turn are dominated by annuity purchase rates. Given the funding objective to partially reflect annuity purchase rates after 2020, a going-concern discount rate of 3.90% after 2020 is reasonable.

The discount rate was developed as follows:

	Before 1.1.2020	After 1.1.2020
Assumed investment return	4.92%	4.92%
Additional returns for active management	0.28%	0.28%
Implicit expense provision	(0.40%)	(0.40%)
Margin	(0.00%)	(0.90%)
Net discount rate	4.80%	3.90%

Inflation

The inflation assumption is based on the mid-point of the Bank of Canada's inflation target range of between 1% and 3%.

Income Tax Act Pension Limit and Year's Maximum Pensionable Earnings

The assumption is based on historical real economic growth and the underlying inflation assumption.

Pensionable Earnings

The assumption is based on our best estimate of future merit and promotional increases and general wage growth considering current economic and financial market conditions. The assumption takes into account the Company's current outlook for wage growth in the utility sector. Such merit and promotion increases are assumed to be in accordance with the table developed based on an experience study considering increases over the years 1985 to 1992 and which has continued to be reasonably predictive of merit and promotion increases experienced since that time.

Post Retirement Pension Increases

The assumption is based on the Plan formula and inflation assumption above, considering that the Plan limits pension increases to 3% in the event that inflation exceeds 3%. We have determined the impact of this cap by performing a stochastic analysis based on trials using a mean of 2.0% and a standard deviation of 1.5%.

Retirement Rates

For this valuation we have continued to assume that active members will retire when their age and service sum to 90 years, provided that retirement does not occur after 65 or before 55. Individuals who have already attained this condition are assumed to retire immediately. This assumption is based on the Plan provisions and the experience of the Plan in recent years.

Retirement earlier than assumed will result in losses to the Plan, while later retirements will result in gains to the Plan. These gains and losses will be revealed in subsequent valuations.

Termination Rates

Use of a different assumption would not have a material impact on the valuation.

Mortality Rates

The assumption for the mortality rates is based on the Canadian Pensioners' Mortality (CPM) study published by the Canadian Institute of Actuaries in February 2014.

The mortality rates selected reflect plan-specific experience over the years 2005 to 2014. However, due to the size of the Plan, this mortality experience is not fully credible. The CPM mortality rates have been adjusted after considering the plan-specific experience and characteristics, such as the type of employment, the pension and employment income for the plan members, and data in the CPM study.

There is broad consensus among actuaries and other longevity experts that mortality improvement will continue in the future, but the degree of future mortality improvement is uncertain. The mortality improvement scale published in the CPM study represents one reasonable outlook for future improvement. We have used the CPM mortality improvement scale without adjustment.

Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 22.0 years for males and 24.4 years for females.

Disability Rates

Use of a different assumption would not have a material impact on the valuation.

Eligible Spouse

The assumption is based on actual membership data, which we believe is the most reliable source.

Spousal Age Difference

This assumption is based on an industry standard for the typical spousal age difference.

APPENDIX D

Methods and Assumptions – Hypothetical Wind-up and Solvency

Hypothetical Wind-up Basis

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound up on the effective date of the valuation, with benefits determined on the assumption that the pension plan has neither a surplus nor a deficit. For the purposes of the hypothetical wind-up valuation, the plan wind-up is assumed to occur in circumstances that maximize the actuarial liability.

To determine the actuarial liability on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date, with all members fully vested in their accrued benefits.

There are no benefits under the Plan contingent upon the circumstances of the plan wind-up or contingent upon other factors. In particular, there are no additional benefits that would be immediately payable if the employer's business were discontinued on the valuation date. Therefore, it was not necessary to postulate a scenario upon which the hypothetical wind-up valuation is made. Therefore, no benefits payable on plan wind-up were excluded from our calculations.

Upon plan wind-up members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer is based on the assumptions described in Section 3500 – *Pension Commuted Values* of the Canadian Institute of Actuaries Standards of Practice applicable for December 31, 2015.

Benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities in accordance with the Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2015 and December 30, 2016 and using the methodology set out in Update 13-01 as described in Section 2.

However, it may not be possible to settle the liabilities through the purchase of annuities due to the size of the Plan and the limited annuity market in Canada. In accordance with the Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2015 and December 30, 2016, we have assumed that the settlement of such liabilities would be priced on the same basis as the smaller group annuities that are available in the market.

Interest rate assumptions net of COLA used for lump sum transfers and annuity purchases take into consideration the 3% cap on pension increases provided by the plan provisions. We have carried out a stochastic analysis in order to determine the additional net interest rate as a result of this 3% cap.

We have not included a provision for adverse deviation in the hypothetical wind-up valuation. The assumptions are as follows:

Form of Benefit Settlement Elected by Member

Lump sum	70% of active members under age 55 and 50% of active members over age 55 elect to receive their benefit entitlement in a lump sum
Annuity purchase	All remaining members are assumed to elect to receive their benefit entitlement in the form of a deferred or immediate pension. These benefits are assumed to be settled through the purchase of deferred or immediate annuities from a life insurance company.

Basis for Benefits Assumed to be Settled through a Lump Sum

Mortality rates:	100% of the rates of the 2014 Canadian Pensioners Mortality Table (CPM2014) with fully generational improvements using CPM Scale B
Interest rate:	2.10% per year for 10 years, 3.70% thereafter
COLA:	0.79% per year for 10 years, 1.75% thereafter
Interest rate net of COLA:	1.30% per year for 10 years, 1.92% thereafter

Basis for Benefits Assumed to be Settled through the Purchase of an Annuity

Mortality rates:	100% of the rates of the 2014 Canadian Pensioners Mortality Table (CPM2014) with fully generational improvements using CPM Scale B
Interest rate:	3.13% per year
COLA:	1.48% per year
Interest rate net of COLA:	1.63% per year

Retirement Age

Maximum value:	Members are assumed to retire at the age which maximizes the value of their entitlement from the Plan based on the eligibility requirements which have been met at the valuation date
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Other Assumptions

Final average earnings:	Based on actual pensionable earnings over the averaging period.
Family composition:	Same as for going concern valuation
Termination expenses:	\$2,000,000 ⁹

To determine the hypothetical wind-up position of the Plan, a provision has been made for estimated termination expenses payable from the Plan's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

⁹ At the December 31, 2013 actuarial valuation, termination expenses were assumed to be \$2,000,000 for Plan 1 and \$200,000 for Plan 2.

Because the settlement of all benefits on wind-up is assumed to occur on the valuation date and is assumed to be uncontested, the provision for termination expenses does not include custodial, investment management, auditing, consulting and legal expenses that would be incurred between the wind-up date and the settlement date or due to the terms of a wind-up being contested. Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are also not included in the estimated termination expense provisions.

In determining the provision for termination expenses payable from the Plan's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the Plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the Plan.

Actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Incremental Cost

In order to determine the incremental cost, we estimate the hypothetical wind-up liabilities at the next valuation date. We have assumed that the cost of settling benefits by way of a lump sum or purchasing annuities remains consistent with the assumptions described above. Since the projected hypothetical wind-up liabilities will depend on the membership in the Plan at the next valuation date, we must make assumptions about how the Plan membership will evolve over the period until the next valuation.

We have assumed that the Plan membership will evolve in a manner consistent with the going concern assumptions as follows:

- Members retire and die consistent with the retirement and mortality rates used for the going concern valuation.
- Pensionable earnings, the *Income Tax Act* pension limit and the Year's Maximum Pensionable Earnings increase in accordance with the related going concern assumptions.
- Active members accrue pensionable service in accordance with the terms of the Plan.
- Cost of living adjustments are consistent with the assumption used for the going concern valuation

Solvency Basis

In determining the financial position of the Plan on the solvency basis, we have used the same assumptions and methodology as were used for determining the financial position of the Plan on the hypothetical wind-up basis, in accordance with Update 13-01 published by Alberta Treasury Board and Finance.

The solvency position is determined in accordance with the requirements of the Act.

