



April 27, 2018

VIA RESS AND COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EPCOR Natural Gas Limited Partnership Written Comments re Corporate Governance
Guidance for OEB Rate-Regulated Utilities: EB-2014-0255**

Pursuant to the Board's letter of March 28, 2018, please find enclosed EPCOR Natural Gas Limited Partnership's written comments on the Board's Draft Report.

If you require any further information, please do not hesitate to contact me.

Sincerely,

Signed "Dana Bissoondatt"

Dana Bissoondatt
Senior Legal Counsel
EPCOR Utilities Inc.
dbissoondatt@epcor.com
(780) 412-3239

EPCOR NATURAL GAS LIMITED PARTNERSHIP

EB-2014-0255

WRITTEN COMMENTS

**Draft Report of the Board: Corporate Governance Guidance for OEB rate-regulated
Utilities**

Filed: April 27, 2018

Summary

1. The Board's high level goal of good utility corporate governance is a good and desirable one. However, the Board's guidance is very specific and narrow. ENGLP believes that one size doesn't fit all and the Board's suggested practices don't recognize that effective governance can be achieved by a variety of means. Although framed as guidance, there is concern that it may become a slippery slope to becoming mandatory. For example, the Board states in the Draft Report that it is likely to amend the existing Affiliate Relationships Code (ARC) requirement regarding board independence, which is currently to have one-third of utility directors be independent, to be a majority of independents.¹
2. A minimum board size, majority of independents and use of board committees at the utility level may be a best practice where the utility is a standalone business or part of a relatively small business, but where a utility is part of a larger group of investor owned companies which has strong governance practices and culture, the specific measures detailed in the Board guidance are unnecessary and will cause significant burden and costs to both utilities and ratepayers.
3. Generally, there is no concern with governance documentation, record keeping and reporting; however, there is concern that the information gathered through the reporting will be utilized to assess utilities negatively if using governance structures different than the Board guidance, making the guidance de facto mandatory or carrying other negative consequences.

¹ Draft Report at page 9.

Introduction

4. The background and history of this proceeding is described in the *Draft Report of the Board, Corporate Governance Guidance for OEB Rate-Regulated Utilities*, Ontario Energy Board, March 28, 2018, (“Draft Report”).
5. In the Draft Report, the Board states that it believes that good governance is a significant contributor to excellence in utility performance and important indicator of a utility’s ability to achieve expected outcomes valued by customers and also strengthens management accountability, enhances overall utility performance and improves outcomes for consumers.
6. These goals and high level principles are good and desirable ones. However, ENGLP and EPCOR are concerned with the level of specificity and inherent lack of flexibility of the Board’s guidance on governance structures as well as the potential use of the information gathered through the reporting requirements.

Background regarding ENGLP and EPCOR

7. EPCOR Natural Gas Limited Partnership (“ENGLP”) is a limited partnership formed under the laws of the Province of Ontario. The general partner of ENGLP is EPCOR Ontario Utilities Inc. and the limited partner of ENGLP is EPCOR Power Development Corporation. All of the entities referenced above are direct or indirect subsidiaries of EPCOR Utilities Inc. (“EPCOR”) which is wholly-owned by the City of Edmonton (the “City”). Through its subsidiaries, EPCOR builds, owns and operates electrical transmission and distribution networks, natural gas distribution networks, water and wastewater treatment facilities, and sanitary and stormwater systems and networks in Canada and the United States.
8. ENGLP is EPCOR’s first regulated utility business located in Ontario, following completion of the acquisition of the assets of Natural Resource Gas Limited in November, 2017. EPCOR is committed to investing in the Ontario utility market and, through its subsidiary, EPCOR Southern Bruce Gas Inc., was also recently granted certificates of public convenience and necessity for three municipalities in the Southern Bruce area of Ontario. EPCOR has also entered into an agreement to purchase Collus PowerStream, an electricity local distribution company (LDC), which acquisition is currently before the Board for approval.

9. Originally established in 1996 at a time of industry restructuring as a fully independent, stand-alone subsidiary of the City, EPCOR is governed independently from the City by a Board of Directors comprised of independent, highly experienced individuals. EPCOR's Board is a competency-based board with diverse skills and business and professional backgrounds. Suitability as a director is assessed based on a range of factors, including applicable experience, specialized knowledge, technical skills and affiliations. The Corporate Governance and Nominating Committee of EPCOR's Board identifies, recruits and recommends board candidates to the City for appointment.
10. All members of EPCOR's Board are independent of the City and, for clarity, do not include the Mayor, any members of City Council or City administration personnel. EPCOR's CEO is selected by the independent EPCOR Board and the senior executives of its business units report directly to the CEO. Management decisions are made independently of the City as shareholder, no different from a typical investor owned utility. The capital and operating plans of EPCOR are determined and executed based on obligations under applicable legislation and the applicable utility commission regulatory oversight.
11. As an independent entity and being a reporting issuer under Canadian securities laws, EPCOR has a robust corporate governance system, following National Policy 58-201 Corporate Governance Guidelines issued by Canadian securities regulators. Appendices 1 and 2 to these comments, which are excerpts from the 2017 Annual Information Form ("AIF") filed by EPCOR with Canadian Securities Commissions, describes the overall corporate governance structure of EPCOR, the qualifications of each Director on EPCOR's Board (as at the time of publication of the AIF), Director independence, nomination procedures for Directors, various standing committees of the EPCOR Board and the Charter of Expectations for the Board of Directors. Notably, the current Chair of EPCOR's Board, Hugh Bolton, received the Peter Dey Governance Achievement Award from the Governance Professional of Canada in 2017 as a party of its Fifth Annual Excellence in Governance Awards.

