

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Tabular amounts and amounts in footnotes to tables are in millions of Canadian dollars unless otherwise indicated.)

This Management's Discussion and Analysis ("MD&A") dated November 4, 2020 is provided to enable readers to assess the results of operations, liquidity and capital resources of TriSummit Utilities Inc. (formerly AltaGas Canada Inc.) ("TSU" or the "Company") as at and for the three and nine months ended September 30, 2020. This MD&A should be read in conjunction with the accompanying condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2020 (the "Interim Financial Statements"), the Company's audited consolidated financial statements as at and for the year ended December 31, 2019 (the "2019 Annual Financial Statements") and the Company's management's discussion and analysis for the year ended December 31, 2019 (the "2019 Annual MD&A").

The Company's presentation currency is in Canadian dollars. In this MD&A, references to "\$" are to Canadian dollars unless otherwise indicated. The Interim Financial Statements and comparative information have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP") as codified by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Throughout this MD&A, reference to GAAP refers to U.S. GAAP. Any reference to per Common Share (as defined herein) measures are presented on a basic basis, unless otherwise indicated.

This MD&A refers to certain terms commonly used in the rate-regulated utility industry, such as "rate-regulated" and "rate base". The term "rate base" is a key performance indicator but is not considered to be a non-GAAP measure. Rate base is an amount that a utility is required to calculate for regulatory purposes, and generally refers to net book value of the utility's assets for regulatory purposes. The Company refers to the rate base of its utility businesses because it believes that such term assists in understanding the Company's business and is commonly used by investors to help evaluate the performance of rate-regulated utilities. For a discussion of these terms and other terms commonly used in the rate-regulated utility industry, please see the "*Business of the Company - Utilities Business*" section in the Annual Information Form of TSU dated March 4, 2020 (the "Annual Information Form").

Abbreviations, acronyms, and capitalized terms used in this MD&A that are not otherwise defined herein are used consistently with the definitions in the 2019 Annual MD&A or the Annual Information Form.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "should", "believe", "plan", "would", "could", "focus", "forecast", "opportunity" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: expectations regarding the impact of the COVID-19 pandemic on TSU's business; expectations regarding the PNG Reactivation Project (as defined herein) and the Salvus to Galloway Project (as defined herein); expected impact of the AUC's decision regarding the Etzikom Lateral Project; expectations regarding planned expenditures and related investments and capital program from 2020 to 2024 and the expected capital spend in 2020; expected fluctuations in the Company's working capital and the expected funding of the Company's capital program; the Company's objective for managing capital and its effects on rate base and return to investors; and expected impact of adopting ASUs (as defined herein) in the future on the Company's consolidated financial statements.

The forward-looking information and statements contained in this MD&A reflect several material factors, expectations and assumptions of the Company including, without limitation: expected commodity supply, demand and pricing; that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; regulatory approvals and policies; funding operating and capital costs; project completion dates; capacity expectations; that there will be no material defaults by the counterparties to agreements with the Company and such agreements will not be terminated prior to their scheduled expiry; and the Company will continue to have access to wind and water resources in amounts consistent with the amounts expected by the Company. The Company believes

the material factors, expectations and assumption reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information and statements, including, without limitation: changes in the demand for or supply of the Company's services; unanticipated operating results; changes in regulatory matters; limited, unfavourable or a lack of access to capital markets; increased costs; the impact of competitors; attracting and retaining skilled personnel and certain other risks (including, without limitation, those risks identified elsewhere in this MD&A); and the other factors discussed under the heading "*Risk Factors*" in the Annual Information Form and set out in the Company's other continuous disclosure documents.

The Company believes the forward-looking statements in this MD&A are reasonable. However, such statements are not a guarantee that any of the actions, events or results of the forward-looking statements will occur, or if any of them do occur, their timing or what impact they will have on the Company's results of operations or financial condition. Because of these uncertainties, investors should not put undue reliance on any forward-looking statements.

The forward-looking statements included in this MD&A are expressly qualified by this cautionary statement and are made as of the date of this MD&A. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as required by Canadian securities laws.

Additional information relating to the Company, including the Annual Information Form, is available on SEDAR at www.sedar.com.

THE COMPANY

On March 31, 2020, the Public Sector Pension Investment Board ("PSP Investments") and the Alberta Teachers' Retirement Fund Board ("ATRF") completed the acquisition of all of the outstanding common shares of TSU (the "Common Shares") by TriSummit Cycle Inc. (formerly PSPIB Cycle Investments Inc.) (the "Purchaser"), a company in which PSP Investments indirectly holds a majority economic interest and ATRF indirectly holds a minority economic interest, with an all-cash transaction pursuant to a plan of arrangement (the "Arrangement"). The Purchaser acquired each Common Share for \$33.50 in cash and the Company is now a wholly-owned subsidiary of the Purchaser. In connection with the completion of the Arrangement, the Company changed its name to "TriSummit Utilities Inc.". TSU remains incorporated under the *Canada Business Corporations Act*, with its headquarters located in Calgary, Alberta. While TSU does not have its securities listed on any stock exchange, it continues to be a reporting issuer under applicable Canadian securities laws because its public debt remains outstanding.

The Company owns rate-regulated natural gas distribution and transmission utility businesses through its operating subsidiaries AltaGas Utilities Inc. ("AUI") in Alberta, Pacific Northern Gas Ltd. ("PNG") and Pacific Northern Gas (N.E.) Ltd. in British Columbia and Heritage Gas Limited ("HGL") in Nova Scotia. The Company also owns the Bear Mountain Wind Park and an approximately 10 percent indirect interest in the Northwest Hydro Facilities.

THIRD QUARTER FINANCIAL HIGHLIGHTS

(Normalized EBITDA, normalized funds from operations, normalized net income, net debt, and net debt to total capitalization ratio are non-GAAP financial measures. Please see the "Non-GAAP Financial Measures" section of this MD&A.)

- Net income after taxes was \$0.5 million (\$0.02 per Common Share) compared to \$2.8 million (\$0.09 per Common Share) in the third quarter of 2019.
- Normalized net income was \$1.0 million (\$0.03 per Common Share), compared to \$2.4 million (\$0.08 per Common Share) in the third quarter of 2019.
- Operating income was \$9.2 million, compared to \$9.9 million in the third quarter of 2019.
- Normalized EBITDA was \$20.6 million, an increase of 16 percent compared to \$17.7 million in the third quarter of 2019.
- Normalized funds from operations were \$8.6 million (\$0.29 per Common Share), an increase of 28 percent compared to \$6.7 million (\$0.22 per Common Share) in the third quarter of 2019.
- Net debt was \$702.2 million as at September 30, 2020, compared to \$669.5 million as at December 31, 2019.
- Net debt to total capitalization ratio was 53.8 percent as at September 30, 2020, compared to 51.9 percent as at December 31, 2019.
- Rate base as at September 30, 2020 was \$970 million inclusive of construction work in progress, compared to \$922 million as at September 30, 2019.
- In the third quarter of 2020, PNG completed the execution of firm transportation service agreements with respect to the PNG Reactivation Project.

HIGHLIGHTS SUBSEQUENT TO QUARTER END

- On October 2, 2020, PNG submitted an application to the BCUC for the Salvus to Galloway Project.
- On October 16, 2020, the AUC issued a decision indicating that the Etzikom Lateral Project did not satisfy the Type 1 Capital Tracker criteria.
- In October 2020, the BCUC approved PNG's 2020 to 2021 Revenue Requirements Applications which included the determination of final customer delivery rates for 2020 and 2021.
- On November 4, 2020, the Board of Directors approved a quarterly dividend of \$0.275 per Common Share, payable on or about December 18, 2020.

OVERVIEW OF THE BUSINESS

TSU has three reporting segments:

- Utilities, which owns and operates utility assets that deliver natural gas to end-users in Alberta, British Columbia and Nova Scotia. TSU also owns a one-third equity interest in the utility that delivers natural gas to end-users in Inuvik, Northwest Territories. In aggregate, the Utilities have approximately \$970 million of rate base as at September 30, 2020 inclusive of construction work in progress and serve approximately 131,000 customers across Canada.
- Renewable Energy, which includes the Bear Mountain Wind Park and an approximately 10 percent indirect interest in the Northwest Hydro Facilities.
- Corporate, which primarily includes the cost of providing shared services, financing and access to capital, and general corporate support.

BUSINESS AND REGULATORY UPDATES

Impact of the COVID-19 Pandemic

In response to the novel coronavirus of 2019 ("COVID-19") pandemic, provincial governments across Canada have enacted emergency measures to combat the spread of the virus. During the COVID-19 pandemic, TSU and its utilities are focusing on the health and safety of its employees and customers while continuing to provide safe and reliable services. In response to the COVID-19 pandemic, several temporary customer relief initiatives were provided to customers at the outset of the pandemic. While the Company is continuing to work with its customers to establish payment arrangements, it has resumed normal collection activities in connection with overdue accounts during the third quarter of 2020. Please see further details below.

In March 2020, the Government of Alberta announced a program for Albertans who were experiencing financial hardship directly related to the COVID-19 pandemic to be able to defer payment of electricity and natural gas bills from March 18, 2020 until June 18, 2020 without any late fees or added interest payments. In addition, no Albertans could be disconnected from these services or see their services reduced during this period due to non-payment. Albertans who have enrolled in the bill deferral program must repay the deferred amount by June 18, 2021. On May 28, 2020, the AUC approved AUI's application to establish deferral accounts for the purposes of administering deferred payments under the *Utility Payment Deferral Program Act* (Alberta). Based on guidelines from the AUC, AUI resumed collection activities at the beginning of July 2020. As at September 30, 2020, AUI has deferred approximately \$1.1 million under these deferral accounts.

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

On June 10, 2020, the BCUC approved PNG's application to offer a bill payment deferral program between April 17, 2020 and June 30, 2020 to residential and small commercial customers that have experienced a loss of income or revenue as a result of the COVID-19 pandemic. The BCUC also granted approval for PNG to establish deferral accounts to capture unplanned costs incurred and cost savings as a result of the COVID-19 pandemic and to capture bad debts that may be incurred specifically as a result of the impact of COVID-19. PNG will apply for the amortization of the COVID-19 deferral accounts in future revenue requirement applications. As at September 30, 2020, \$0.5 million of net cost savings have been identified and deferred as regulatory liabilities. During the outset of the COVID-19 pandemic, PNG also temporarily halted disconnection practices for overdue accounts related to COVID-19 disruption. PNG resumed collection efforts in connection with overdue accounts in late June 2020.

While the COVID-19 pandemic did not significantly impact the carrying value of accounts receivable and the liquidity position of the Company as at September 30, 2020, given the unprecedented and changing developments surrounding the COVID-19 pandemic, it is not possible to reliably estimate the impact of the COVID-19 pandemic on the financial results and condition of the Company in future periods. As at September 30, 2020, the Company has approximately \$245.9 million of cash balances and available credit facilities. The Company is continuing to monitor the potential impact of the pandemic on ongoing operations and associated financial implications.

Salvus to Galloway Project

PNG is proposing to repair and refurbish part of its 8" transmission line to Prince Rupert, British Columbia (the "Salvus to Galloway Project") which is required to address aging infrastructure and ensure long-term reliable supply. Project work will be conducted within the existing PNG pipeline corridor and nearby permitted temporary workspace. The BCUC application for the Salvus to Galloway Project was submitted on October 2, 2020. The Salvus to Galloway Project is expected to cost approximately \$80 million, the majority of which is expected to be incurred over a three year period, between 2021 and 2023.

PNG Reactivation Project

On February 28, 2020, the BCUC issued Order G-3-20 granting approval of PNG's application of a large volume industrial transportation rate required in its proposed process for allocation of reactivated capacity on its existing pipeline system. The proposed reactivation involves natural gas deliveries from Station 4a on the Enbridge Westcoast Energy Inc. southern mainline near Summit Lake, British Columbia to three termination points: Terrace, Kitimat, and Prince Rupert, British Columbia. On May 1, 2020, PNG issued a public notice announcing the launch of a binding open season auction where shippers had the opportunity to bid on capacity of up to approximately 88 million standard cubic feet per day based on either firm transportation service agreements ("TSA") or reserve capacity through transportation reservation agreements. In June 2020, the auction process was conducted, and PNG received several bids from interested parties. PNG went through an evaluation process to rank the bids received and in the third quarter of 2020, PNG completed the execution of TSA's with the successful parties for capacity of 65 million standard cubic feet per day over approximately 20 years. PNG has commenced preparation of an application to the BCUC to seek approval of system reactivation and recommissioning work to prepare for returning the system back to full utilization (the "PNG Reactivation Project"), and anticipates filing this application in the first quarter of 2021. The parties have

provided letters of credit for part of the obligations under the TSA's, with the remaining credit obligations to be provided if the application is approved. The estimated capital for the PNG Reactivation Project is approximately \$50 to \$60 million.

PNG 2020-2021 Revenue Requirements Application

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

Etzikom Lateral Project Type I Capital Application

On October 16, 2020, the AUC issued a decision regarding AUI's Type 1 Capital Tracker True-up for the Etzikom Lateral Project. Within the decision the AUC determined the Etzikom Lateral Project did not satisfy Type 1 capital tracker criteria and thus Type 1 capital tracker treatment was denied. Accordingly, the costs of the Etzikom Lateral Project will be managed under the existing capital funding mechanism within the PBR framework. AUI will be refunding the associated interim-approved revenue requirements within the 2021 annual PBR rates. As a result of this decision, the Company is expecting to record a net income reduction of approximately \$0.3 million in the fourth quarter of 2020.