APPENDIX E

Membership Data

Analysis of Membership Data

The actuarial valuation is based on membership data as at December 31, 2015, provided by Canadian Utilities Ltd.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments and pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use in accordance with accepted actuarial practice in Canada, Mercer has not verified or audited any of the data or information provided.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	31.12.2015	31.12.2013
Active Members Accruing DB Benefits		
Number	866	1,357
Total pensionable earnings for prior year	\$98,932,523	\$144,622,332
Average pensionable earnings for prior year	\$114,241	\$106,575
Average years of pensionable service	27.9	27.5
Average age	54.6	54.3
Active Members with DB Benefits, but Accruing DC Benefits¹⁰		
Number	63	91
Total pensionable earnings for prior year	\$7,709,551	\$10,417,840
Average pensionable earnings for prior year	\$122,374	\$114,482
Average years of pensionable service	8.6	9.2
Average age	52.8	52.2
Active Members with DC Benefits Only		
Number	4,244	5,388
Total pensionable earnings for prior year	\$416,235,261	\$474,496,446
Average pensionable earnings for prior year	\$98,076	\$88,065
Average age	38.8	38.4
Deferred Pensioners¹⁰		
Number	96	95
Total annual pension	\$2,056,672	\$1,383,141
Average annual pension	\$21,424	\$14,559
Average age	55.7	54.9
Pensioners and Survivors		
Number	2,419	2,042
Total annual lifetime pension	\$93,975,354	\$68,039,841
Average annual lifetime pension	\$38,849	\$33,320
Average age	70.9	72.2

¹⁰ Deferred pensioner statistics exclude 12 members who elected a lump sum transfer but had not yet been paid as of December 31, 2015.

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	Actives Members Accruing DB Benefits	Active Members with DB Benefits, but Accruing DC Benefits	Deferred Pensioners	Pensioners and Beneficiaries	Total
Total at 31.12.2013	1,357	91	95	2,042	3,585
Transfer from ATCO Structures & Logistics	1				1
Terminations:					
• Transfers/lump sums	(9)	(3)	(22)		(34)
• Pending transfers	(11)	(1)			(12)
• Deferred pensions	(29)	(6)	35		
Deaths	(7)		1	(144)	(150)
Retirements	(436)	(18)	(12)	466	
Beneficiaries				55	55
Data corrections			(1)		(1)
Total at 31.12.2015	866	63	96	2,419	3,444

The distribution of the active members by age and pensionable service as at the valuation date is summarized as follows:

Age	Years of Pensionable Service									Total
	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 +	
40 - 44				7	7					14
45 - 49		1		5	39	48	3			96
50 - 54			2	10	70	159	116	5		362
55 - 59	1			3	67	130	89	29		319
60 - 64	1			2	15	25	20	8	1	72
65 - 69					1		2			3
Total	2	1	2	27	199	362	230	42	1	866

The distribution of the inactive members by age as at valuation date is summarized as follows:

Age	Deferred Pensioners		Pensioners and Survivors	
	Number	Average Pension	Number	Average Pension
40 – 44	1	*		
45 – 49	12	11,256		
50 – 54	35	25,184		
55 – 59	25	23,294	388	59,087
60 – 64	20	20,603	451	52,735
65 – 69	3	5,190	441	38,648
70 – 74			323	27,986
75 – 79			264	26,727
80 – 84			272	27,817
85 – 89			192	24,803
90 – 94			74	19,957
95 +			14	22,975
Total	96	21,424	2,419	38,849 ¹¹

* Information suppressed to preserve member confidentiality.

¹¹ Excludes 13 pensions payable to former spouses of plan members.

APPENDIX F

Summary of Plan Provisions

Mercer has used and relied on the plan documents, including amendments and interpretations of plan provisions, supplied by Canadian Utilities Ltd. If any plan provisions supplied are not accurate and complete, the results of any calculation may differ significantly from the results that would be obtained with accurate and complete information. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and the results of estimates under each of the different interpretations could vary.