Governance Structures - Need for flexibility

12. As a fundamental point, the Board noted that it expects utilities to have a board that has oversight of all utility functions and is separate from the parent company.² The Board's guidance more specifically includes that utility boards should have a majority of independent directors, have a minimum of five members and that committees of the board should be utilized to support key functions.
13. The Board notes that KPMG and Elenchus support these items, however, at least Elenchus stated that Board guidance should not be overly detailed or prescriptive so as to allow utilities the flexibility to develop their corporate governance practices in a way that best serves their needs.³ Indeed, given the level of specificity of Board guidance, ENGLP has concerns with the high level of specificity regarding minimum board size and number of independent directors as well as usage of committees.

Principles and Concerns underlying Board Guidance

14. There is significant mention in the KPMG and Elenchus reports of how municipally owned LDCs have historically been governed . Elenchus noted that essentially all regulated utilities in Ontario are closely held, many by municipalities and, in these circumstances, directors are often not only elected but also recruited and directly nominated by the shareholder(s) and where the director is a municipal councilor, there is a significant potential conflict of interest and risk of political interference.⁴
15. In those circumstances, the guidance proposed by the Board may be appropriate. However, while ultimately owned by the City, as noted above, EPCOR has an independent board of directors and operates in an arm's length manner from the City. This, coupled with the fact that it is a reporting issuer under Canadian securities laws, EPCOR's governance structure is effectively that of an investor owned utility.

² Draft Report at page 8.

³ *Corporate Governance for Regulated Natural Gas and Electricity Utilities*, Elenchus Research Associates Inc. for the Ontario Energy Board, Final Report, December 19, 2016, (the "Elenchus Report") at page 50.

⁴ Elenchus Report at page 25-26 and 42.

16. Given that there is no distinction in its guidance as between ownership structures, it appears that the Board considers investor owned utilities as carrying the same risks as a municipally owned utility, however, ENGLP believes these are substantially different.
17. Although not specifically discussed by the Board in the Draft Report, in the Board commissioned report by Elenchus, it is noted that in relation to investor owned utilities, there are also concerns about real or potential conflicts of interest involving affiliated entities as a Holdco (i.e. parent) level board will make decisions in the best interests of the overall corporation. However, Elenchus recognizes that if the regulated utility is the only substantive business of a Holdco, having independent directors at the Holdco level may accomplish the same objectives as having independent directors at the utility level.⁵
18. ENGLP agrees with that, and further believes that even where there are other regulated or non-regulated businesses at the Holdco (parent) level, where the parent itself has a robust governance structure, for example because it is a reporting issuer, coupled with ARC requirements regarding information sharing, there are sufficient governance mechanisms. This is supported by the framework of EPCOR's Alberta utility businesses, where EPCOR's multiple water, wastewater, drainage and electricity distribution and transmission businesses are overseen by EPCOR's Board of Directors, subject to code of conduct/compliance requirements related to affiliates.
19. A fundamental principle underlying the Board's guidance is that decisions of the board of a utility should be focused on best interests of the utility, including balancing the interests of the utility and customers. Related to this, the Elenchus Report references provisions relatively recently added to Ontario utility legislation⁶ that every officer and director of the transmitter, distributor or retailer of electricity, gas marketer or unit sub-meter provider must:
- exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and
 - take such measures as necessary to ensure that the corporation complies with all requirements under the *Ontario Energy Board Act*, the *Electricity Act* and the *Energy Consumer Protection Act*.

⁵ Elenchus Report at page 43.

⁶ Elenchus Report at page 7 paraphrasing the *Ontario Energy Board Act*, Section 125.2

20. There seems to be the suggestion that these requirements are new and/or specific to utility companies; however, the utility statutory provisions only repeat what is already required under corporate statutes and the common law. For example, Section 134 of the *Business Corporations Act* (Ontario) provides:

- 134(1)** Every director and officer of a corporation in exercising his or her powers and discharging his or her duties to the corporation shall,
- (a) act honestly and in good faith with a view to the best interests of the corporation; and
 - (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

21. Moreover, as noted in the Elenchus Report, corporate (common) law has long established that directors must consider the interests of stakeholders of a corporation, including customer and creditors.⁷

22. Regardless of where they appear, EPCOR recognizes and embraces these requirements, but believes that that sufficient governance safeguards can be found with an independent board at a higher level, coupled with professional officers and personnel who are answerable to these directors, both of which are subject to statutory corporate and utility and common law duties and requirements as referenced above.

23. As noted by Elenchus, good corporate governance is the combination of strong structure, clear policies and robust processes; however, these elements alone are not sufficient.⁸ Effective governance is not only the result of hard structural elements, but also soft behavioural factors driven by dedicated directors and management faithfully performing their duty of care.⁹

Impractical, Redundant and Costly

24. Another important consideration is that this quite specific/narrow governance guidance will result in unnecessary duplication and costs which may affect the ratepayer or have other unintended consequences. For investor owned structures, where multiple utilities are owned, the guidance would involve multiple boards of fairly significant size, each with a majority of independent

⁷ In particular, *BCE Inc. v. 1976 Debentureholders*, [2008] 3 S.C.R. 560, SCC

⁸ Corporate Governance for Regulated Natural Gas and Electricity Utilities, Final Report, December 19, 2016 (the Elenchus Report) page 12 and page 36.

⁹ Elenchus Report, page 12 quoting the Office of the Superintendent of Financial Institutions (OSFI), Guideline (Corporate Governance, Sound Business and Financial Practices), January 2013, (the "Elenchus Report") at page 2.

directors who must be identified, recruited, provided with orientation and education and compensated.