BC Hydro Issues Curtailment Notices

On May 21, 2020, Coast Mountain Hydro Limited Partnership ("CMHLP") received notices from BC Hydro in relation to each of the Northwest Hydro Facilities. The notices stated that BC Hydro will not accept and purchase energy under the applicable electricity purchase agreements ("EPAs") above a specific curtailment level for the period started on May 24, 2020 through to July 20, 2020. BC Hydro cited the current COVID-19 pandemic and the related measures taken by governmental authorities in relation to it constituting a "force majeure" event under the EPAs. CMHLP disputes BC Hydro's position and has initiated an arbitration proceeding. The curtailment levels for the period specified translated into a realized reduction of distributions to TSU of approximately \$1.6 million, of which approximately \$0.4 million was realized in the third quarter of 2020 and approximately \$1.2 million was realized in the second quarter of 2020.

HGL's Customer Retention Program

On November 4, 2019, HGL filed an application with the NSUARB requesting to extend its CRP to the end of 2023. The CRP was set to expire at the end of 2020. In addition to retaining pricing flexibility to adjust rates for certain commercial customers, HGL also requested to change the CRP deferral mechanism to defer amounts equivalent to the price discount provided to certain small commercial customers, rather than suspending depreciation and deferring a portion of operating, maintenance and administrative expenses. On April 21, 2020, HGL received final approval from the NSUARB to revise the CRP deferral mechanism and to extend the program to the end of 2023 as requested. As the decision is effective January 1, 2020, the cumulative impact from this decision was reflected in TSU's second quarter results.

CAPITAL PROGRAM GUIDANCE

Over the 2020 to 2024 time period, TSU now expects capital spending of up to \$520 million at its Utilities. The capital guidance has been updated for PNG's application to the BCUC with respect to the Salvus to Galloway Project. The expected capital program includes the PNG Reactivation Project, the Salvus to Galloway Project as well as investments in system betterment projects to maintain the safety and reliability of TSU's utility infrastructure, new business opportunities and technology improvements. In 2020, TSU continues to expect capital spend to be in the range of \$75 to \$85 million.

SEASONALITY

Results for the Utilities segment have a high degree of seasonality associated with them as the second and third quarters usually produce lower net income as a result of warmer weather, lower customer demand, and certain expenses such as depreciation and operating and administrative expenses, which generally increase as a result of rate base growth and are more evenly

distributed throughout the year. These increased costs are normally more than offset in the first and fourth quarters which produce higher net income as a result of colder weather and higher customer demand.

SELECTED FINANCIAL INFORMATION

The following tables summarize key financial results:

(\$ millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Normalized EBITDA ⁽¹⁾	20.6	17.7	81.5	73.4
Operating income	9.2	9.9	28.1	47.0
Net income after taxes	0.5	2.8	7.3	26.0
Normalized net income ⁽¹⁾	1.0	2.4	25.9	26.7
Total assets	1,584.3	1,498.6	1,584.3	1,498.6
Total long-term liabilities	921.9	820.9	921.9	820.9
Net additions to property, plant and equipment	22.6	23.3	40.4	42.3
Dividends declared	7.8	7.8	23.4	22.1
Cash from (used in) operations	(2.1)	16.9	41.7	59.4
Normalized funds from operations ⁽¹⁾	8.6	6.7	52.8	45.2

(\$ per Common Share, except Common Shares outstanding)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Net income after taxes - basic	0.02	0.09	0.24	0.87
Net income after taxes - diluted	0.02	0.09	0.24	0.86
Normalized net income - basic ⁽¹⁾	0.03	0.08	0.86	0.89
Dividends declared	0.2600	0.2600	0.7800	0.7350
Cash from (used in) operations	(0.07)	0.56	1.39	1.98
Normalized funds from operations ⁽¹⁾	0.29	0.22	1.76	1.51
Weighted average number of Common Shares outstanding - basic (millions)	30.0	30.0	30.0	30.0

(1) Non-GAAP financial measure; see discussion in the "Non-GAAP Financial Measures" section of this MD&A.

The following table summarizes TSU's consolidated results:

(\$ millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Revenue	48.6	45.2	223.0	225.1
Cost of sales	(9.6)	(9.9)	(74.3)	(87.6)
Operating and administrative expense	(24.3)	(23.2)	(97.2)	(72.1)
Accretion expense	—	—	(0.1)	(0.1)
Depreciation and amortization expense	(9.9)	(7.4)	(27.8)	(22.1)
Income from equity investments	4.7	4.7	4.0	5.3
Unrealized gain (loss) on foreign exchange contracts	(0.4)	0.4	—	(1.5)
Other income (loss)	0.2	—	0.6	(0.1)
Foreign exchange gain (loss)	(0.1)	0.1	(0.1)	0.1
Operating income	9.2	9.9	28.1	47.0
Interest expense	(7.3)	(6.9)	(21.3)	(20.0)
Income tax recovery (expense)	(1.4)	(0.2)	0.5	(1.0)
Net income after taxes	0.5	2.8	7.3	26.0

Three Months Ended September 30

Normalized EBITDA for the three months ended September 30, 2020 was \$20.6 million, an increase of \$2.9 million relative to the same period in 2019, primarily due to higher approved rates and rate base growth at the Utilities, and higher generation at the Bear Mountain Wind Park, partially offset by warmer weather compared to last year in Alberta.

Operating income for the three months ended September 30, 2020 was \$9.2 million, a decrease of \$0.7 million relative to the same period in 2019, primarily due to higher depreciation and amortization expense and an unrealized loss on foreign exchange contracts compared to an unrealized gain the prior period, partially offset by the same factors as the increase in normalized EBITDA as discussed above.

Operating and administrative expense for the three months ended September 30, 2020 was \$24.3 million, an increase of \$1.1 million from the same period in 2019 mainly due to the approval of the revised HGL CRP program in April 2020 resulting in less deferred operating and administrative expenses.

Depreciation and amortization expense for the three months ended September 30, 2020 was \$9.9 million, an increase of \$2.5 million from the same period in 2019, mainly due to the approval of the revised HGL CRP program in April 2020 resulting in less deferred depreciation and approval of the AUI Depreciation Study in December 2019.

Interest expense for the three months ended September 30, 2020 was \$7.3 million compared to \$6.9 million in the same period in 2019. The increase of \$0.4 million was mainly due to higher average debt balance outstanding, partially offset by lower average interest rates.

Income tax expense for the three months ended September 30, 2020 was \$1.4 million, compared to \$0.2 million in the same period in 2019, primarily due to higher taxable income.

Normalized net income for the three months ended September 30, 2020 was \$1.0 million, a decrease of \$1.4 million relative to the same period in 2019, mainly due to higher depreciation and amortization expense, higher income tax expense, and higher interest expense, partially offset by the same factors as the increase in normalized EBITDA discussed above.

Net income after taxes for the three months ended September 30, 2020 was \$0.5 million, a decrease of \$2.3 million compared to the same period in 2019. The decrease was due to higher depreciation and amortization expense, higher income tax expense, an unrealized loss on foreign exchange contracts compared to an unrealized gain in the prior period, and higher interest expense.

Normalized funds from operations for the three months ended September 30, 2020 was \$8.6 million, an increase of \$1.9 million relative to the same period in 2019, primarily due to higher generation volume at the Bear Mountain Wind Park, higher approved rates and rate base growth at the Utilities, and lower current income tax expense, partially offset by higher interest expense, and warmer weather compared to last year in Alberta.

Nine Months Ended September 30

Normalized EBITDA for the nine months ended September 30, 2020 was \$81.5 million, an increase of \$8.1 million relative to the same period in 2019, primarily due to higher approved rates and rate base growth at the Utilities, and higher generation at the Bear Mountain Wind Park, partially offset by warmer weather compared to last year in Nova Scotia and Alberta, and lower normalized EBITDA from the Northwest Hydro Facilities.

Operating income for the nine months ended September 30, 2020 was \$28.1 million, a decrease of \$18.9 million relative to the same period in 2019, primarily due to pre-tax transaction costs of approximately \$22.6 million, higher depreciation and amortization expense, partially offset by the same factors as the increase in normalized EBITDA discussed above, and no unrealized gain or loss on foreign exchange contracts compared to an unrealized loss in the prior period,

Operating and administrative expense for the nine months ended September 30, 2020 was \$97.2 million, an increase of \$25.1 million from the same period in 2019, mainly due to pre-tax transaction costs of approximately \$22.6 million in respect of the Arrangement, and the approval of the revised HGL CRP program in April 2020 resulting in less deferred operating and administrative expenses.

Depreciation and amortization expense for the nine months ended September 30, 2020 was \$27.8 million, an increase of \$5.7 million from the same period in 2019, mainly due to the approval of the revised HGL CRP program in April 2020 resulting in less deferred depreciation, and the approval of the AUI Depreciation Study in December 2019.

Interest expense for the nine months ended September 30, 2020 was \$21.3 million, compared to \$20.0 million in the same period in 2019. The increase of \$1.3 million was mainly due to a higher average debt balance outstanding, partially offset by lower average interest rates.

Income tax recovery for the nine months ended September 30, 2020 was \$0.5 million, compared to income tax expense of \$1.0 million in the same period in 2019. The decrease in income tax expense was primarily due to lower taxable income as a result of the transaction costs incurred in respect of the Arrangement, partially offset by the absence of a one-time deferred income tax recovery related to the reduction in the Alberta statutory tax rate in June 2019, and accelerated capital cost allowance deductions taken in the second quarter of 2019.

Normalized net income for the nine months ended September 30, 2020 was \$25.9 million, a decrease of \$0.8 million relative to the same period in 2019, mainly due to higher depreciation and amortization expense, higher interest expense and higher normalized income tax expense, partially offset by the increase in normalized EBITDA discussed above.

Net income after taxes for the nine months ended September 30, 2020 was \$7.3 million, a decrease of \$18.7 million compared to the same period in 2019. The decrease was due to the same factors as the decrease in operating income discussed above and higher interest expense, partially offset by lower income tax expense.

Normalized funds from operations for the nine months ended September 30, 2020 was \$52.8 million, an increase of \$7.6 million relative to the same period in 2019, primarily due to higher generation at the Bear Mountain Wind Park, rate base growth and higher approved rates at the Utilities, partially offset by warmer weather compared to last year in Nova Scotia and Alberta, as well as higher current income tax and interest expense.

Please refer to the “*Liquidity and Capital Resources - Liquidity*” section of this MD&A for a discussion of changes in cash from operations.

RESULTS BY REPORTING SEGMENT

Normalized EBITDA by Reporting Segment⁽¹⁾

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Utilities	\$ 12.4	\$ 10.8	\$ 66.7	\$ 60.8
Renewable Energy	8.6	7.7	16.0	14.3
Corporate	(0.4)	(0.8)	(1.2)	(1.7)
	\$ 20.6	\$ 17.7	\$ 81.5	\$ 73.4

(1) Non-GAAP financial measure; see discussion in the “*Non-GAAP Financial Measures*” section of this MD&A.

Operating Income (Loss) by Reporting Segment

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Utilities	\$ 3.8	\$ 5.6	\$ 44.3	\$ 42.5
Renewable Energy	5.9	5.0	7.7	6.1
Corporate	(0.5)	(0.7)	(23.9)	(1.6)
	\$ 9.2	\$ 9.9	\$ 28.1	\$ 47.0

UTILITIES SEGMENT REVIEW

Financial results

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Revenue	\$ 44.5	\$ 41.9	\$ 210.1	\$ 215.5
Cost of sales	(9.5)	(9.8)	(74.1)	(87.4)
Operating and administrative expense	(22.8)	(21.3)	(69.9)	(67.2)
Other income (loss)	0.2	—	0.6	(0.1)
Normalized EBITDA ⁽¹⁾	\$ 12.4	\$ 10.8	\$ 66.7	\$ 60.8
Unrealized gain (loss) on foreign exchange contracts	(0.4)	0.4	—	(1.5)
Depreciation and amortization expense	(8.1)	(5.6)	(22.3)	(16.7)
Foreign exchange loss	(0.1)	—	(0.1)	—
Accretion expense	—	—	—	(0.1)
Operating income	\$ 3.8	\$ 5.6	\$ 44.3	\$ 42.5

(1) Non-GAAP financial measure; see discussion in the "Non-GAAP Financial Measures" section of this MD&A.

Operating statistics

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Natural gas deliveries - end-use (PJ)	3.0	3.4	22.7	23.8
Natural gas deliveries - transportation (PJ)	1.1	1.1	3.9	4.3
Degree day variance from normal - AUI (%) ⁽¹⁾	(19.0)	7.2	6.9	9.8
Degree day variance from normal - HGL (%) ⁽¹⁾	8.9	22.4	(3.2)	3.8

(1) A degree day for AUI and HGL is the cumulative extent to which the daily mean temperature falls below 15 degrees Celsius at AUI and 18 degrees Celsius at HGL. Normal degree days are based on a 20-year rolling average. Positive variances from normal lead to increased delivery volumes from normal expectations. Degree day variances do not materially affect the results of PNG, as the BCUC has approved a rate stabilization mechanism for its residential and small commercial customers.

Three Months Ended September 30

Revenue increased by \$2.6 million for the three months ended September 30, 2020 compared to the same period in 2019, primarily due to higher approved rates and rate base growth, partially offset by warmer weather compared to last year in Alberta.

Normalized EBITDA increased by \$1.6 million for the three months ended September 30, 2020 compared to the same period in 2019, primarily due to higher approved rates and rate base growth, partially offset by higher operating and administrative expenses mainly due to higher contractor and consultant costs, and warmer weather compared to last year in Alberta.