This valuation is based on the Plan 1 and Plan 2 provisions in effect on December 31, 2015.

DB Component

The following is a summary of the main provisions of the DB component of Plan 1 and Plan 2 in effect on December 31, 2015. This summary is not intended as a complete description of the Plans.

Background	<p>Plan 1:</p> <ul style="list-style-type: none">• The Plan became effective January 2, 1962. On December 31, 1986, employees in the Yukon Territory and the Northwest Territories became covered by a separate arrangement.• Effective January 1, 1997, money purchase provisions were introduced into Plan 1, at which time existing Plan members had an option to continue to accrue benefits under the defined benefit component or participate in the new money purchase component. All new employees participate only in the money purchase component. <p>Plan 2:</p> <ul style="list-style-type: none">• The Predecessor Plan was effective January 2, 1962. On December 31, 1986 the Predecessor Plan was split into three parts, covering employees in the Yukon (Plan 2), the Northwest Territories (Plan 3) and elsewhere (Plan 1). Plan 2A was established effective April 1, 1987 to cover Yukon based employees who had previously been employed by the Northern Canada Power Commission (NCPC).• Effective January 1, 1994, Plan 2 was amended to extend coverage to all current and former members of Plan 2A and Plan 3. Service under Plan 2A and Plan 3 were assumed by Plan 2 in exchange for a transfer of assets.• Effective December 30, 2003, the Plan was extended to cover employees located in Ontario.
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Eligibility for Membership	<p>Plan 1:</p> <ul style="list-style-type: none"> • The Plan covers salaried employees employed in Canada outside of Ontario, the Yukon and Northwest Territories upon appointment to permanent staff. This typically occurs after 6 months service. In the event that a salaried employee is not appointed to permanent staff earlier, participation in the Plan will commence upon completion of two years' service provided earnings exceed 35% of the YMPE in two consecutive calendar years. • Participation in the Plan is compulsory for all eligible employees who are not participating in another registered pension plan of the employer. <p>Plan 2:</p> <ul style="list-style-type: none"> • The Plan is closed to new entrants. • Some individuals who were employed by NCPC immediately prior to April 1, 1987 elected to have their pension benefit entitlements under the PSSA transferred to the Plan. For these members, pensionable service under the Plan includes service that was pensionable under the PSSA. Service with NCPC counts for determination of vested rights whether or not the individual member elected to transfer his PSSA benefit entitlements to the Plan.
Employee Contributions	<p>Members contribute 2.8% of earnings up to the YMPE and 4.0% of earnings over the YMPE, up to an annual maximum contribution of \$2,000. Disabled members and certain executive members are not required to contribute.</p>
Retirement Dates	<p>Normal Retirement Date</p> <ul style="list-style-type: none"> • The normal retirement date is the first day of the month following the member's 65th birthday. <p>Early Retirement Date</p> <ul style="list-style-type: none"> • The member may choose to retire as early as age 55.
Postponed Retirement	<p>A member who remains employed with the company after age 65 may elect to commence receipt of pension or continue to accrue benefits under the Plan up to his actual retirement.</p>
Normal Retirement Pension	<p>2% of annual final average earnings times years of pensionable service between January 2, 1962 and January 2, 1966; PLUS 1.4% of annual final average earnings up to the YMPE, times years of pensionable service after January 2, 1966; PLUS 2.0% of annual final average earnings in excess of the YMPE, times years of pensionable service after January 2, 1966.</p>
Pensionable Earnings	<p>Annual final average earnings are calculated over the 60 consecutive months for which earnings are highest. The YMPE is calculated over the same period.</p>

Early Retirement Pension If a member retires from active service with the consent of the Company, a reduced early retirement benefit is payable, as follows:

- if age and service sum to 90 years or more, no reduction applies;
- otherwise, the pension payable is equal to the normal retirement pension times a percentage from the following table:

Age at Retirement	Percentage
64	100
63	100
62	100
61	97
60	94
59	88
58	82
57	76
56	70
55	64

If retirement is not from active service, or if Company consent is not obtained, an actuarial reduction applies.