25. This will add significant costs which may not be necessary where the Holdco/parent has a robust governance structure and professional management coupled with a smaller utility level board with independents as per the current ARC requirements. The complexity and cost that would be brought by the narrow specifics of the guidance will not allow investor owned utilities to achieve synergies and economies of scale thereby affecting rates and also potentially reducing competition and consolidation of utilities.

Reporting and Record Keeping Requirements

26. Generally speaking, ENGLP has no concerns with maintaining and reporting upon governance related information, particularly as governance frameworks, documentation and reporting is already part of the culture, requirements and practice at EPCOR as part of its obligations as a reporting issuer under Canadian securities laws. However, again there is concern of a slippery slope that utilities will be negatively assessed for using governance structures different than the Board guidance, making the guidance de facto mandatory or carrying other negative consequences.

Appendix “1”

Francesco (Frank) Mannarino Alberta, Canada Senior Vice President, Electricity Operations	Senior Vice President, Electricity Operations from May 2013; prior thereto, Divisional Vice President, EPCOR Water Canada from September 2010; prior thereto, Production Manager, Shell Canada from November 2006.
Susan (Amanda) Rosychuk Alberta, Canada Senior Vice President Drainage Services	Senior Vice President, Drainage Services from September 2017; prior thereto, Senior Vice President, Corporate Services from March 2014; prior thereto, Senior Vice President, Human Resources and Information Services from May 2013; prior thereto, Divisional Vice President, Municipal Water and Wastewater Operations from September 2010; prior thereto, Senior Vice President, Field Services from July 2009; prior thereto, Divisional Vice President, Distribution & Transmission from March 2009.
Stephen Stanley Alberta, Canada Senior Vice President, Commercial Services	Senior Vice President, Commercial Services from January 2015; prior thereto, Senior Vice President Water Canada and Technologies from January 2014; prior thereto, Senior Vice President, Water Services Canada from December 2011; prior thereto, Senior Vice President, Water Services from November 2004.
Pamela Zrobek Alberta, Canada Treasurer	Treasurer from March 2017, prior thereto, Corporate Controller from January 2014; prior thereto, Controller, Distribution & Transmission from June 2006.

While EPCOR considers gender diversity when appointing executive officers, it does not currently have a written policy regarding this and does not currently set targets regarding representation of women in executive officer positions. At December 31, 2017 and at the current time, three out of nine (33%) of the Corporation's executive officers are women.

CORPORATE GOVERNANCE

Board Mandate

The Board operates under the Charter of Expectations for the Board, attached to this AIF as Appendix II.

Position Descriptions

The Board, except as limited by the Unanimous Shareholder Agreement with the City, has the power to manage the business and affairs of the Corporation, and, by proxy through the Chief Executive Officer, sets out clear expectations for management. The Board has adopted Chair of the Board Terms of Reference as well as Terms of Reference for an Individual Director and each of the Board committees. Each Board committee's Terms of Reference specifies the duties and responsibilities delineated to the committee by the Board.

The Board has developed a written position description for the Chief Executive Officer and annually determines the Chief Executive Officer's objectives and conducts an evaluation of the Chief Executive Officer's performance against the established objectives.

Directors of the Corporation

Following are the names, province / state and country of residence of the directors as of the date of this AIF, their date of birth, year appointed, expiry of term, principal occupations during the preceding five years and their relevant skills and experience:

Hugh J. Bolton, FCA

Alberta, Canada
Date of Birth: May 1938
Year appointed: 2000
Term expires: 2018

Principal Occupation During Past Five Years:

Corporate Director

Skills and Experience:

Mr. Bolton is a Chartered Accountant and Fellow of the Chartered Professional Accountants of Alberta. He holds a Bachelor of Arts degree in Economics and an Honorary Doctor of Laws degree, both from the University of Alberta. He is former Chairman, Chief Executive Officer and partner of Coopers & Lybrand and presently serves as a director of WestJet Airlines Ltd. and is a former board member Capital Power Corporation, Teck Resources Limited, TD Bank Financial Group, Canadian National Railway and Matrikon Inc. In 2006, Mr. Bolton received a fellowship from the Institute of Corporate Directors (Canada). In 2010 he received a Lifetime of Achievement Award from the Alberta Institute of Chartered Accountants, in 2015 he received an Honorary Doctor of Laws from the University of Alberta and in 2017 was the recipient of the Peter Dey Governance Achievement Award

Richard H. Cruickshank, Q.C.

Alberta, Canada
Date of Birth: July 1950
Year appointed: 2017
Term expires: 2019

Principal Occupation During Past Five Years:

Counsel, Dentons Canada LLP

Skills and Experience:

Mr. Cruickshank is a tax and corporate lawyer and was a founding partner and, for most of its existence, the managing partner of the law firm Cruickshank Karvellas prior to its merger with Fraser Milner Casgrain (now Dentons Canada LLP) in 2000. He was appointed to Alberta Queen's Counsel in 1996. Mr. Cruickshank served on the Board of Directors of Capital Power Corporation from 2009-2015, including on the Human Resources and Compensation Committee. He has served on the Board, including as Chair, of the University of Alberta Hospital Foundation and is also a past president of the Edmonton Bar Association, and a former Board member of the Edmonton Chamber of Commerce. Mr. Cruickshank holds a Bachelor of Arts (Economics) degree from the University of Winnipeg and a Bachelor of Laws degree from the University of Manitoba.

Vito Culmone, C.A.