Operating income decreased by \$1.8 million for the three months ended September 30, 2020 compared to the same period in 2019, primarily due to higher depreciation and amortization expense as a result of the approval of the AUI Depreciation Study in December 2019, and an unrealized loss on foreign exchange contracts compared to a gain in the prior period, partially offset by the same factors as the increase in normalized EBITDA discussed above.

Nine Months Ended September 30

Revenue decreased by \$5.4 million for the nine months ended September 30, 2020 compared to the same period in 2019, primarily due to warmer weather compared to last year in Nova Scotia and Alberta, and flow through of lower gas supply costs to customers, partially offset by higher approved rates and rate base growth.

Normalized EBITDA increased by \$5.9 million for the nine months ended September 30, 2020 compared to the same period in 2019, primarily due to higher approved rates and rate base growth, partially offset by higher operating and administrative expenses mainly due to higher contractor and consultant costs, and warmer weather compared to last year in Nova Scotia and Alberta.

Operating income increased by \$1.8 million for the nine months ended September 30, 2020 compared to the same period in 2019, primarily due to the same factors as the increase in normalized EBITDA discussed above, and an unrealized gain on foreign exchange contracts compared to a loss in the prior period, partially offset by higher depreciation and amortization expense as a result of the approval of the AUJ Depreciation Study in December 2019, and the approval of the revised HGL CRP program in April 2020 resulting in less deferred depreciation.

RENEWABLE ENERGY SEGMENT REVIEW

Financial results

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Revenue	\$ 4.1	\$ 3.3	\$ 12.9	\$ 9.6
Cost of sales	(0.1)	(0.1)	(0.2)	(0.2)
Operating and administrative expense	(1.0)	(1.1)	(3.5)	(3.2)
Normalized EBITDA from equity investment	5.6	5.6	6.8	8.1
Normalized EBITDA ⁽¹⁾	\$ 8.6	\$ 7.7	\$ 16.0	\$ 14.3
Depreciation and amortization expense	(1.8)	(1.8)	(5.4)	(5.4)
Accretion expense	—	—	(0.1)	—
Accretion and depreciation and amortization expense from equity investment	(0.9)	(0.9)	(2.8)	(2.8)
Operating income	\$ 5.9	\$ 5.0	\$ 7.7	\$ 6.1

(1) Non-GAAP financial measure; see discussion in the "Non-GAAP Financial Measures" section of this MD&A.

Operating statistics

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Bear Mountain Wind Park power sold (GWh)	43.6	29.2	137.0	90.8
Northwest Hydro Facilities power sold (GWh) ⁽¹⁾⁽²⁾	48.5	54.7	73.8	97.4

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

(2) Inclusive of 1.5 GWh of deemed energy for the nine months ended September 30, 2020 related to BC Hydro's curtailment but excluding the impact of curtailment notices issued for the period from May 24, 2020 through to July 20, 2020 (nine months ended September 30, 2019 – 4.2 GWh).

Three Months Ended September 30

Revenue increased by \$0.8 million for the three months ended September 30, 2020 compared to the same period in 2019, primarily due to higher generation at the Bear Mountain Wind Park, partially offset by the expiration of the federal ecoEnergy incentive at the Bear Mountain Wind Park.

Normalized EBITDA increased by \$0.9 million for the three months ended September 30, 2020 compared to the same period in 2019, primarily due to higher generation at the Bear Mountain Wind Park, partially offset by the expiration of the federal ecoEnergy incentive at the Bear Mountain Wind Park.

Operating income increased by \$0.9 million for the three months ended September 30, 2020 compared to the same period in 2019, due to the same factors as the decrease in normalized EBITDA discussed above.

During the three months ended September 30, 2020, TSU recorded \$4.7 million of equity income from its investment in the Northwest Hydro Facilities, consistent with the same period in 2019.

Nine Months Ended September 30

Revenue increased by \$3.3 million for the nine months ended September 30, 2020 compared to the same period in 2019, primarily due to higher generation at the Bear Mountain Wind Park, partially offset by the expiration of the ecoEnergy incentive at the Bear Mountain Wind Park.

Normalized EBITDA increased by \$1.7 million for the nine months ended September 30, 2020 compared to the same period in 2019, primarily due to higher generation at the Bear Mountain Wind Park, partially offset by lower normalized EBITDA from the Northwest Hydro Facilities and the expiration of the federal ecoEnergy incentive at the Bear Mountain Wind Park.

Operating income increased by \$1.6 million for the nine months ended September 30, 2020 compared to the same period in 2019, due to the same factors as the increase in normalized EBITDA discussed above.

During the nine months ended September 30, 2020, TSU recorded \$4.0 million of equity income from its investment in the Northwest Hydro Facilities, compared to \$5.3 million of equity income from its investment in the same period in 2019. The decrease was mainly due to the curtailment notices received from BC Hydro (see further discussion under the “*Business and Regulatory Updates – BC Hydro Issues Curtailment Notices*” section of this MD&A) and higher operating expenses.

CORPORATE SEGMENT REVIEW

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Operating and administrative expense	\$ (0.4)	\$ (0.8)	\$ (1.2)	\$ (1.7)
Normalized EBITDA ⁽¹⁾	\$ (0.4)	\$ (0.8)	\$ (1.2)	\$ (1.7)
Depreciation and amortization	—	—	(0.1)	—
Foreign exchange gain	—	0.1	—	0.1
Transaction costs	(0.1)	—	(22.6)	—
Operating loss	\$ (0.5)	\$ (0.7)	\$ (23.9)	\$ (1.6)

(1) Non-GAAP financial measure; see discussion in the “*Non-GAAP Financial Measures*” section of this MD&A.

For the three and nine months ended September 30, 2020, normalized EBITDA was a loss of \$0.4 and \$1.2 million, respectively (2019 - \$0.8 million and \$1.7 million, respectively). For the three and nine months ended September 30, 2020, expenses incurred by the Corporate segment were associated with providing corporate shared services. During the first quarter of 2020, the Corporate segment also incurred expenses related to employee incentive programs that were tied to TSU’s share price performance prior to the completion of the Arrangement.

For the three and nine months ended September 30, 2020, corporate costs of \$1.6 million and \$5.3 million, respectively, were allocated to TSU’s operating segments, compared to \$1.8 million and \$5.3 million, respectively, for the same periods in 2019.

For the three and nine months ended September 30, 2020, operating loss was \$0.5 million and \$23.9 million, respectively (2019 - \$0.7 million and \$1.6 million, respectively). The Company incurred pre-tax transaction costs of approximately \$0.1 million and \$22.6 million during the three and nine months ended September 30, 2020 in respect of the Arrangement.

SUMMARY OF SELECTED QUARTERLY RESULTS⁽¹⁾

The following table sets forth unaudited quarterly information for each of the eight quarters from the quarter ended December 31, 2018 to the quarter ended September 30, 2020.

<i>(\$ millions, except per Common Share amounts)</i>	Q3-20	Q2-20	Q1-20	Q4-19
Revenue	48.6	61.3	113.0	101.2
Normalized net income ⁽²⁾	1.0	1.8	22.9	18.6
Net income after taxes	0.5	0.3	6.5	16.1
Net income after taxes per Common Share - basic (\$)	0.02	0.01	0.22	0.54
Net income after taxes per Common Share - diluted (\$)	0.02	0.01	0.22	0.53
Dividends declared per Common Share (\$) ⁽³⁾	0.2600	0.2600	0.2600	0.2600

<i>(\$ millions, except per Common Share amounts)</i>	Q3-19	Q2-19	Q1-19	Q4-18
Revenue	45.2	61.3	118.6	95.3
Normalized net income ⁽²⁾	2.4	3.8	20.4	20.0
Net income after taxes	2.8	3.9	19.2	20.8
Net income after taxes per Common Share - basic and diluted (\$)	0.09	0.13	0.64	0.69
Dividends declared per Common Share (\$) ⁽³⁾	0.2600	0.2375	0.2375	0.1744

(1) Amounts may not add due to rounding.

(2) Non-GAAP financial measure; see discussion in the "Non-GAAP Financial Measures" section of this MD&A.

(3) TSU declares and pays a quarterly dividend on its Common Shares. Dividends are at the discretion of the board of directors and dividend levels are reviewed periodically, giving consideration to the ongoing sustainable cash flow from operating activities, maintenance and growth capital expenditures, and debt repayment requirements of TSU.

Quarter-over-quarter financial results are impacted by seasonality, weather, planned and unplanned outages, and timing and recognition of regulatory decisions.

Revenue for the Utilities segment is generally the highest in the first and fourth quarters of any given year as the majority of natural gas demand occurs during the winter heating season, which typically extends from November to March.

Net income after taxes is affected by non-cash items such as deferred income tax, depreciation and amortization expense, accretion expense, impairment, gains and losses on foreign exchange contracts, and gains or losses on the sale of assets. For these reasons, net income may not necessarily reflect the same trends as revenue. In addition, the equity investment in the Northwest Hydro Facilities is impacted by seasonal precipitation, which create periods of high river flow typically during May through October of any given year. Net income after taxes during the periods noted was impacted by:

- lower interest expense throughout 2019 when compared to the fourth quarter of 2018 as a result of lower average interest rates on the Company's medium-term notes ("MTNs") and external credit facilities compared to the debt outstanding to AltaGas during 2018, partially offset by a higher average debt balance outstanding;
- an income tax recovery recognized in the second quarter of 2019 as a result of the one-time deferred income tax recovery related to the reduction in the Alberta statutory tax rate in June 2019 and the decrease in current income tax expense due to accelerated tax deductions related to PP&E; and
- after-tax transaction costs of approximately \$1.8 million incurred in the fourth quarter of 2019, approximately \$18.0 million incurred in the first quarter of 2020 and approximately \$0.4 million incurred in the second quarter of 2020, all in respect of the Arrangement.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company's primary sources of liquidity are cash flow from operations and debt additions. The Company's cash requirements include funding for capital expenditures and working capital, servicing and repaying long-term debt, and dividend payments. The Company's sources and uses of cash are further discussed below:

(\$ millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Cash from (used in) operations	\$ (2.1)	\$ 16.9	41.7	59.4
Cash used in investing activities	(22.4)	(20.1)	(50.2)	(41.9)
Cash from (used in) financing activities	(5.0)	6.2	15.7	(16.2)
Increase (decrease) in cash and cash equivalents	\$ (29.5)	\$ 3.0	7.2	1.3

Cash from operations

During the nine months ended September 30, 2020, cash from operations decreased by \$17.7 million as compared to the same period in 2019 primarily due to lower cash earnings, an unfavourable variance from changes in operating assets and liabilities, partially offset by higher distribution from the investment in the Northwest Hydro Facilities. The unfavourable variance in changes in operating assets and liabilities were mainly due to timing of supplier payments.

Investing activities

During the nine months ended September 30, 2020, cash used in investing activities increased by \$8.3 million as compared to the same period in 2019 primarily due to higher capital expenditures.

See also the "Capital Expenditures" section of this MD&A.

Financing activities

During the nine months ended September 30, 2020, cash from financing activities increased by \$31.9 million as compared to the same period in 2019 primarily due to higher net borrowings, partially offset by an increase in dividends paid.

Working Capital

(\$ millions except current ratio)	September 30, 2020	December 31, 2019
Current assets	\$ 48.7	\$ 71.7
Current liabilities	58.4	109.3
Working capital (deficiency)	\$ (9.7)	\$ (37.6)
Working capital ratio	0.83	0.66

The variation in the working capital ratio was primarily due to an increase in cash held, a decrease in accounts payable and accrued liabilities and a decrease in short-term and current portion of long-term debt, partially offset by a decrease in accounts receivable. TSU's working capital will fluctuate in the normal course of business and the working capital deficiency will be funded using cash flow from operations and available credit facilities as required.

Capital Resources

The Company's objective for managing capital is to maintain its investment grade credit rating, ensure adequate liquidity, maximize the profitability of its existing assets and grow its business through prudent capital investments which ultimately add to the Utilities' rate base, and enhance returns to its shareholder. The Company's capital resources are comprised of short-term and long-term debt (including the current portion).

The use of debt or equity funding is based on TSU's capital structure, which is determined by considering the norms and risks associated with operations and cash flow stability and sustainability.

<i>(\$ millions, except where noted)</i>	September 30, 2020	December 31, 2019
Short-term debt	\$ —	12.1
Current portion of long-term debt ⁽¹⁾	1.0	14.8
Long-term debt ⁽²⁾	708.6	642.8
Total debt	709.6	669.7
Less: cash and cash equivalents	(7.4)	(0.2)
Net debt ⁽³⁾	\$ 702.2	669.5
Shareholder's equity	604.0	620.6
Total capitalization	\$ 1,306.2	1,290.1
Net debt-to-total capitalization⁽³⁾ (%)	53.8	51.9

(1) Net of debt issuance costs of \$nil as of September 30, 2020 (December 31, 2019 - \$0.2 million).

(2) Net of debt issuance costs of \$3.3 million as of September 30, 2020 (December 31, 2019 - \$3.1 million).

(3) Non-GAAP financial measure; see discussion in the "Non-GAAP Financial Measures" section of this MD&A.

As at September 30, 2020, TSU's total debt primarily consisted of outstanding MTNs of \$650 million (December 31, 2019 - \$550 million), PNG debentures of \$24.5 million (December 31, 2019 - \$25.0 million), unsecured syndicated term loan of \$nil (December 31, 2019 - \$14.0 million), and \$38.0 million drawn under other bank credit facilities (December 31, 2019 - \$83.5 million). In addition, TSU had \$8.5 million of letters of credit issued (December 31, 2019 - \$7.7 million).