In addition, female participants employed prior to June 1, 1972 are entitled to a bridge benefit payable only until age 65. The bridge benefit is equal to the expected Canada Pension Plan benefit times the ratio of 36 divided by the number of months from retirement to age 65, provided that the ratio is never more than 1.

Maximum Pension The Plan provides that the pension payable at the time of commencement must not exceed:

- the defined benefit limit prescribed under the Income Tax Act, multiplied by years of pensionable service (with service rendered prior to January 1, 1992 limited to 35 years)

Reductions to this maximum apply if retirement occurs before age 60, before completion of 30 years' service, and before attainment of age and service summing to 80. The maximum provision automatically reflects any increases to the defined benefit limit that occur in the Income Tax Act and Regulations

Cost of Living Adjustments The annual adjustment will be as determined by the Company but will not exceed 3% per annum. In calculating the annual adjustment the Company will take into consideration annual percentage changes in the Consumer Price Index for Canada and any previous annual adjustments paid. The annual adjustment is granted only to members who retire from active service.

Death Benefits

Pre-retirement:

- If a member dies before becoming eligible for retirement, the member's spouse, or the member's beneficiary if there is no surviving spouse, will receive a benefit equal in value to the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value.
- If a member dies after becoming eligible for retirement, the member's spouse will receive the greater of:
 - a benefit equal in value to the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value, and
 - an immediate pension equal to 60% of the pension to which the member would have been entitled had the member retired on their date of death. This pension will also receive future cost of living increases.
- If a member dies after becoming eligible for retirement and there is no surviving spouse, the beneficiary will receive the commuted value of the benefit to which the member would have been entitled had he terminated employment immediately prior to his death, plus any excess of the member's contributions over 50% of that commuted value.

Post retirement:

- The normal form of pension for single employees guarantees a return of the member's own contributions with interest up to retirement date
- For employees with an eligible spouse, the normal form of pension provides a continuing survivorship pension to the member's spouse. If retirement occurs prior to July 1, 1987, the spouse's benefit is 50% of the member's benefit. If retirement occurs after July 1, 1987 the spouse's benefit is 60%.

Termination Benefits

A deferred pension commencing at normal retirement date, or alternatively the commuted value thereof may be transferred to the member's locked-in RRSP. If the member's own contributions exceed 50% of the commuted value of the deferred pension, the excess is available as an additional benefit.

DC Component

The following is a summary of the main provisions of the DC component of Plan 1 in effect on December 31, 2015. This summary is not intended as a complete description of the Plan.

Background	The DC component of Plan 1 became effective January 1, 1997. Employer and employee contributions are remitted to individual member accounts and are credited with interest.
Eligibility for Membership	An employee must join the Defined Contribution component of the Plan on the date the member is appointed to the permanent staff of Canadian Utilities Limited.
Employee Contributions	Employees contribute 4% of pensionable earnings. Executive Officers do not contribute.
Employer Contributions	6% of member's pensionable earnings (10% of Executive Officers' pensionable earnings).
Benefits	Members receive the balance of their individual employer and employee accounts upon termination, death or retirement.
Maximum Contribution	The employer and employee contributions are limited to the amounts under the <i>Income Tax Act</i> .
Pensionable Earnings	Base salary.

APPENDIX G

Employer Certification

With respect to the Report on the Actuarial Valuation for Funding Purposes as at December 31, 2015 of the Plan, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the Company's engagement with the actuary described in Section 2 of this report, particularly the requirement to include a margin of 0.9% after January 1, 2020 in the discount rate used to perform the going concern valuation and the Company's decisions in regards to determining the going concern and solvency funding requirements.
- A copy of the official plan documents and of all amendments made up to December 31, 2015 were provided to the actuary and are reflected appropriately in the summary of plan provisions contained herein.
- The asset information summarized in Appendix B is reflective of the Plan's assets.
- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to December 31, 2015.
- All events subsequent to December 31, 2015 that may have an impact on the Plan have been communicated to the actuary.

June 20, 2016
Date

Carole Field
Signed

Carole Field.
Name



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