Alberta, Canada
Date of Birth: November 1964
Year appointed: 2013
Term expires: 2019

Principal Occupation During Past Five Years:

Executive Vice President and Chief Financial Officer, Shaw Communications Inc. from June 2015; prior thereto Executive Vice-President, Finance and Chief Financial Officer, WestJet Airlines Ltd. from March 2007

Skills and Experience:

Mr. Culmone obtained his Chartered Accountant designation in 1989 and holds a Bachelor of Commerce degree from the University of Toronto. He serves as the Executive Vice President, Finance and Chief Financial Officer of Shaw Communications Inc. In this position he is responsible for the overall financial management of Shaw Communications Inc. and its financial reporting. Prior to joining Shaw Communications Inc. in June 2015, Mr. Culmone served as Executive Vice President, Finance and Chief Financial Officer of WestJet Airlines Ltd. from March 2007 to May 2015 and had oversight of multiple corporate functions. Prior to joining WestJet Airlines Ltd., Mr. Culmone had a 12-year career at Molson Inc. where his previous roles included Vice President, Controller and Corporate Finance, Molson Inc. (pre-merger with Coors); Vice President and Chief Financial Officer of Molson U.S.A.; and Vice President, Commercial Finance at Molson Canada.

Robert G. Foster

California, United States
Date of Birth: January 1947
Year appointed: 2014
Term expires: 2018

Principal Occupation During Past Five Years:

Consultant, Prometheus Advisors, and Corporate Director from July 2014; prior thereto Mayor of Long Beach, California from July 2006

Skills and Experience:

Mr. Foster holds a Bachelor of Administration degree in Public Administration from San Jose State University. He currently serves as a director for sPower and Port Solutions Inc. and on the Advisory Board of Gridco Systems. He recently served as Chairman of the California Independent System Operator and as Mayor of the City of Long Beach, California. He has also served as President of Southern California Edison.

David D. Hay, ICD.d

New Brunswick, Canada
Date of Birth: September 1955
Year appointed: 2017
Term expires: 2019

Principal Occupation During Past Five Years:

Retired from January 2015; prior thereto Vice Chair, CIBC World Markets from September 2010

Skills and Experience:

Mr. Hay held the position of Vice Chair and Managing Director of CIBC World Markets Inc. from 2010-2015 with power / utilities and infrastructure as a major focus. Prior to this, he was President & CEO of New Brunswick Power for six years, where he led a major restructuring of the crown utility that resulted in a turnaround and positive results. Mr. Hay serves as the Managing Director of Delgatie Incorporated, a financial services advisory firm. He is currently Vice Chair of the Toronto Hydro-Electric System Board of Directors, Board Chair for Shad, Member of the Council of Clean and Reliable Energy, and Chair of the Acquisition Committee of the Beaverbrook Art Gallery. Mr. Hay has also served as Senior Vice President and Director of Merrill Lynch Canada Inc., based in Toronto and London, England. Mr. Hay was a lawyer with the firm of Osler Hoskin and Harcourt and a Law Clerk to the Chief Justice of the High Court of the Supreme Court of Ontario. Mr. Hay holds a Bachelor of Laws from York University and a Bachelor of Arts from the University of Toronto.

Allister J. McPherson

Alberta, Canada
Date of Birth: September 1943
Year appointed: 2008
Term expires: 2018

Principal Occupation During Past Five Years:

Corporate Director

Skills and Experience:

Mr. McPherson holds a Masters of Science degree from the University of British Columbia. He served as Executive Vice President of the Canadian Western Bank and was Deputy Provincial Treasurer, Finance and Revenue, for the Province of Alberta. Mr. McPherson is presently an external member of the University of Alberta's Investment Committee. He is past Chair of the Credit Union Deposit Guarantee Corporation, a past Director of The Churchill Corporation and Capital Power Corporation and has served on the Endowment Fund Policy Committee of Alberta Finance and the Edmonton Regional Airports Authority Board of Directors.

Janice G. Rennie, CPA

Alberta, Canada
Date of Birth: June 1957
Year appointed: 2017
Term expires: 2019

Principal Occupation During Past Five Years:

Corporate Director

Skills and Experience:

Ms. Rennie is a Chartered Accountant and Fellow of the Chartered Professional Accountants of Alberta and holds a Bachelor of Commerce degree from the University of Alberta. She has held executive positions in a number of companies, including previously having served as Senior Vice President Human Resources and Organizational Effectiveness for EPCOR. She presently serves as a director of Westjet Airlines, Methanex Corporation, Major Drilling Group International Inc. (Chair of Audit Committee), and West Fraser Timber Co. Ltd. (Chair of Audit Committee). She is a former board member of Nova Chemicals Corporation, Teck Resources Limited, Capital Power Corporation, Canadian Hotel Income Properties and Weldwood of Canada Ltd. In 1998, Ms. Rennie received a fellowship from the Alberta Institute of Chartered Accountants and in 2012 a fellowship from the Institute of Corporate Directors of Canada.

Catherine M. Roozen

Alberta, Canada
Date of Birth: March 1956
Year appointed: 2014
Term expires: 2018

Principal Occupation During Past Five Years:

Chair, Cathton Investments Ltd. from 2009.

Skills and Experience:

Ms. Roozen holds a Bachelor of Commerce degree from the University of Alberta. She is Chair of Cathton Investments Ltd., as well as Director and Secretary of the Allard Foundation Ltd., and is a former Vice-President, Investments at Cathton Holdings Ltd. She is currently a Director at Melcor Developments Ltd. and Corus Entertainment Inc. She has also served as Vice President, Investments, at North West Trust Company, and has served on a number of other boards. In December 2015, Ms. Roozen was appointed to the Order of Canada.