On August 27, 2020, TSU repaid the remaining balance of \$14 million on its unsecured syndicated term loan and the unsecured syndicated term loan was cancelled.

TSU's earnings interest coverage for the rolling 12 months ended September 30, 2020 was 1.9 times (12 months ended September 30, 2019 – 2.7 times).

Credit Facilities

The Company funds its long and short term borrowing requirements with credit facilities as follows:

<i>(\$ millions)</i>	Borrowing capacity	Drawn at September 30, 2020	Drawn at December 31, 2019
Syndicated revolving credit facility ⁽¹⁾	\$ 200.0	\$ 13.0	\$ 46.4
Syndicated term loan ⁽²⁾	—	—	14.0
Operating credit facility ⁽³⁾	35.0	3.8	4.7
PNG committed credit facility ⁽⁴⁾	25.0	25.0	25.0
PNG operating credit facility ⁽⁵⁾	25.0	4.7	15.1
	\$ 285.0	\$ 46.5	\$ 105.2

- (1) On October 25, 2018, the Company entered into definitive credit agreements establishing the \$200 million unsecured syndicated revolving credit facility that matures October 25, 2022. On February 13, 2020, the Company extended the maturity date to December 31, 2023. Borrowing options under this facility include Canadian prime rate-based loans, U.S. base rate loans, bankers' acceptances and LIBOR loans. Borrowings against this credit facility bear fees and interest at rates relevant to the nature of the draw made and the Company's credit rating. There are no mandatory repayments prior to maturity under this facility. The facility has covenants customary for these types of facilities, which must be met at each quarter end. The Company has complied with all financial covenants each quarter since the establishment of this facility.
- (2) On October 25, 2018, the Company entered into definitive credit agreements establishing the \$250 million unsecured syndicated term loan that was set to mature on October 25, 2020. On August 27, 2020, TSU repaid the remaining balance of \$14 million on the term loan and this facility was cancelled. Borrowing options under this term loan included Canadian prime rate-based loans, U.S. base rate loans, bankers' acceptances and LIBOR loans. Borrowings against this term loan used to bear fees and interest at rates relevant to the nature of the draw made and the Company credit rating. Optional repayments were allowed without penalty and there was no mandatory repayment prior to maturity. This term loan had covenants customary for these types of facilities, which had to be met at each quarter end. The Company complied with all financial covenants prior to the cancellation of this facility.
- (3) On October 25, 2018, the Company entered into a definitive credit agreement with a Canadian chartered bank establishing the \$35 million revolving operating credit facility. Borrowings under this facility are due on demand. Borrowing options under this facility include overdraft, letters of credit, Canadian prime rate-based loans, U.S. base rate loans, bankers' acceptances and LIBOR loans. Borrowings on this credit facility bear fees and interest at rates relevant to the nature of the draw made and the Company's credit rating. This facility is used to fund overdraft amounts and to issue letters of credit. As at September 30, 2020, a total of \$3.8 million (December 31, 2019 - \$3.8 million) in letters of credit were issued and are outstanding. This facility has covenants customary for these types of facilities, which must be met at each quarter end. The Company has complied with all financial covenants each quarter since the establishment of this facility.
- (4) PNG has \$55 million of revolving credit facilities maturing on May 4, 2023. \$30 million of which is with the Company and \$25 million of which is with a Canadian chartered bank. The \$25 million external facility will be used to support PNG's capital spending program. Borrowings under the external facility are available by way of bankers' acceptances bearing interest at the three-month bankers' acceptance rate plus a spread and subject to stand-by fees. Interest and stand-by costs are due monthly. Optional repayments are allowed without penalty and there is no mandatory repayment prior to maturity. The facilities have covenants customary for these types of facilities, which must be met at each quarter end. PNG has been in compliance with all financial covenants each quarter since the establishment of these facilities.
- (5) On May 4, 2018, PNG completed the financing of the \$25 million PNG operating credit facility with a Canadian chartered bank. This facility matures on May 4, 2021. The operating line is available for working capital purposes through cash draws in the form of prime-rate advances or bankers' acceptances and the issuance of letters of credit and is collateralized by a charge on PNG's accounts receivable and inventories. As at September 30, 2020, \$4.7 million (December 31, 2019 - \$3.9 million) of letters of credit were issued and outstanding under this facility.

The following table summarizes the Company's primary financial covenants as defined by the credit facility agreements:

Ratios	Debt covenant requirements	As at September 30, 2020
Bank debt-to-capitalization ⁽¹⁾⁽²⁾	not greater than 65 percent	53%
Bank EBITDA-to-interest expense ⁽¹⁾⁽²⁾	not less than 2.5x	4.1x

(1) Calculated in accordance with the Company's credit facility agreements, which are available on SEDAR at www.sedar.com.

(2) Estimated, subject to final adjustments.

Base Shelf Prospectus

On November 14, 2018, the Company filed \$1.0 billion base shelf prospectus. The purpose of the base shelf prospectus is to facilitate timely offerings of certain types of future public debt and/or equity issuances during the 25 month period that the base shelf prospectus remains effective. As at September 30, 2020, \$350 million was available under the base shelf prospectus.

CONTRACTUAL OBLIGATIONS

As at September 30, 2020, there were no material changes in contractual obligations from that disclosed in the 2019 Annual MD&A.

CAPITAL EXPENDITURES

(\$ millions)	Three Months Ended September 30, 2020				Three Months Ended September 30, 2019			
	Renewable Energy	Utilities	Corporate	Total	Renewable Energy	Utilities	Corporate	Total
Capital expenditures:								
PP&E ⁽¹⁾	\$ 0.1	\$ 23.4	\$ —	\$ 23.5	\$ —	\$ 23.4	\$ —	\$ 23.4
Intangible assets	—	2.8	—	2.8	—	0.8	—	0.8
Capital expenditures	0.1	26.2	—	26.3	—	24.2	—	24.2
Disposals:								
PP&E	—	(0.9)	—	(0.9)	—	(0.1)	—	(0.1)
Net capital expenditures	\$ 0.1	\$ 25.3	\$ —	\$ 25.4	\$ —	\$ 24.1	\$ —	\$ 24.1

(1) Effective January 1, 2020, HGL suspended the deferral of a portion of operating, maintenance and administrative expenses in regulatory assets as per the revised CRP deferral mechanism approved by the NSUARB on April 21, 2020. Prior to the changes to the CRP deferral mechanism, \$0.7 million of operating, maintenance and administrative expenses were deferred in regulatory assets during the three months ended September 30, 2019 which were excluded from the table above.

(\$ millions)	Nine Months Ended September 30, 2020				Nine Months Ended September 30, 2019			
	Renewable Energy	Utilities	Corporate	Total	Renewable Energy	Utilities	Corporate	Total
Capital expenditures:								
PP&E ⁽¹⁾	\$ 0.2	\$ 42.1	\$ —	\$ 42.3	\$ —	\$ 42.2	\$ 0.2	\$ 42.4
Intangible assets	—	7.5	—	7.5	—	2.4	—	2.4
Capital expenditures	0.2	49.6	—	49.8	—	44.6	0.2	44.8
Disposals:								
PP&E	—	(1.9)	—	(1.9)	—	(0.1)	—	(0.1)
Net capital expenditures	\$ 0.2	\$ 47.7	\$ —	\$ 47.9	\$ —	\$ 44.5	\$ 0.2	\$ 44.7

(1) Effective January 1, 2020, HGL suspended the deferral of a portion of operating, maintenance and administrative expenses in regulatory assets as per the revised CRP deferral mechanism approved by the NSUARB on April 21, 2020. Prior to the changes to the CRP deferral mechanism, \$1.9 million of operating, maintenance and administrative expenses were deferred in regulatory assets during the nine months ended September 30, 2019 were excluded from the table above.

Capital expenditures for the three and nine months ended September 30, 2020 were \$26.3 million and \$49.8 million, respectively, the majority of which relates to system betterment, replacement of transmission and distribution lines, and new business installations. Inclusive in the capital expenditures during the three and nine months ended September 30, 2020 were also software development costs of approximately \$2.8 million and \$7.5 million, respectively.

RISK MANAGEMENT

TSU is exposed to various market risks in the normal course of operations that could impact earnings and cash flows. The board of directors provides oversight of the Company's risk management activities. Other than as discussed under the "Business and Regulatory Updates – Impact of the COVID-19 Pandemic" section of this MD&A, which could present a source of economic uncertainty to TSU, there have been no significant changes during the three months ended September 30, 2020 to the Company's business risk that were disclosed in the 2019 Annual MD&A.

RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with its joint ventures and associates. AltaGas ceased to be associated with the Company on closing of the Arrangement on March 31, 2020.

The following transactions with TSU's joint ventures associates (including AltaGas and its affiliates prior to March 31, 2020) are measured at the exchange amount and have been recorded on the consolidated statements of income in the Interim Financial Statements:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Revenue ⁽¹⁾	\$ —	\$ 0.6	\$ 0.7	\$ 1.5
Unrealized loss on foreign exchange contracts with AltaGas	\$ —	\$ —	\$ —	\$ (0.9)
Cost of sales ⁽²⁾	\$ —	\$ (5.7)	\$ (30.6)	\$ (76.8)
Operating and administrative expenses ⁽³⁾	\$ —	\$ (0.4)	\$ (0.1)	\$ (1.6)

(1) In the normal course of business, the Company provided gas sales and transportation services to related parties.

(2) In the normal course of business, the Company purchased natural gas from a related party.

(3) Operating and administrative expenses include the fees paid to AltaGas for transition services and administrative costs recovered from joint ventures.

SHARE INFORMATION

As at November 4, 2020

Issued and outstanding

Common Shares 30,000,000

CRITICAL ACCOUNTING ESTIMATES

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Company's consolidated financial statements requires the use of estimates and assumptions that have been made using careful judgment. Other than as described below, the Company's significant accounting policies have remain unchanged and are contained in the notes to the 2019 Annual Financial Statements. Certain of these policies involve critical accounting estimates as a result of the requirement to make particularly subjective or complex judgments about matters that are inherently uncertain, and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

Other than as disclosed below, the Company's critical accounting estimates have not changed materially from those in the 2019 Annual Financial Statements and 2019 Annual MD&A.

CHANGE IN ACCOUNTING ESTIMATES

Effective January 1, 2020, the Company changed the method used to estimate the current service cost and interest cost components of pension and other post-retirement benefits by adopting a full yield curve approach. Previously, these components were estimated using the same single weighted average discount rate used in the determination of the benefit obligations. Under the full yield curve approach, specific rates from the yield curve that are relevant to the projected cash flows are applied to determine the current service cost and interest cost components. This change was accounted for prospectively as a change in accounting estimate. The change in estimate did not have a material impact on the condensed consolidated statement of income for the three and nine months ended September 30, 2020 in the Interim Financial Statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2020, the Company adopted the following FASB issued Accounting Standards Updates (“ASU”):

- ASU No. 2018-13 “Fair Value Measurement – Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement”. The amendments in this ASU modified the disclosure requirements on fair value measurements. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements;
- ASU 2018-17 “Consolidation – Targeted Improvements to Related Party Guidance for Variable Interest Entities (“VIE”)”. The amendments in this ASU clarified that indirect interest held through related parties under common control will be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. Under the new guidance, fewer decision-making fees will be considered variable interests in a VIE because the other interests held will be less significant using the proportionate method rather than when considered in their entirety. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements;
- ASU 2018-18 “Collaborative Arrangements – Clarifying the Interaction between Topic 808 and Topic 606”. The amendments in this ASU clarified that certain transactions between collaborative partners should be accounted for as revenue under ASC 606 when the collaborative partner is a customer. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements; and
- ASU No. 2019-04 “Topic 815 – Derivatives and Hedges and Topic 825 – Financial Instruments.” The amendments in this ASU clarified aspects of ASU 2017-12 regarding partial-term fair value hedges and fair value basis adjustments. In addition, this ASU, amended ASU 2016-01 to clarify that the measurement alternative in ASC 321-10 for equity securities without readily determinable fair value represents a nonrecurring fair value measurement under ASC 820. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In June 2016, FASB issued ASU No. 2016-13 “Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments”. The amendments in this ASU replace the current “incurred loss” impairment methodology with an “expected loss” model for financial assets measured at amortized cost. In November 2019, FASB issued ASU No. 2019-10 “Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates” which deferred the effective date of ASU No. 2016-13 to January 1, 2023. Early adoption is permitted. The Company is currently completing its assessment of the impact of these ASUs on its consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-14 “Compensation – Retirement Benefits-Defined Benefit Plans – General: Disclosure Framework – Changes to the Disclosure Requirements for the Defined Benefit Plans”. The amendments in this ASU modify the disclosure requirements on defined benefit pension and other postretirement plans. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In December 2019, FASB issued ASU No. 2019-12 “Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes”. The amendments in this ASU removes certain exceptions and provides some simplifications in accounting for income taxes. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In January 2020, FASB issued ASU No. 2020-01 “Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323) and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815”. The amendments in this ASU provides guidance for accounting for certain equity securities when the equity method of accounting is applied or discontinued and for forward contracts and purchased options on certain securities. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

TSU did not enter into any material off-balance sheet arrangements during the nine months ended September 30, 2020. Reference should be made to the 2019 Annual Financial Statements and 2019 Annual MD&A.

DISCLOSURE CONTROLS AND PROCEDURES (“DC&P”) AND INTERNAL CONTROL OVER FINANCIAL REPORTING (“ICFR”)

On delisting of the Common Shares from the Toronto Stock Exchange, the Company became a “Venture Issuer” under applicable Canadian securities regulations for certain purposes. As such, the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are not required to certify the design and evaluation of the Company’s DC&P and ICFR under National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*. However, the CEO and CFO have reviewed the Interim Financial Statements and this MD&A. Based on their knowledge and exercise of reasonable diligence, they have concluded that these documents fairly present in all material respects the financial condition, financial performance and cash flows of the Company as at the date of and for the periods presented.

NON-GAAP FINANCIAL MEASURES

This MD&A contains references to certain financial measures used by the Company that do not have a standardized meaning prescribed by U.S. GAAP and may not be comparable to similar measures presented by other entities. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to other measures of financial performance calculated in accordance with U.S. GAAP. The non-GAAP measures and their reconciliation to U.S. GAAP financial measures are shown below. These non-GAAP measures provide additional information that management believes is meaningful in describing the Company’s operational performance, liquidity and capacity to fund dividends, capital expenditures, and other investing activities. The specific rationale for, and incremental information associated with, each non-GAAP measure is discussed below.

References to normalized EBITDA, normalized net income, normalized funds from operations, net debt and net debt to total capitalization throughout this MD&A have the meanings as set out in this section.

Normalized EBITDA

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Normalized EBITDA	\$ 20.6	\$ 17.7	\$ 81.5	\$ 73.4
Add (deduct):				
Foreign exchange gain (loss)	(0.1)	0.1	(0.1)	0.1
Unrealized gain (loss) on foreign exchange contracts	(0.4)	0.4	—	(1.5)
Accretion expense	—	—	(0.1)	(0.1)
Depreciation and amortization expense	(9.9)	(7.4)	(27.8)	(22.1)
Accretion and depreciation and amortization expense from equity investment	(0.9)	(0.9)	(2.8)	(2.8)
Transaction costs	(0.1)	—	(22.6)	—
Operating income	\$ 9.2	\$ 9.9	\$ 28.1	\$ 47.0

Normalized EBITDA is a measure of the Company’s operating profitability prior to how business activities are financed, assets are amortized, or earnings are taxed. Normalized EBITDA is calculated using operating income adjusted for depreciation and amortization expense, accretion expenses, foreign exchange gain (loss), unrealized gain (loss) on foreign exchange contracts, and other typically non-recurring items. Normalized EBITDA is frequently used by investors in the evaluation of entities within the industry as it excludes items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets and the capital structure.

Normalized EBITDA as presented should not be viewed as an alternative to operating income or other measures of income calculated in accordance with U.S. GAAP as an indicator of performance.

Normalized Net Income

(\$ millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Normalized net income	\$ 1.0	\$ 2.4	\$ 25.9	\$ 26.7
Add (deduct) after-tax:				
Unrealized gain (loss) on foreign exchange contracts	(0.4)	0.4	—	(1.5)
Income tax recovery related to decrease in Alberta statutory tax rate	—	—	—	0.8
Transaction costs	(0.1)	—	(18.6)	—
Net income after taxes	\$ 0.5	\$ 2.8	\$ 7.3	\$ 26.0

Normalized net income represents net income after taxes adjusted for after tax impact of unrealized gain (loss) on foreign exchange contracts and other typically non-recurring items. This measure is presented in order to enhance the comparability of results, as it reflects the underlying performance of the Company.

Normalized net income as presented should not be viewed as an alternative to net income after taxes or other measures of income calculated in accordance with U.S. GAAP as an indicator of performance.

Normalized Funds from Operations

(\$ millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Normalized funds from operations	\$ 8.6	\$ 6.7	\$ 52.8	\$ 45.2
Add (deduct):				
Changes in operating assets and liabilities	(10.6)	10.2	11.5	14.2
Transaction costs	(0.1)	—	(22.6)	—
Cash from (used in) operations	\$ (2.1)	\$ 16.9	\$ 41.7	\$ 59.4

Normalized funds from operations is used to assist management and investors in analyzing the liquidity of the Company without regard to changes in operating assets and liabilities in the period as well as other non-operating related income and expenses. Management uses this measure to understand the ability to generate funds for use in investing and financing activities.

Normalized funds from operations as presented should not be viewed as an alternative to cash from operations or other cash flow measures calculated in accordance with U.S. GAAP as an indicator of liquidity.

Net Debt and Net Debt to Total Capitalization

Net debt and net debt to total capitalization are used by the Company to monitor its capital structure and financing requirements. It is also used as a measure of the Company's overall financial strength. Net debt is defined as short-term debt, plus current and long-term portions of long-term debt, less cash and cash equivalents. Total capitalization is defined as net debt plus shareholders' equity. Additional information regarding these non-GAAP measures can be found under the "Liquidity and Capital Resources – Capital Resources" section of this MD&A.

DEFINITIONS

GWh means gigawatt hour

PJ means petajoule; one million gigajoules

ABOUT TSU

TSU is a Canadian company with natural gas distribution utilities and renewable power generation assets. TSU serves approximately 131,000 customers, delivering low carbon energy, safely and reliably. For more information visit: www.trisummit.ca

Condensed Consolidated Balance Sheets *(unaudited)*

As at (\$ millions)	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7.4	\$ 0.2
Accounts receivable, net of allowances	32.0	64.6
Inventory	2.6	1.4
Regulatory assets	2.6	1.6
Prepaid expenses and other current assets	4.1	3.9
	48.7	71.7
Property, plant and equipment	1,016.6	1,003.8
Intangible assets	27.1	21.9
Goodwill	119.1	119.1
Regulatory assets	241.0	235.0
Other long-term assets <i>(note 4)</i>	11.1	12.4
Investments accounted for by the equity method	120.7	118.4
	\$ 1,584.3	\$ 1,582.3
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 39.1	\$ 62.1
Short-term debt <i>(note 5)</i>	—	12.1
Current portion of long-term debt <i>(note 6)</i>	1.0	14.8
Customer deposits	10.8	10.1
Regulatory liabilities	4.6	7.1
Foreign exchange contracts liability <i>(note 9)</i>	0.8	0.8
Other current liabilities <i>(note 4)</i>	2.1	2.3
	58.4	109.3
Long-term debt <i>(note 6)</i>	708.6	642.8
Asset retirement obligations	3.2	3.1
Deferred income taxes <i>(note 8)</i>	138.9	136.3
Regulatory liabilities	29.2	26.6
Lease liabilities <i>(note 4)</i>	6.3	7.0
Future employee obligations <i>(note 11)</i>	35.7	36.6
	\$ 980.3	\$ 961.7
Shareholder's equity		
Common shares, no par value, unlimited shares authorized; September 30, 2020 and December 31, 2019 - 30 million shares issued and outstanding <i>(note 10)</i>	321.0	321.0
Contributed surplus	100.0	100.5
Retained earnings	184.1	200.2
Accumulated other comprehensive loss	(1.1)	(1.1)
	604.0	620.6
	\$ 1,584.3	\$ 1,582.3

Commitments and contingencies *(note 13)*

Subsequent events *(note 18)*

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Consolidated Statements of Income *(unaudited)*

<i>(\$ millions)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
REVENUE <i>(note 7)</i>	\$ 48.6	\$ 45.2	\$ 223.0	\$ 225.1
EXPENSES				
Cost of sales, exclusive of items shown separately	9.6	9.9	74.3	87.6
Operating and administrative <i>(note 12)</i>	24.3	23.2	97.2	72.1
Accretion	—	—	0.1	0.1
Depreciation and amortization	9.9	7.4	27.8	22.1
	43.8	40.5	199.4	181.9
Income from equity investments	4.7	4.7	4.0	5.3
Unrealized gain (loss) on foreign exchange contracts <i>(note 9)</i>	(0.4)	0.4	—	(1.5)
Other income (loss)	0.2	—	0.6	(0.1)
Foreign exchange gain (loss)	(0.1)	0.1	(0.1)	0.1
Operating income	9.2	9.9	28.1	47.0
Interest expense				
Short-term debt	(0.1)	(0.2)	(0.4)	(0.3)
Long-term debt	(7.2)	(6.7)	(20.9)	(19.7)
Income before income taxes	1.9	3.0	6.8	27.0
Income tax expense (recovery) <i>(note 8)</i>				
Current	(0.5)	0.6	1.2	0.9
Deferred	1.9	(0.4)	(1.7)	0.1
Net income after taxes	\$ 0.5	\$ 2.8	\$ 7.3	\$ 26.0

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income *(unaudited)*

<i>(\$ millions)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Net income after taxes	\$ 0.5	\$ 2.8	\$ 7.3	\$ 26.0
Other comprehensive income (loss), net of taxes	—	—	—	—
Comprehensive income, net of taxes	\$ 0.5	\$ 2.8	\$ 7.3	\$ 26.0

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity *(unaudited)*

(\$ millions)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Common shares (note 10)				
Balance, beginning of period	\$ 321.0	\$ 321.0	\$ 321.0	\$ 321.0
Balance, end of period	\$ 321.0	\$ 321.0	\$ 321.0	\$ 321.0
Contributed surplus				
Balance, beginning of period	\$ 100.0	\$ 100.2	\$ 100.5	\$ 100.0
Share option expense	—	0.2	0.2	0.4
Reclassified to share-based liability (note 10)	—	—	(0.7)	—
Balance, end of period	\$ 100.0	\$ 100.4	\$ 100.0	\$ 100.4
Retained earnings				
Balance, beginning of period	\$ 191.4	\$ 196.9	\$ 200.2	\$ 188.0
Net income after taxes	0.5	2.8	7.3	26.0
Common share dividends	(7.8)	(7.8)	(23.4)	(22.1)
Balance, end of period	\$ 184.1	\$ 191.9	\$ 184.1	\$ 191.9
Accumulated other comprehensive loss				
Balance, beginning of period	\$ (1.1)	\$ (0.4)	\$ (1.1)	\$ (0.4)
Other comprehensive income (loss)	—	—	—	—
Balance, end of period	\$ (1.1)	\$ (0.4)	\$ (1.1)	\$ (0.4)
Total shareholder's equity	\$ 604.0	\$ 612.9	\$ 604.0	\$ 612.9

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Consolidated Statements of Cash Flows *(unaudited)*

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Cash from operations				
Net income after taxes	\$ 0.5	\$ 2.8	\$ 7.3	\$ 26.0
Items not involving cash:				
Depreciation and amortization expense	9.9	7.4	27.8	22.1
Accretion expense	—	—	0.1	0.1
Deferred income tax expense (recovery) <i>(note 8)</i>	1.9	(0.4)	(1.7)	0.1
Income from equity investments	(4.7)	(4.7)	(4.0)	(5.3)
Unrealized loss (gain) on foreign exchange contracts <i>(note 9)</i>	0.4	(0.4)	—	1.5
Other	(0.6)	0.7	(1.0)	(0.6)
Distributions from equity investment	1.1	1.3	1.7	1.3
Changes in operating assets and liabilities <i>(note 15)</i>	(10.6)	10.2	11.5	14.2
	\$ (2.1)	\$ 16.9	\$ 41.7	\$ 59.4
Investing activities				
Acquisition of property, plant and equipment	(19.1)	(19.4)	(42.3)	(39.1)
Acquisition of intangible assets	(3.5)	(0.8)	(8.1)	(2.9)
Proceeds from disposition of assets, net of transaction costs	0.2	0.1	0.2	0.1
	\$ (22.4)	\$ (20.1)	\$ (50.2)	\$ (41.9)
Financing activities				
Net repayment of short-term debt	(2.7)	(2.5)	(12.1)	(1.1)
Net issuance (repayment) of bankers' acceptances	6.0	17.0	(47.4)	(240.3)
Issuance of long-term debt, net of debt issuance costs	—	—	99.1	248.1
Repayment of long-term debt	(0.5)	(0.5)	(0.5)	(0.5)
Payment of share issuance costs	—	—	—	(0.3)
Common share dividends	(7.8)	(7.8)	(23.4)	(22.1)
	\$ (5.0)	\$ 6.2	\$ 15.7	\$ (16.2)
Change in cash and cash equivalents	(29.5)	3.0	7.2	1.3
Cash and cash equivalents, beginning of period	36.9	0.1	0.2	1.8
Cash and cash equivalents, end of period	\$ 7.4	\$ 3.1	\$ 7.4	\$ 3.1

See accompanying notes to the condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

(Tabular amounts and amounts in footnotes to tables are in millions of Canadian dollars, unless otherwise indicated.)

1. OVERVIEW OF THE COMPANY

On March 31, 2020, the Public Sector Pension Investment Board ("PSP Investments") and the Alberta Teachers' Retirement Fund Board ("ATRF") completed the acquisition of all of the outstanding common shares of TriSummit Utilities Inc. (formerly AltaGas Canada Inc.) (the "Company" or "TSU"), by TriSummit Cycle Inc. (formerly PSPIB Cycle Investments Inc.) (the "Purchaser"), a company in which PSP Investments indirectly holds a majority economic interest and ATRF indirectly holds a minority economic interest, with an all-cash transaction pursuant to a plan of arrangement (the "Arrangement"). The Purchaser acquired each common share of TSU for \$33.50 in cash and the Company is now a wholly-owned subsidiary of the Purchaser. In connection with the completion of the Arrangement, the Company changed its name to "TriSummit Utilities Inc.". TSU remains incorporated under the *Canada Business Corporations Act*, with its headquarters located in Calgary, Alberta. While TSU does not have its securities listed on any stock exchange, it continues to be a reporting issuer under applicable Canadian securities laws because its public debt remains outstanding.