Helen K. Sinclair

Ontario, Canada

Date of Birth: April 1951

Year appointed: 2008

Term expires: 2018

Principal Occupation During Past Five Years:

Chief Executive Officer, BankWorks Trading Inc. (satellite communications and business television) from 1996.

Skills and Experience:

Ms. Sinclair holds a Masters of Arts (Economics) degree from the University of Toronto and is a graduate of the Advanced Management Program at Harvard Business School. She is the founder and Chief Executive Officer of BankWorks Trading Inc. and its business television network (BCN.tv), and is a former President of the Canadian Bankers Association. She previously served as a Director at The Toronto-Dominion Bank and DH Corporation (formerly Davis + Henderson Corporation). She has also served as Senior Vice President, Planning and Legislation at Scotiabank, and on the boards of a number of public policy and adjudicative bodies. Ms. Sinclair has served on the human resources and compensation committees of The Toronto-Dominion Bank, DH Corporation (previously as Chair), Canada Pension Plan Investment Board and McCain Capital.

Nizar Jaffer Somji, P. Eng.

Alberta, Canada

Date of Birth: March 1959

Year appointed: 2015

Term expires: 2019

Principal Occupation During Past Five Years:

Chief Executive Officer, Jaffer Inc

Skills and Experience:

Mr. Somji graduated from the University of Birmingham with a Bachelor of Science degree in electrical engineering and holds a Master of Science degree in Chemical Engineering from the University of Alberta. Mr. Somji is the President and Chief Executive Officer of Jaffer Inc. and founder and former President and Chief Executive officer of Matrikon Inc. prior to it being acquired by Honeywell in 2010. He is currently a Chairman at Redline Communications Group Inc., Zafin Inc. and Kanvi Private Equity Fund and is a Director at Critical Control Energy Services Corp. and QuirkLogics Inc.

Sheila C. Weatherill, C.M.

Alberta, Canada

Date of Birth: October 1945

Year appointed: 2002

Term expires: 2019

Principal Occupation During Past Five Years:

Corporate Director

Skills and Experience:

Ms. Weatherill graduated from the University of Alberta in nursing. She holds an Honorary Doctor of Laws degree from the University of Lethbridge and an Honorary Bachelor of Arts degree from MacEwan University. Ms. Weatherill is former President and Chief Executive Officer of the Capital Health Authority, former Independent Investigator for the Government of Canada regarding the 2008 Listeriosis Outbreak and previously served as Director of Canada Health Infoway, Inc. She is currently a Director at Shaw Communications Inc. She received the Alberta Centennial Medal, was appointed to the Order of Canada and was formerly a member of the Prime Minister's Advisory Committee on the Public Service.

Director Independence

All members of the Board are independent, as the term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (NI 58-101). Under NI 58-101, a director is independent if he or she would be independent within the meaning of independence under National Instrument 52-110 – *Audit Committees* (NI 52-110). Essentially, a director is independent if he or she has no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment.

The Board determines annually whether each member of EPCOR’s Board is independent based on whether they, among other things, worked for EPCOR, had any immediate family member engaged in the employment of EPCOR, benefited from a business relationship with EPCOR that could reasonably be perceived to materially interfere with their independent judgment, or received remuneration from EPCOR other than remuneration for acting as a member of the Board and Board established committees of the Corporation.

Chair of the Board

Mr. Hugh Bolton is the Chair of the Board. Mr. Bolton, who is independent as the term is defined in NI 58-101, was appointed to this position on January 1, 2000. Mr. Bolton’s responsibilities as the Chair of the Board are set out in

the Chair's Terms of Reference, which have been formally adopted by the Board. The Chair reports to the City and is responsible for ensuring that the City receives accurate, relevant and timely information respecting the Board's actions. As chief spokesperson for the Board, the Chair represents the Board's views to, and reports back to the Board respecting communications with, the City.

The primary responsibilities of the Chair are to chair effective Board and shareholder meetings, monitor and oversee the strategic agenda of the Corporation and to provide leadership and advice respecting business planning processes, corporate governance and supporting material provided to the Board. Furthermore, the Chair shall ensure the responsibilities of the Board are well understood by the Board and management of the Corporation and that the boundaries between the Board and management are clearly understood and respected.

Outside Directorships

The following directors of EPCOR are presently directors of other issuers that are reporting issuers (or the equivalent) in Canada or in a foreign jurisdiction:

Hugh J. Bolton	Director of WestJet Airlines Ltd.
Janice G. Rennie	Director of West Fraser Timber Co. Ltd., Methanex Corporation, Westjet Airlines Ltd., Major Drilling Group International Inc.
Catherine M. Roozen	Director of Melcor Developments Ltd. and Corus Entertainment Inc.
Nizar Jaffer Somji	Director of Redline Communications Group Inc. and Critical Control Energy Services Corp.
Sheila C. Weatherill	Director of Shaw Communications Inc.

There is one interlocking directorship resulting from the directors of EPCOR acting as directors of other issuers: Mr. Bolton and Ms. Rennie are currently directors of WestJet Airlines Ltd. The Board has determined that this interlocking directorship does not impact the ability of these directors to act in the best interests of the Corporation.

There is one interlocking relationship resulting from Mr. Culmone being the Executive Vice President, Finance and Chief Financial Officer of Shaw Communications Inc. and Ms. Weatherill acting as a director of Shaw Communications Inc. The Board has determined that this interlocking relationship does not impact the ability of these directors to act in the best interests of the Corporation.

Material Interests

Directors and executive officers of the Corporation are regularly asked to disclose in writing any material interest he or she has in a material contract or transaction with the Corporation, whether or not it is a current or proposed contract or transaction, or have the interest entered into the minutes of a Board meeting, including its nature and extent. When a director has a material interest, the director must refrain from participating in any discussion or vote on the matter. In practice, a director with a material interest recuses himself or herself from the Board meeting when a discussion or vote takes place on such matter.