The Company owns rate-regulated natural gas distribution and transmission utility businesses through its operating subsidiaries AltaGas Utilities Inc. ("AUI") in Alberta, Pacific Northern Gas Ltd. ("PNG") and Pacific Northern Gas (N.E.) Ltd. in British Columbia and Heritage Gas Limited ("HGL") in Nova Scotia. The Company also owns the Bear Mountain Wind Park and an approximately 10 percent indirect interest in the Northwest Hydro Facilities.

2. BASIS OF PRESENTATION

Basis of Preparation

These consolidated financial statements have been prepared by management in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

Pursuant to National Instrument 52-107, "Acceptable Accounting Principles and Auditing Standards" ("NI 52-107"), U.S. GAAP reporting is permitted by Canadian securities laws for companies subject to reporting obligations under U.S. securities laws. However, given that the Company is not subject to such reporting obligations and could not therefore rely on the provisions of NI 52-107 to that effect, the Company sought and obtained exemptive relief from the securities regulators in Alberta and Ontario to permit it to prepare its financial statements in accordance with U.S. GAAP. The exemption will terminate on or after the earlier of January 1, 2024, the date upon which the Company ceases to have activities subject to rate regulation, or the effective date prescribed for the mandatory application of a standard within International Financial Reporting Standards specific to entities with activities subject to rate regulation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect subsidiaries, including, without limitation: AltaGas Utility Group Inc., Bear Mountain Wind Limited Partnership, AltaGas Canadian Energy Holdings Ltd., PNG, AUI, and HGL. The consolidated financial statements also include investments in Inuvik Gas Ltd. and Northwest Hydro Limited Partnership ("Coast LP"), which are accounted for by the equity method. Intercompany transactions and balances are eliminated. Investments in unconsolidated companies that the Company has significant influence over, but not control, are accounted for using the equity method. In addition, the Company uses the equity method of accounting for investments in limited partnership interests in which it has more than a minor interest or influence over the partnership's operating and financial policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period. Key areas where management has made complex or subjective judgments, when matters are inherently uncertain, include but are not limited to: revenue recognition, credit loss estimates, depreciation and amortization rates, determination of the classification, term and discount rate for leases, fair value of asset retirement obligations, fair value of property, plant and equipment and goodwill for impairment assessments, fair value of financial instruments, provisions for income taxes, assumptions used to measure employee future benefits, provisions for contingencies, and carrying value of regulatory assets and liabilities. Certain estimates are necessary for the regulatory environment in which the Company operates, which often require amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. By their nature, these estimates are subject to measurement uncertainty and may impact the consolidated financial statements of future periods.

SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, these condensed interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the Company's 2019 annual audited consolidated financial statements.

CHANGE IN ACCOUNTING ESTIMATE

Effective January 1, 2020, the Company changed the method used to estimate the current service cost and interest cost components of pension and other post-retirement benefits by adopting a full yield curve approach. Previously, these components were estimated using the same single weighted average discount rate used in the determination of the benefit obligations. Under the full yield curve approach, specific rates from the yield curve that are relevant to the projected cash flows are applied to determine the current service cost and interest cost components. This change was accounted for prospectively as a change in accounting estimate. The change in estimate did not have a material impact on the Consolidated Statement of Income for the three and nine months ended September 30, 2020.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2020, the Company adopted the following Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU"):

- ASU No. 2018-13 "Fair Value Measurement – Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement". The amendments in this ASU modified the disclosure requirements on fair value measurements. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements;
- ASU 2018-17 "Consolidation – Targeted Improvements to Related Party Guidance for Variable Interest Entities ("VIE")". The amendments in this ASU clarified that indirect interest held through related parties under common control will be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. Under the new guidance, fewer decision-making fees will be considered variable interests in a VIE because the other interests held will be less significant using the proportionate method rather than when considered in their entirety. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements;
- ASU 2018-18 "Collaborative Arrangements – Clarifying the Interaction between Topic 808 and Topic 606". The amendments in this ASU clarified that certain transactions between collaborative partners should be accounted for as

revenue under ASC 606 when the collaborative partner is a customer. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements; and

- ASU No. 2019-04 "Topic 815 – Derivatives and Hedges and Topic 825 – Financial Instruments." The amendments in this ASU clarified aspects of ASU 2017-12 regarding partial-term fair value hedges and fair value basis adjustments. In addition, this ASU, amended ASU 2016-01 to clarify that the measurement alternative in ASC 321-10 for equity securities without readily determinable fair value represents a nonrecurring fair value measurement under ASC 820. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In June 2016, FASB issued ASU No. 2016-13 "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments". The amendments in this ASU replace the current "incurred loss" impairment methodology with an "expected loss" model for financial assets measured at amortized cost. In November 2019, FASB issued ASU No. 2019-10 "Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates" which deferred the effective date of ASU No. 2016-13 to January 1, 2023. Early adoption is permitted. The Company is currently completing its assessment of the impact of these ASUs on its consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-14 "Compensation – Retirement Benefits-Defined Benefit Plans – General: Disclosure Framework – Changes to the Disclosure Requirements for the Defined Benefit Plans". The amendments in this ASU modify the disclosure requirements on defined benefit pension and other postretirement plans. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In December 2019, FASB issued ASU No. 2019-12 "Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes". The amendments in this ASU removes certain exceptions and provides some simplifications in accounting for income taxes. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In January 2020, FASB issued ASU No. 2020-01 "Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323) and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815". The amendments in this ASU provides guidance for accounting for certain equity securities when the equity method of accounting is applied or discontinued and for forward contracts and purchased options on certain securities. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

4. LEASES

The Company's leases include: land, buildings, and office and field equipment.

As at	September 30, 2020	December 31, 2019
Weighted average remaining lease term (years)		
Operating leases	20.9	19.6
Finance leases	14.2	14.9
Weighted average discount rate (%)		
Operating leases	3.6	3.5
Finance leases	2.9	2.9

As at	September 30, 2020	December 31, 2019
Operating Leases		
Operating lease right of use assets ^(a)	\$ 7.4	\$ 8.3
Current ^(b)	\$ 1.4	\$ 1.3
Long-term	6.3	7.0
Total operating lease liabilities	\$ 7.7	\$ 8.3
Finance Leases		
Finance lease right of use assets, net ^(c)	\$ 0.4	\$ 0.5
Current portion of long-term debt	\$ —	\$ —
Long-term debt	0.4	0.5
Total finance lease liabilities	\$ 0.4	\$ 0.5

(a) Included under the line item "Other long-term assets" on the Consolidated Balance Sheets.

(b) Included under the line item "Other current liabilities" on the Consolidated Balance Sheets.

(c) Included under the line item "Property, plant and equipment" on the Consolidated Balance Sheets.

Maturity analysis of lease liabilities during the next five years and thereafter is as follows:

As at September 30, 2020	Operating Leases	Finance Leases
Remainder of 2020	\$ 0.4	\$ —
2021	1.6	—
2022	1.0	—
2023	0.7	—
2024	0.7	—
Thereafter	7.9	0.5
Total lease payments	\$ 12.3	\$ 0.5
Less: imputed interest	(4.6)	(0.1)
Total	\$ 7.7	\$ 0.4

The following table summarizes the lease expense recognized in the Consolidated Statements of Income:

	Three months ended		Nine months ended	
	2020	September 30 2019	2020	September 30 2019
Operating lease cost				
Operating leases	\$ 0.4	\$ 0.3	\$ 1.3	\$ 1.0
Short-term leases	—	—	0.1	0.1
Variable lease payments not included in the determination of lease liabilities	0.1	0.1	0.3	0.3
Total operating lease cost ^(a)	0.5	0.4	\$ 1.7	\$ 1.4
Finance lease cost				
Amortization of right-of-use assets	—	—	—	—
Interest on lease liabilities	—	—	—	—
Total finance lease cost	—	—	—	—
Total lease cost	\$ 0.5	\$ 0.4	\$ 1.7	\$ 1.4

(a) Included under the line item "Operating and administrative" on the Consolidated Statements of Income.

The following table provides supplemental information related to leases:

	Three months ended		Nine months ended	
	2020	September 30 2019	2020	September 30 2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows used for operating leases	\$ 0.4	\$ 0.3	\$ 0.9	\$ 1.0
Right of use assets obtained in exchange for new lease liabilities:				
Operating leases	\$ —	\$ 0.1	\$ —	\$ 0.7

5. SHORT-TERM DEBT

As at September 30, 2020, the Company held a \$35.0 million (December 31, 2019 - \$35.0 million) revolving operating credit facility with a Canadian chartered bank. Borrowings under this facility are due on demand. Draws on this facility are by way of overdraft, Canadian prime rate loans, U.S. base-rate loans, letters of credit, bankers' acceptances and LIBOR loans. As at September 30, 2020, outstanding overdraft under this facility were \$nil (December 31, 2019 - \$0.9 million). Letters of credit outstanding under this facility as at September 30, 2020 were \$3.8 million (December 31, 2019 - \$3.8 million).

As at September 30, 2020, the Company held a \$25.0 million (December 31, 2019 - \$25.0 million) bank operating facility which is available for PNG's working capital purposes and matures on May 4, 2021. Draws on this facility are by way of prime-rate advances, bankers' acceptances or letters of credit at the bank's prime rate or for a fee. As at September 30, 2020, prime-rate advances under the operating facility were \$nil (December 31, 2019 - \$11.2 million). Letters of credit outstanding under this facility as at September 30, 2020 were \$4.7 million (December 31, 2019 - \$3.9 million).

6. LONG-TERM DEBT

As at	Maturity date	September 30, 2020	December 31, 2019
Credit facilities			
\$200 million unsecured revolving credit facility ^(a)	31-Dec-2023	\$ 13.0	\$ 46.4
\$25 million PNG committed credit facility ^(a)	4-May-2023	25.0	25.0
Debenture notes			
PNG 2025 series debenture - 9.30 percent ^(b)	18-Jul-2025	11.5	12.0
PNG 2027 series debenture - 6.90 percent ^(b)	2-Dec-2027	13.0	13.0
Unsecured term loan	25-Oct-2020	—	14.0
Medium term notes			
\$300 million senior unsecured - 4.26 percent	5-Dec-2028	300.0	300.0
\$250 million senior unsecured - 3.15 percent	6-Apr-2026	250.0	250.0
\$100 million senior unsecured - 3.13 percent	7-Apr-2027	100.0	—
Finance lease liabilities (note 4)		0.4	0.5
		\$ 712.9	\$ 660.9
Less debt issuance costs and discount		(3.3)	(3.3)
		\$ 709.6	\$ 657.6
Less current portion		(1.0)	(14.8)
		\$ 708.6	\$ 642.8

(a) Borrowings on the credit facility can be by way of Canadian prime rate-based loans, U.S. base rate loans, bankers' acceptances and LIBOR loans.

(b) Collateral for the Secured Debentures consists of a specific first mortgage on substantially all of PNG's PP&E and gas purchase and gas sales contracts, and a first floating charge on other property, assets and undertakings.

7. REVENUE

The following table disaggregates revenue by major sources:

	Three months ended September 30, 2020				
	Renewable Energy	Utilities	Corporate	Total	
Revenue from contracts with customers					
Gas sales and transportation services	\$ —	\$ 37.8	\$ —	\$ 37.8	
Other	—	0.5	—	0.5	
Total revenue from contracts with customers	\$ —	\$ 38.3	\$ —	\$ 38.3	
Other sources of revenue					
Revenue from alternative revenue programs ^(a)	\$ —	\$ 5.5	\$ —	\$ 5.5	
Leasing revenue ^(b)	\$ 4.1	\$ —	\$ —	\$ 4.1	
Other	—	0.7	—	0.7	
Total revenue from other sources	\$ 4.1	\$ 6.2	\$ —	\$ 10.3	
Total revenue	\$ 4.1	\$ 44.5	\$ —	\$ 48.6	

(a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(b) Relates to power sold to BC Hydro under the power purchase agreement for the Bear Mountain Wind Park, which is accounted for as an operating lease. The lease revenue earned are from variable lease payments which are recorded when actual electricity is generated and delivered.

	Nine months ended September 30, 2020				
	Renewable Energy	Utilities	Corporate	Total	
Revenue from contracts with customers					
Gas sales and transportation services	\$ —	\$ 207.2	\$ —	\$ 207.2	
Other	—	1.2	—	1.2	
Total revenue from contracts with customers	\$ —	\$ 208.4	\$ —	\$ 208.4	
Other sources of revenue					
Revenue from alternative revenue programs ^(a)	\$ —	\$ (0.2)	\$ —	\$ (0.2)	
Leasing revenue ^(b)	\$ 12.9	\$ —	\$ —	\$ 12.9	
Other	—	1.9	—	1.9	
Total revenue from other sources	\$ 12.9	\$ 1.7	\$ —	\$ 14.6	
Total revenue	\$ 12.9	\$ 210.1	\$ —	\$ 223.0	

(a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(b) Relates to power sold to BC Hydro under the power purchase agreement for the Bear Mountain Wind Park, which is accounted for as an operating lease. The lease revenue earned are from variable lease payments which are recorded when actual electricity is generated and delivered.

Three months ended September 30, 2019

	Renewable Energy	Utilities	Corporate	Total
Revenue from contracts with customers				
Gas sales and transportation services	\$ —	\$ 37.6	\$ —	\$ 37.6
Other	—	0.4	—	0.4
Total revenue from contracts with customers	\$ —	\$ 38.0	\$ —	\$ 38.0
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ —	\$ 3.0	\$ —	\$ 3.0
Leasing revenue ^(b)	\$ 3.3	—	—	\$ 3.3
Other	—	0.9	—	0.9
Total revenue from other sources	\$ 3.3	\$ 3.9	\$ —	\$ 7.2
Total revenue	\$ 3.3	\$ 41.9	\$ —	\$ 45.2

(a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(b) Relates to power sold to BC Hydro under the power purchase agreement for the Bear Mountain Wind Park, which is accounted for as an operating lease. The lease revenue earned are from variable lease payments which are recorded when actual electricity is generated and delivered.

Nine months ended September 30, 2019

	Renewable Energy	Utilities	Corporate	Total
Revenue from contracts with customers				
Gas sales and transportation services	\$ —	\$ 217.0	\$ —	\$ 217.0
Other	—	1.0	—	1.0
Total revenue from contracts with customers	\$ —	\$ 218.0	\$ —	\$ 218.0
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ —	\$ (5.0)	\$ —	\$ (5.0)
Leasing revenue ^(b)	9.6	—	—	9.6
Other	—	2.5	—	2.5
Total revenue from other sources	\$ 9.6	\$ (2.5)	\$ —	\$ 7.1
Total revenue	\$ 9.6	\$ 215.5	\$ —	\$ 225.1

(b) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(c) Relates to power sold to BC Hydro under the power purchase agreement for the Bear Mountain Wind Park, which is accounted for as an operating lease. The lease revenue earned are from variable lease payments which are recorded when actual electricity is generated and delivered.

Accounts receivable as at September 30, 2020 include unbilled receivables of \$10.5 million (December 31, 2019 - \$31.2 million) related to gas sales and transportation services rendered to customers but not billed at period end.

Transaction price allocated to the remaining obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied as at September 30, 2020:

	Remainder of 2020	2021	2022	2023	2024	> 2024	Total
Gas sales and transportation services	\$ 16.8	\$ 33.1	\$ 26.1	\$ 22.2	\$ 18.2	\$ 216.1	\$ 332.5

The Company applies the practical expedient available under ASC 606 and does not disclose information about the remaining performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which revenue is recognized at the amount to which the Company has the right to invoice for performance completed, and (iii) contracts with variable consideration that is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation. In addition, the table above does not include any estimated amounts of variable consideration that are constrained. The majority of gas sales and transportation service contracts contain variable consideration whereby uncertainty related to the associated variable consideration will be resolved (usually on a daily basis) as gas is delivered or as service is provided.

8. INCOME TAXES

For the three and nine months ended September 30, 2020, the Company recognized an income tax expense of \$1.4 million and an income tax recovery of \$0.5 million, respectively (three and nine months ended September 30, 2019 – income tax expense of \$0.2 million and \$1.0 million, respectively).

The increase in income tax expense for the three months ended September 30, 2020 was mainly due to higher taxable income. The decrease in income tax expense for the nine months ended September 30, 2020 was mainly due to lower taxable income as a result of transaction costs incurred in respect of the Arrangement, partially offset by the absence of a one-time deferred income tax recovery related to the reduction in the Alberta statutory tax rate in June 2019 and accelerated capital cost allowance deductions taken in the second quarter of 2019.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of accounts receivable, foreign exchange contracts, accounts payable and accrued liabilities, short-term debt, current portion of long-term debt, and long-term debt.

Fair Value Hierarchy

The Company categorizes its financial assets and financial liabilities into one of three levels based on fair value measurements and inputs used to determine the fair value.

Level 1 - fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Fair values are based on direct observations of transactions involving the same assets or liabilities and no assumptions are used.

Level 2 - fair values are determined based on valuation models and techniques where inputs other than quoted prices included within level 1 are observable for the asset or liability either directly or indirectly. The Company uses derivative instruments to manage fluctuations in foreign exchange rates. The Company estimates forward prices based on published sources.

Level 3 - fair values are based on inputs for the asset or liability that are not based on observable market data. The Company uses valuation techniques when observable market data is not available.

Accounts receivable, accounts payable and accrued liabilities, and short-term debt - the carrying amounts approximate fair value because of the short maturity of these instruments.

	September 30, 2020				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial liabilities					
Fair value through net income					
Foreign exchange contracts liability	\$ 0.8	\$ —	\$ 0.8	\$ —	\$ 0.8
Amortized cost					
Current portion of long-term debt ^(a)	\$ 1.0	\$ —	\$ 1.0	\$ —	\$ 1.0
Long-term debt ^(a)	711.9	—	805.1	—	805.1
	\$ 713.7	\$ —	\$ 806.9	\$ —	\$ 806.9

(a) Excludes deferred financing costs and debt discount.

	December 31, 2019				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial liabilities					
Fair value through net income					
Foreign exchange contracts liability	\$ 0.8	\$ —	\$ 0.8	\$ —	\$ 0.8
Amortized cost					
Current portion of long-term debt ^(a)	\$ 15.0	\$ —	\$ 15.0	\$ —	\$ 15.0
Long-term debt ^(a)	645.9	—	686.8	—	686.8
	\$ 661.7	\$ —	\$ 702.6	\$ —	\$ 702.6

(a) Excludes deferred financing costs and debt discount.

Risks Associated with Financial Instruments

The following is an update to the Company's risks associated with financial instruments from those disclosed in the Company's 2019 annual audited consolidated financial statements.

Credit and Liquidity Risks

In response to the novel coronavirus of 2019 ("COVID-19") pandemic, provincial governments across Canada have enacted emergency measures to combat the spread of the virus. During the COVID-19 pandemic, TSU and its utilities are focusing on the health and safety of its employees and customers while continuing to provide safe and reliable services. In response to the COVID-19 pandemic, several temporary customer relief initiatives were provided to customers at the outset of the pandemic. While the Company is continuing to work with its customers to establish payment arrangements, it has resumed normal collection activities in connection with overdue accounts during the third quarter of 2020. Please see further details below.

In March 2020, the Government of Alberta announced a program for Albertans who were experiencing financial hardship directly related to the COVID-19 pandemic to be able to defer payment of electricity and natural gas bills from March 18, 2020 until June 18, 2020 without any late fees or added interest payments. In addition, no Albertans could be disconnected from these services or see their services reduced during this period due to non-payment. Albertans who have enrolled in the bill deferral program must repay the deferred amount by June 18, 2021. On May 28, 2020, the AUC approved AUI's application to establish deferral accounts for the purposes of administering deferred payments under the *Utility Payment Deferral Program Act* (Alberta). Based on guidelines from the AUC, AUI resumed collection activities at the beginning of July 2020. As at September 30, 2020, AUI has deferred approximately \$1.1 million under these deferral accounts.

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

On June 10, 2020, the BCUC approved PNG's application to offer a bill payment deferral program between April 17, 2020 and June 30, 2020 to residential and small commercial customers that have experienced a loss of income or revenue as a result of the COVID-19 pandemic. The BCUC also granted approval for PNG to establish deferral accounts to capture unplanned costs incurred and cost savings as a result of the COVID-19 pandemic and to capture bad debts that may be incurred specifically as a result of the impact of COVID-19. PNG will apply for the amortization of the COVID-19 deferral accounts in future revenue requirement applications. As at September 30, 2020, \$0.5 million of net cost savings have been identified and deferred as regulatory liabilities. During the outset of the COVID-19 pandemic, PNG also temporarily halted disconnection practices for overdue accounts related to COVID-19 disruption. PNG resumed collection efforts in connection with overdue accounts in late June 2020.

While the COVID-19 pandemic did not significantly impact the carrying value of accounts receivable and the liquidity position of the Company as at September 30, 2020, given the unprecedented and changing developments surrounding the COVID-19 pandemic, it is not possible to reliably estimate the impact of the COVID-19 pandemic on the financial results and condition of the Company in future periods. As at September 30, 2020, the Company has approximately \$245.9 million of cash balances and available credit facilities. The Company is continuing to monitor the potential impact of the pandemic on ongoing operations and associated financial implications.

Foreign Exchange Risk

A vast majority of HGL's natural gas supply costs are denominated in U.S. dollars. Although all natural gas procurement costs, including any realized foreign exchange gains or losses are passed through to its customers, the Company has entered into foreign exchange forward contracts to manage the risk of fluctuations in gas costs for customers as a result of changes in foreign exchange rates. In addition, the Company has entered into foreign exchange forward contracts to manage the foreign exchange risk from certain commitments denominated in U.S. dollars. As at September 30, 2020, the Company had outstanding foreign exchange forward contracts for US\$15.3 million at an average rate of \$1.38 Canadian per U.S. dollar. As at December 31, 2019, the Company had outstanding foreign exchange forward contracts for US\$31.5 million at an average rate of \$1.32 Canadian per U.S. dollar.

10. SHAREHOLDER'S EQUITY

Authorized share capital

The Company is authorized to issue an unlimited number of voting common shares. The Company is also authorized to issue preferred shares not to exceed 50 percent share of the voting rights attached to the issued and outstanding common shares.

Common shares issued and outstanding

As at September 30, 2020 and December 31, 2019, there were 30,000,000 of common shares issued and outstanding.

Share Option Plan

The Company had a Share Option Plan under which directors, officers and employees were eligible to receive grants. Immediately prior to the completion of the Arrangement, all options outstanding under the Share Option Plan unconditionally vested and were assigned and transferred to TSU in exchange for cash payment from TSU, and the Share Option Plan was terminated.

The following table summarizes information about the Company's share options:

As at	September 30, 2020		December 31, 2019	
	Number of options	Exercise price ^(a)	Number of options	Exercise price ^(a)
Share options outstanding, beginning of period	534,766	\$ 18.56	200,375	\$ 14.65
Granted	—	—	334,391	20.90
Transferred to TSU in exchange for cash payment	534,766	18.56	—	—
Share options outstanding, end of period	—	\$ —	534,766	\$ 18.56
Share options exercisable, end of period	—	\$ —	50,095	\$ 14.65

(a) Weighted average

During the three and nine months ended September 30, 2020, the Company recorded \$nil and \$7.5 million of stock options expense, respectively (three and nine months ended September 30, 2019 - \$0.2 million and 0.3 million, respectively).

Medium Term Incentive Plan ("MTIP") and Deferred Share Unit Plan ("DSUP")

The Company had a MTIP for employees and executive officers, which included RSUs and PSUs with vesting periods of 36 months from the grant date. In addition, the Company had a DSUP, which allowed granting of DSUs to directors. DSUs granted under the DSUP vested immediately. Immediately prior to the completion of the Arrangement, all outstanding PSUs and RSUs unconditionally vested and all outstanding PSUs, RSUs and DSUs were assigned and transferred to TSU in exchange for cash payment and the MTIP and DSUP were terminated.

PSUs, RSUs, and DSUs (number of units)	September 30,	December 31,
	2020	2019
Balance, beginning of period	225,932	92,502
Granted	5,354	126,123
Units in lieu of dividends	1,881	7,307
Vested and transferred to TSU in exchange for cash payment	(233,167)	—
Outstanding, end of period	—	225,932

During the three and nine months ended September 30, 2020, the compensation expense recorded for the MTIP and DSUP was \$nil and \$5.3 million, respectively (three and nine months ended September 30, 2019 - \$0.6 million and \$1.3 million, respectively).

11. PENSION PLANS AND RETIREE BENEFITS

The costs of the defined benefit and post-retirement benefit plans are based on management's estimate of the future rate of return on the fair value of pension plan assets, salary escalations, mortality rates and other factors affecting the payment of future benefits.

The net pension expense by plan for the period was as follows:

Three months ended September 30, 2020	Defined	Post-	Total
	Benefit	Retirement Benefits	
Current service cost ^(a)	\$ 1.8	\$ 0.2	\$ 2.0
Interest cost ^(b)	1.0	0.1	1.1
Expected return on plan assets ^(b)	(1.6)	(0.1)	(1.7)
Amortization of regulatory asset ^(b)	0.4	—	0.4
Net benefit cost recognized	\$ 1.6	\$ 0.2	\$ 1.8

(a) Recorded under the line item "Operating and administrative" expenses on the Consolidated Statements of Income.

(b) Recorded under the line item "Other income (loss)" on the Consolidated Statements of Income.

	Defined Benefit	Post- Retirement Benefits	Total
Nine months ended September 30, 2020			
Current service cost ^(a)	\$ 5.4	\$ 0.6	\$ 6.0
Interest cost ^(b)	3.0	0.3	3.3
Expected return on plan assets ^(b)	(4.8)	(0.3)	(5.1)
Amortization of regulatory asset ^(b)	1.2	—	1.2
Net benefit cost recognized	\$ 4.8	\$ 0.6	\$ 5.4

(a) Recorded under the line item "Operating and administrative" expenses on the Consolidated Statements of Income.

(b) Recorded under the line item "Other income (loss)" on the Consolidated Statements of Income.

	Defined Benefit	Post- Retirement Benefits	Total
Three months ended September 30, 2019			
Current service cost ^(a)	\$ 1.6	\$ 0.2	\$ 1.8
Interest cost ^(b)	1.1	0.1	1.2
Expected return on plan assets ^(b)	(1.4)	(0.1)	(1.5)
Amortization of regulatory asset ^(b)	0.3	—	0.3
Net benefit cost recognized	\$ 1.6	\$ 0.2	\$ 1.8

(a) Recorded under the line item "Operating and administrative" expenses on the Consolidated Statements of Income.