Board Meetings

The Board holds regularly scheduled meetings as well as *ad hoc* meetings from time to time. The Board, which consists only of independent members as defined by NI 58-101, regularly meets without management present for a portion of its meetings. The Board may excuse directors and members of management from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate.

In 2017, the attendance of directors at Board meetings was as follows:

<u>Name</u>	<u>Number of Meetings</u>	<u>Attendance</u>
Hugh J. Bolton	8 of 8 meetings	100%
Vito Culmone	8 of 8 meetings	100%
Robert G. Foster	8 of 8 meetings	100%
Allister J. McPherson	8 of 8 meetings	100%
Douglas H. Mitchell ⁽¹⁾	2 of 2 meetings	100%

Catherine M. Roozen	8 of 8 meetings	100%
Helen K. Sinclair	8 of 8 meetings	100%
Nizar Jaffer Somji	8 of 8 meetings	100%
Sheila C. Weatherill	8 of 8 meetings	100%
Janice G. Rennie ⁽²⁾	6 of 6 meetings	100%
Richard H. Cruickshank ⁽²⁾	6 of 6 meetings	100%

(1) Mr. Mitchell retired in May, 2017.

(2) Ms. Rennie and Mr. Cruickshank were appointed to the Board in May, 2017.

Orientation and Continuing Education

EPCOR has procedures in place for the orientation of new directors in order to improve their understanding of the Corporation as well as the overall industries within which the Corporation operates. An orientation day for new directors is set aside which consists of presentations by the President and Chief Executive Officer, the Chief Financial Officer and other senior executives and business unit leaders, as well as a tour of a local facility. New directors also meet separately with the Chair of the Board and are provided the option of meeting with the Corporation's external auditor.

EPCOR maintains a Board of Directors Governance Manual, which contains regularly updated and detailed information about EPCOR's business, Board and committee terms of reference, individual director terms of reference, authority matrices, corporate structure, governance, policies and other related matters of use and interest to the directors. All directors tour at least one facility or plant owned and/or operated by EPCOR annually.

The Board also receives ongoing presentations from external speakers and EPCOR employees on subjects relevant to the operations of the Corporation. In addition, EPCOR's executive team keeps informed of, and updates the Board regularly regarding industry and global trends and developments regarding regulatory and legal matters that may impact the Corporation's operations. The Corporation also makes available \$1,500 per year or \$6,000 every four years to each director for any expenses related to the pursuit of the director's education, which may include conference fees, membership dues, registration fees, materials, reference books and similar expenses.

Ethical Business Conduct

The Corporation has adopted a written ethics policy (the Ethics Policy), applicable to all employees of EUI and its Canadian subsidiaries, including their directors. The Board has oversight and control over the policy including governance over all material changes to and deviations from the policy. A summary report of all ethics investigations are included in the quarterly Litigation and Ethics Report provided to the Audit Committee. A copy of the Ethics Policy can be obtained from EPCOR's Corporate Secretary upon request or from EPCOR's website at www.epcor.com.

EWUS has adopted a written ethics policy (the U.S. Ethics Policy), applicable to all employees of EWUS and its subsidiaries, including their directors. The board of directors of EWUS has oversight and control over the U.S. Ethics Policy including governance over all material changes to and deviations from the U.S. Ethics Policy. A summary report of all ethics investigations are included in the quarterly Ethics Report that EWUS' Ethics Officer provides to the board of directors of EWUS and is also appended to the quarterly Litigation and Ethics Report provided by EPCOR's Ethics Officer to EPCOR's Audit Committee. A copy of the U.S. Ethics Policy can be obtained from EPCOR's Corporate Secretary upon request or from EPCOR's website at www.epcor.com.

The Corporation promotes a culture where anyone can speak openly about ethical concerns without fear of reprisal. Employees can raise a concern with their manager or a member of senior management, or report a concern or possible violation through EPCOR's Integrity Hotline (for concerns or violations with respect to the Ethics Policy) or EPCOR's Compliance Hotline (for concerns with the U.S. Ethics Policy). These hotlines operate in a fashion that ensures confidentiality. Ethics training for employees and the Board is conducted bi-annually.

The Corporation investigates complaints thoroughly and promptly. An investigation may involve review of documents and interviews of employees, contractors or agents in order to corroborate facts. The Corporation's goal is to keep every complaint, investigation and resolution as confidential as possible, and take corrective action as

appropriate. A written report is completed on every investigation process and the outcome is maintained in the Corporation's files. All of the Corporation's employees are required to participate in ethics training every two years.

Nomination of Directors

The Board is a competency-based board with diverse skills and business and professional backgrounds. Suitability as a director is assessed based on a range of factors, including applicable experience, specialized knowledge, technical skills and affiliations. The Corporate Governance & Nominating Committee's (CG&N Committee) keeps matrices, which identify the existing skills, expertise, knowledge, education and experience of the Board and opportunities for improvement in those areas which the Board requires. In accordance with EPCOR's Board Recruitment and Appointment Procedure, new candidates are identified by the CG&N Committee with a view to matching their attributes with those collectively required by the Board.

The CG&N Committee's Terms of Reference and the Board's Recruitment and Appointment Procedure include the requirement to consider gender diversity when recruiting new Board members. When identifying and nominating Board candidates, the CG&N Committee and the Board consider the level of representation of women on the Board but have not set targets for representation. Presently, four out of eleven positions (36%) of the Board are held by women.