(b) Recorded under the line item "Other income (loss)" on the Consolidated Statements of Income.

	Defined Benefit	Post- Retirement Benefits	Total
Nine months ended September 30, 2019			
Current service cost ^(a)	\$ 4.8	\$ 0.6	\$ 5.4
Interest cost ^(b)	3.3	0.3	3.6
Expected return on plan assets ^(b)	(4.2)	(0.3)	(4.5)
Amortization of regulatory asset ^(b)	0.9	—	0.9
Net benefit cost recognized	\$ 4.8	\$ 0.6	\$ 5.4

(a) Recorded under the line item "Operating and administrative" expenses on the Consolidated Statements of Income.

(b) Recorded under the line item "Other income (loss)" on the Consolidated Statements of Income.

12. TRANSACTION COSTS

During the three and nine months ended September 30, 2020, TSU incurred approximately \$0.1 million and \$22.6 million of pre-tax transaction costs, respectively in respect of the Arrangement, which have been included in the Consolidated Statement of Income under the line item "Operating and administrative expense".

13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

The Company has long-term natural gas purchase and transportation arrangements, service agreements, and operating and finance leases, all of which are transacted at market prices and in the normal course of business. There were no material changes in commitments from those disclosed in the Company's 2019 annual audited consolidated financial statements.

Guarantees

In October 2014, HGL entered into a throughput service contract with Enbridge Inc. for the use of the expansion of its Algonquin Gas Transmission and Maritimes & Northeast Pipeline systems (the "Atlantic Bridge Project"). The contract commenced on October 1, 2020 and will expire 15 years thereafter. The Company issued two guarantees with an aggregate maximum liability of US\$91.7 million, guaranteeing HGL's payment obligations under the throughput service contract with Enbridge Inc.

On October 22, 2018, the Company issued a guarantee with a maximum liability of \$0.3 million related to the right of way for permanent access and power line access at the Bear Mountain Wind Park.

The Company, through HGL has agreements in place with Union Gas Limited (“UGL”) to deliver natural gas. In October 25, 2018, the Company issued a guarantee with a maximum liability of \$0.3 million guaranteeing UGL’s reasonable costs incurred to enforce obligations created under those agreements.

The Company, through HGL has agreements in place with Maritimes & Northeast Pipeline Limited Partnership (“M&NP”) to store or transport natural gas. On December 1, 2019, the Company issued a guarantee with a maximum liability of \$3.0 million guaranteeing M&NP’s reasonable costs incurred to enforce obligations created under those agreements.

Contingencies

The Company is subject to various legal claims and actions arising in the normal course of the Company. While the final outcome of such legal claims and actions cannot be predicted with certainty, the Company does not believe that the resolution of such claims and actions will have a material impact on the Company’s consolidated financial position or results of operations.

14. RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of business, the Company transacts with its joint ventures and associates. AltaGas Ltd. (“AltaGas”) ceased to be associated with the Company on completion of the Arrangement on March 31, 2020.

Transition Services Agreement

On October 18, 2018, the Company entered into a Transition Services Agreement with AltaGas pursuant to which AltaGas provided certain general administrative and corporate services required by the Company, which included: accounting, tax, finance, legal and regulatory, payroll, corporate human resources and pension management, environmental, health and safety administration, procurement, enterprise resource planning and information technology. AltaGas provided the services on a cost recovery basis only. The Transition Services Agreement terminated on May 31, 2020.

Related party balances

Amounts due to or from related parties on the Consolidated Balance Sheets, arising from transactions with joint ventures and associates (including AltaGas and its affiliates prior to March 31, 2020), are measured at the exchange amount and are as follows:

As at	September 30, 2020	December 31, 2019
Due to related parties		
Accounts payable ^(a)	\$ —	\$ 14.3
	\$ —	\$ 14.3

(a) Payables to AltaGas and affiliates of AltaGas.

Related party transactions

The following transactions with joint ventures and associates (including AltaGas and its affiliates prior to March 31, 2020) are measured at the exchange amount and have been recorded on the Consolidated Statements of Income:

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Revenue ^(a)	\$ —	\$ 0.6	\$ 0.7	\$ 1.5
Unrealized loss on foreign exchange contracts with AltaGas	\$ —	\$ —	\$ —	\$ (0.9)
Cost of sales ^(b)	\$ —	\$ (5.7)	\$ (30.6)	\$ (76.8)
Operating and administrative expenses ^(c)	\$ —	\$ (0.4)	\$ (0.1)	\$ (1.6)

(a) In the normal course of business, the Company provided gas sales and transportation services to related parties.

(b) In the normal course of business, the Company purchased natural gas from a related party.

(c) Operating and administrative expenses include the fees paid to AltaGas for transition services and administrative costs recovered from joint ventures.

15. SUPPLEMENTAL CASH FLOW INFORMATION

The following table details the changes in operating assets and liabilities:

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Source (use) of cash:				
Accounts receivable	\$ (1.8)	\$ 4.4	\$ 31.9	\$ 34.9
Inventory	(0.7)	(0.4)	(1.2)	(0.1)
Other current assets	0.1	2.0	(0.1)	1.1
Regulatory assets (current)	(1.8)	0.3	(1.0)	(0.7)
Accounts payable and accrued liabilities	(7.4)	6.3	(20.8)	(21.1)
Customer deposits	3.3	1.9	0.8	(0.3)
Regulatory liabilities (current)	0.4	1.0	(2.5)	(3.2)
Other current liabilities	0.2	0.2	(0.4)	0.5
Net change in regulatory assets and liabilities (long-term) ^(a)	(3.1)	(4.2)	4.5	4.4
Other long-term assets	0.2	(1.3)	0.3	(1.3)
Changes in operating assets and liabilities	\$ (10.6)	\$ 10.2	\$ 11.5	\$ 14.2

(a) Inclusive of an increase in the revenue deficiency account (use of cash) of \$5.3 million and \$1.4 million during the three and nine months ended September 30, 2020, respectively (three months ended September 30, 2019 – an increase in the revenue deficiency account (use of cash) of \$3.0 million, nine months ended September 30, 2019 – a decrease in the revenue deficiency account (source of cash) of \$4.1 million).

The following cash payments have been included in the determination of net income after taxes:

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Interest paid	\$ 0.9	\$ 1.4	\$ 13.1	\$ 15.9
Income taxes paid (net of refunds)	\$ 5.1	\$ (0.6)	\$ 5.7	\$ (0.1)

16. SEGMENTED INFORMATION

The following describes the Company's three reporting segments:

Renewable Energy	– Includes the 102 MW Bear Mountain Wind Park, and an approximately 10 percent indirect equity investment in Coast LP, which indirectly owns and operates three run-of-river hydroelectric power generation assets in northwest British Columbia.
Utilities	– Includes the rate-regulated natural gas distribution assets in Alberta, British Columbia and Nova Scotia as well as an approximately 33.3 percent equity investment in Inuvik Gas Ltd.
Corporate	– Includes the cost of providing shared services, financial and general corporate support and corporate assets.

The following tables show the composition by segment:

	Three months ended September 30, 2020				
	Utilities	Renewable Energy	Corporate	Intersegment Elimination	Total
Revenue	\$ 44.5	\$ 4.1	\$ —	\$ —	\$ 48.6
Cost of sales	(9.5)	(0.1)	—	—	(9.6)
Operating and administrative	(22.8)	(1.0)	(0.5)	—	(24.3)
Depreciation and amortization	(8.1)	(1.8)	—	—	(9.9)
Income from equity investments	—	4.7	—	—	4.7
Unrealized loss on foreign exchange contracts	(0.4)	—	—	—	(0.4)
Other income	0.2	—	—	—	0.2
Foreign exchange loss	(0.1)	—	—	—	(0.1)
Operating income (loss)	\$ 3.8	\$ 5.9	\$ (0.5)	\$ —	\$ 9.2
Interest expense	(1.6)	—	(5.7)	—	(7.3)
Income (loss) before income taxes	\$ 2.2	\$ 5.9	\$ (6.2)	\$ —	\$ 1.9
Net additions (reductions) to:					
Property, plant and equipment ^(a)	\$ 22.5	\$ 0.1	\$ —	\$ —	\$ 22.6
Intangible assets	\$ 2.8	\$ —	\$ —	\$ —	\$ 2.8

(a) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash Flows due to classification differences.

	Nine months ended September 30, 2020				
	Utilities	Renewable Energy	Corporate	Intersegment Elimination	Total
Revenue	\$ 210.1	\$ 12.9	\$ —	\$ —	\$ 223.0
Cost of sales	(74.1)	(0.2)	—	—	(74.3)
Operating and administrative	(69.9)	(3.5)	(23.8)	—	(97.2)
Accretion expense	—	(0.1)	—	—	(0.1)
Depreciation and amortization	(22.3)	(5.4)	(0.1)	—	(27.8)
Income from equity investments	—	4.0	—	—	4.0
Other income	0.6	—	—	—	0.6
Foreign exchange loss	(0.1)	—	—	—	(0.1)
Operating income (loss)	\$ 44.3	\$ 7.7	\$ (23.9)	\$ —	\$ 28.1
Interest expense	(4.4)	—	(16.9)	—	(21.3)
Income (loss) before income taxes	\$ 39.9	\$ 7.7	\$ (40.8)	\$ —	\$ 6.8
Net additions (reductions) to:					
Property, plant and equipment ^(a)	\$ 40.2	\$ 0.2	\$ —	\$ —	\$ 40.4
Intangible assets	\$ 7.5	\$ —	\$ —	\$ —	\$ 7.5

(a) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash Flows due to classification differences.

Three months ended September 30, 2019

	Renewable		Corporate	Intersegment		Total
	Utilities	Energy		Elimination		
Revenue	\$ 41.9	\$ 3.3	\$ —	\$ —	\$ —	\$ 45.2
Cost of sales	(9.8)	(0.1)	—	—	—	(9.9)
Operating and administrative	(21.3)	(1.1)	(0.8)	—	—	(23.2)
Depreciation and amortization	(5.6)	(1.8)	—	—	—	(7.4)
Income from equity investment	—	4.7	—	—	—	4.7
Unrealized gain on foreign exchange contracts	0.4	—	—	—	—	0.4
Foreign exchange gain	—	—	0.1	—	—	0.1
Operating income	\$ 5.6	\$ 5.0	\$ (0.7)	\$ —	\$ —	\$ 9.9
Interest expense	(1.0)	—	(5.9)	—	—	(6.9)
Income (loss) before income taxes	\$ 4.6	\$ 5.0	\$ (6.6)	\$ —	\$ —	\$ 3.0
Net additions (reductions) to:						
Property, plant and equipment ^(a)	\$ 23.3	\$ —	\$ —	\$ —	\$ —	\$ 23.3
Intangible assets	\$ 0.8	\$ —	\$ —	\$ —	\$ —	\$ 0.8

(a) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash Flows due to classification differences.

Nine months ended September 30, 2019

	Renewable		Corporate	Intersegment		Total
	Utilities	Energy		Elimination		
Revenue	\$ 215.5	\$ 9.6	\$ —	\$ —	\$ —	\$ 225.1
Cost of sales	(87.4)	(0.2)	—	—	—	(87.6)
Operating and administrative	(67.2)	(3.2)	(1.7)	—	—	(72.1)
Accretion expense	(0.1)	—	—	—	—	(0.1)
Depreciation and amortization	(16.7)	(5.4)	—	—	—	(22.1)
Income from equity investments	—	5.3	—	—	—	5.3
Unrealized loss on foreign exchange contracts	(1.5)	—	—	—	—	(1.5)
Other loss	(0.1)	—	—	—	—	(0.1)
Foreign exchange gain	—	—	0.1	—	—	0.1
Operating income (loss)	\$ 42.5	\$ 6.1	\$ (1.6)	\$ —	\$ —	\$ 47.0
Interest expense	(2.5)	—	(17.5)	—	—	(20.0)
Income (loss) before income taxes	\$ 40.0	\$ 6.1	\$ (19.1)	\$ —	\$ —	\$ 27.0
Net additions (reductions) to:						
Property, plant and equipment ^(a)	\$ 42.3	\$ —	\$ 0.2	\$ —	\$ —	\$ 42.5
Intangible assets	\$ 2.4	\$ —	\$ —	\$ —	\$ —	\$ 2.4

(a) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash Flows due to classification differences.

The following table shows goodwill and total assets by segment:

	Renewable		Corporate	Total
	Utilities	Energy		
As at September 30, 2020				
Goodwill	\$ 119.1	\$ —	\$ —	\$ 119.1
Segmented assets	\$ 1,315.8	\$ 293.0	\$ (24.5)	\$ 1,584.3
As at December 31, 2019				
Goodwill	\$ 119.1	\$ —	\$ —	\$ 119.1
Segmented assets	\$ 1,276.6	\$ 262.4	\$ 43.3	\$ 1,582.3

17. SEASONALITY

The utility business is highly seasonal with the majority of natural gas deliveries occurring during the winter heating season. Gas sales increase during the winter resulting in stronger first and fourth quarter results and weaker second and third quarter results. In addition, the Company's equity investment in the Northwest Hydro Facilities is impacted by seasonal weather, which create periods of high river flow typically during May through October of any given year, resulting in stronger results during this time period.

18. SUBSEQUENT EVENTS

Subsequent events have been reviewed through November 4, 2020, the date on which these condensed interim consolidated financial statements were approved for issue by the Board of Directors. There were no subsequent events requiring disclosure or adjustment to the condensed interim consolidated financial statements.