City of Edmonton Council represents the City as sole Shareholder of the Corporation and is responsible for the appointment and re-appointment of the Chair and directors of the Corporation. The candidates recommended by the Board may then be interviewed by the Shareholder, which then appoints the new Board members. The Corporation does not impose a mandatory retirement age for Board members. The Corporation's By-Law specifies a maximum 15-year term for directors, unless the Shareholder waives the restriction.

Director and Executive Compensation

The CG&N Committee's Terms of Reference prescribe regular review of director compensation. The CG&N Committee considers time commitment, comparative fees, and responsibilities related to remuneration for directors. On the advice of the CG&N Committee, the Chair of the Board makes recommendations to the City in order to determine directors' compensation. The CG&N Committee receives independent advice in respect of directors' compensation from Hugessen Consulting Incorporated (see the "Compensation and Discussion Analysis" section below for further information).

The compensation of the members of the executive team, including the Chief Executive Officer's compensation, is approved by the Board on the basis of recommendations from the Human Resources & Compensation (HR&C Committee). As further described herein, among other things, through use of an independent executive compensation consultant, considering comparable market data from third party surveys to provide an initial reference point for assessing present and determining future compensation levels, and having the Board approve director and officer compensation policies recommended by the HR&C Committee, the Board ensures that the HR&C Committee has in place an objective process for determining compensation for directors and officers.

Standing Committees

The Board has established the following standing committees: (i) Audit Committee; (ii) HR&C Committee; (iii) Environment, Health & Safety Committee (EH&S Committee); and (iv) CG&N Committee. The members of the four standing committees as of the date of this AIF were as detailed below:

Directors	Audit Committee	HR&C Committee	EH&S Committee	CG&N Committee
Hugh J. Bolton	Ex-officio	Ex-officio	Ex-officio	Ex-officio
Vito Culmone	Chair	✓		
Richard H. Cruickshank	✓	✓		
Robert G. Foster			Chair	✓
David D. Hay	✓			✓
Allister J. McPherson		Chair		✓

Catherine M. Roozen	✓		✓	
Janice G. Rennie			✓	✓
Helen K. Sinclair	✓		✓	
Nizar Jaffer Somji	✓	✓	✓	
Sheila C. Weatherill		✓		Chair

The functions of the four standing committees are as follows:

Audit Committee

The Corporation's Audit Committee operates under the "Audit Committee Terms of Reference" attached as Appendix I to this AIF.

HR&C Committee

The HR&C Committee assists the Board in fulfilling its responsibilities relating to human resources matters including compensation, evaluation and succession of employees of the Corporation.

EH&S Committee

The EH&S Committee monitors, evaluates, advises, makes recommendations and has general oversight on matters relating to the impact of the operations of the Corporation on the environment and workplace health and safety of its employees.

CG&N Committee

The Corporation's CG&N Committee ensures appropriate structures, processes and policies are in place to address governance matters and maintain compliance with governance guidelines. It also manages the procedures related to the appointment of new directors, the re-appointment of existing directors and the performance and effectiveness of the Board, its committees and individual directors. The CG&N Committee identifies new candidates and recommends appointments to the Board for further recommendation to the Shareholder.

Assessments

The CG&N Committee reviews, monitors and makes recommendations on the effectiveness of the Board. Directors are bi-annually surveyed on the effectiveness of the Board and its committees. With a view to obtaining constructive feedback, the Board bi-annually considers the manner in which it will monitor its effectiveness, its committees and individual Board members. In the past, the Board has chosen to use varying methods, including: (i) retaining an external consultant to interview all members of the Board; (ii) having the Chair of the Board or the CG&N Committee interview all members of the Board; and (iii) having all members of the Board complete confidential surveys and evaluations with respect to each member of the Board, or a combination thereof. With respect to each of the evaluation methods, the results are compiled and discussed by the Board as a whole. Evaluations focus on individual Board members' attendance, preparation and contributions made during the meetings as well as other matters germane to the performance of the Board, its committees and individual directors.

AUDIT COMMITTEE INFORMATION

AUDIT COMMITTEE MANDATE

The Corporation's Audit Committee operates under the "Audit Committee Terms of Reference" attached as Appendix I to this AIF.

COMPOSITION OF THE AUDIT COMMITTEE

The current members of the Audit Committee are outlined above under the heading "Standing Committees". Each

Appendix “2”

APPENDIX II

CHARTER OF EXPECTATIONS FOR THE BOARD OF DIRECTORS

I. INTRODUCTION

- A. The Directors have the power to manage the business and affairs of the Corporation except as limited or restricted by the Unanimous Shareholder Agreement, the Act, the Articles, and the By-laws.
- B. EPCOR has adopted a Charter of Expectations for the Board of Directors, which sets out the specific responsibilities to be discharged by EPCOR's Board. The purpose of the Charter is to assist the Board in annually assessing its performance.
- C. While the Board is called upon to "manage" the business by law, this is done by proxy through the President and Chief Executive Officer (CEO) who is charged with the day-to-day leadership and management of the Corporation. The President / Chief Executive Officer's prime responsibility is to lead the Corporation. The CEO formulates strategies and plans and presents them to the Board for approval. The Board approves the goals of the business, the objectives and policies within which it is managed, and then steps back and evaluates management performance. Reciprocally, the CEO keeps the Board fully informed of the Corporation's progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.

II. RESPONSIBILITIES

All of the following responsibilities are undertaken within the parameters and restrictions established by the Unanimous Shareholder Agreement, the Act, the Articles, and the By-laws.

A. Managing the Affairs of the Board

The Board manages the affairs of the Board by establishing committees to provide more detailed review of important areas of responsibility, delegating certain of its authorities to management, reserving certain powers to itself and making certain recommendations to the Shareholder. These include:

- (i) appointing committees and / or advisory bodies and establishing and periodically reviewing their terms of reference;
- (ii) implementing processes to evaluate the performance of the Board, Committees and Directors in fulfilling their responsibilities;
- (iii) implementing processes for new Director orientation and ongoing Director development;
- (iv) appointing the Vice-Chair, and the Secretary;
- (v) establishing and enforcing a Board confidentiality policy;
- (vi) implementing effective governance processes to fulfill its responsibility for oversight and control; and
- (vii) making recommendations to the Shareholder in the following areas:
 - (a) director compensation;

- (b) the procedure for the appointment of the Board Chair and the Directors; and
- (c) suggested changes for the Shareholder to consider regarding the By-law, Articles and Shareholder Agreement;

B. Strategy and Plans

The Board has the responsibility to:

- (i) participate with management in the Corporation's strategic planning process including:
 - (a) providing input to management on emerging trends and issues;
 - (b) reviewing and approving management's strategic plans (long-term business plan); and
 - (c) reviewing and approving EPCOR's financial objectives, plans and actions, including significant capital allocations and expenditures;
- (ii) approve annual capital and operating budgets which support the Corporation's ability to meet the objectives established in the strategic plan;
- (iii) approve the organization of business units and subsidiaries as outlined in By-law Number 1 (Part II, 2.9); and
- (iv) monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

C. Management and Human Resources

The Board has the responsibility for:

- (i) the appointment, termination and succession of the President / Chief Executive Officer (CEO);
- (ii) approving CEO compensation;
- (iii) approving terms of reference for the CEO;
- (iv) monitoring CEO performance and reviewing CEO performance at least annually, against agreed upon written objectives;
- (v) providing advice and counsel to the CEO in the execution of the CEO's duties;
- (vi) approving decisions relating to senior management, including the:
 - (a) appointment and discharge of officers;
 - (b) compensation and benefits for officers;
 - (c) acceptance of outside directorships on public companies by officers (other than not-for-profit organizations);
- (vii) ensuring succession planning programs are in place, including programs to train and develop management;
- (viii) approving certain matters relating to all employees, including:
 - (a) the annual compensation policy / program for employees;
 - (b) new benefit programs or material changes to existing programs;

- (c) material benefits granted to retiring employees outside of benefits received under approved pension and other benefit programs; and
- (ix) approving the parameters for negotiated union collective agreements with employees of the Corporation.

D. Business and Risk Management

The Board has the responsibility to:

- (i) monitor corporate performance against the strategic, operating and capital plans, including assessing operating results to evaluate whether the business is being properly managed and meeting its objectives;
- (ii) ensure management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;
- (iii) receive, at least annually, reports from management on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions;
- (iv) assess and monitor management control systems:
 - (a) evaluate and assess information provided by management and others (e.g. internal and external auditors) about the effectiveness of management control systems; and
 - (b) understand principal risks and determine whether the Corporation achieves a proper balance between risk and returns, and that management ensures that systems are in place to address the risks identified.

E. Financial and Corporate Issues

The Board has the responsibility to:

- (i) take reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
- (ii) meet regularly with and receive reports from the Auditor;
- (iii) monitor operational and financial results;
- (iv) approve annual and quarterly financial statements, and approve release thereof by management;
- (v) declare dividends subject to the dividend policy established by the Shareholder;
- (vi) approve significant debt financing, banking resolutions, significant changes in banking relationships and exercise the borrowing powers outlined in By-Law Number 1 (Part II, 2.7);
- (vii) review coverage, deductibles and key issues regarding corporate insurance policies;
- (viii) approve commitments that may have a material impact on the Corporation;
- (ix) approve the commencement or settlement of litigation that may have a material impact on the Corporation; and
- (x) recommend, as required, to the Shareholder for approval:
 - (a) the appointment of external auditors and the auditors' fees;
 - (b) a dividend policy; and

- (c) the merger, amalgamation, acquisition, lease or disposition of assets as outlined in the Unanimous Shareholder Agreement Sections 2.2.10 through and including 2.2.14.

F. Shareholder and Corporate Communications

The Board has the responsibility to take all reasonable steps to:

- (i) ensure the Corporation has in place effective communication processes with the Shareholder and other stakeholders and financial, regulatory and other recipients;
- (ii) ensure that the financial performance of the Corporation is adequately reported to the Shareholder, other security holders and regulators on a timely and regular basis;
- (iii) ensure the financial results are reported fairly and in accordance with generally accepted accounting principles;
- (iv) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;

and the responsibility to:

- (v) report quarterly and annually to the Shareholder as outlined in By-Law Number 1 (Part VIII, 8.2 and 8.7).
- (vi) organize an annual planning meeting with the Shareholder and place before the Shareholder those items outlined in By Law Number 1 (Part VIII, 8.5).

G. Policies and Procedures

The Board has the responsibility to take all reasonable steps to:

- (i) approve and monitor compliance with all significant policies and procedures by which the Corporation is operated;
- (ii) direct management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
- (iii) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment).

III. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

- A. The Board is responsible for directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained.
- B. Alberta law includes the following as legal requirements for Directors:
 - (i) to manage the business and affairs of the Corporation subject to any Unanimous Shareholder Agreement;
 - (ii) to act honestly and in good faith with a view to the best interests of the Corporation;
 - (iii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable situation; and
 - (iv) to act in accordance with the obligations contained in the Act, the Unanimous Shareholder Agreement and any other relevant legislation, regulations and policies, and the Corporation's Articles and By-laws.