



INTER-AFFILIATE CODE OF CONDUCT
2015 COMPLIANCE REPORT

AltaGas Utilities Inc.
5509-45 Street
Leduc, Alberta
T9E 6T6
April 29, 2016

- TABLE OF CONTENTS -

1.	INTRODUCTION.....	1
2.	COMPLIANCE REPORT	2
2.1	AUI COMPLIANCE PLAN	2
2.2	CORPORATE ORGANIZATIONAL STRUCTURE.....	2
2.3	AUI BUSINESS AFFILIATES	4
2.4	LIST OF SERVICE AGREEMENTS	7
2.5	COMPLIANCE WITH THE CODE	8
2.6	EFFECTIVENESS OF THE COMPLIANCE PLAN	8
2.7	DESCRIPTION OF ANY MATERIAL NON-COMPLIANCE.....	9
2.8	SUMMARY OF DISPUTES & COMPLAINTS.....	10
2.9	MAJOR TRANSACTIONS BETWEEN AUI & AFFILIATES	10
2.10	AFFILIATE TRANSACTIONS SUMMARY	11
2.11	OCCASIONAL SERVICES	13
2.12	SUMMARY OF EXEMPTIONS GRANTED/UTILIZED.....	14
2.13	EMPLOYEE TRANSFERS, TEMPORARY ASSIGNMENTS & SECONDMENTS	14
2.14	OFFICER’S CERTIFICATES	14
3.	APPENDIX 1	18

1. INTRODUCTION

1. AltaGas Utilities Inc.'s (AUI, the Company) Inter-Affiliate Code of Conduct (Code) was approved by EUB letter, dated January 5, 2005. The AUI Inter-Affiliate Code of Conduct Compliance Plan (Compliance Plan) was subsequently approved in EUB Order U2005-342, dated August 29, 2005. Pursuant to Section 7.6 of the Compliance Plan, AUI is required to prepare and submit, on an annual basis, a Compliance Report to the Alberta Utilities Commission (AUC) (successor to the EUB), including the following:

- a) A copy of the Compliance Plan and any amendments thereto;
- b) A corporate organization chart for AUI and its Affiliates indicating relationships and ownership percentages;
- c) A list of all Affiliates with whom AUI transacted business, including business addresses, a list of the Affiliates' officers and directors, and a description of the Affiliates' business activities;
- d) A list of all Services Agreements in effect at any time during such period;
- e) An overall assessment of compliance with the Code by AUI, including compliance by the directors, officers, employees, consultants, contractors and agents of AUI and by Affiliates of AUI with respect to the interactions of the Affiliates with AUI;
- f) An assessment of the effectiveness of the Compliance Plan and any recommendations for modifications thereto;
- g) In the event of any material non-compliance with the Code, a comprehensive description thereof and an explanation of all steps taken to correct such non-compliance;
- h) Subject to the confidentiality provisions of Section 8.1 hereof, a summary of disputes, complaints and inquiry activity during the year;
- i) A list and detailed description of all Major Transactions between AUI and its Affiliates;
- j) An Affiliated Party Transactions Summary;
- k) A summary description and the estimated aggregate value for each Occasional Service provided by AUI to an Affiliate and by Affiliates to AUI;
- l) A summary list of any exemptions granted to this Code or exceptions utilized, including the exception for emergency services;

- m) A list of all employee transfers, temporary assignments and secondments between AUI and its Affiliates, detailing specifics as to purpose, dates and duration of such employee movements; and
- n) Two certificates, each in the form attached as Schedule “G” attached to this Plan, attesting to the completeness of the Compliance Report and compliance with the Code, one certificate signed by the Compliance Officer and a second signed by the highest ranking operating officer of AUI.

2. Accordingly, for the period January 1 - December 31, 2015, AUI reports the following:

2. COMPLIANCE REPORT

2.1 AUI COMPLIANCE PLAN

3. A copy of AUI’s approved Compliance Plan is provided in Appendix 1.

2.2 CORPORATE ORGANIZATIONAL STRUCTURE

4. During 2015, there were no corporate organizational changes impacting AUI’s Inter-Affiliate Code of Conduct Compliance reporting. Following is a copy of AUI’s corporate organizational structure as at December 31, 2015.

2.3 AUI BUSINESS AFFILIATES

5. In 2015, AUI transacted business with the Affiliates listed below. Pertinent business information and a description of each business activity are provided in respect of each entity.

a) AltaGas Ltd. (as at December 31, 2015)

Suite 1700, 355 - 4th Avenue SW
Calgary, Alberta T2P 0J1

Directors

David W. Cornhill..... Chairman
Myron F. Kanik..... Lead Director
David F. Mackie Director
Catherine M. Best Director
Daryl H. Gilbert Director
Allan L. Edgeworth..... Director
Robert B. Hodgins Director
M. Neil McCrank..... Director
Hugh A. Fergusson Director
Victoria Calvert..... Director
Phillip R. Knoll Director

Officers

David W. Cornhill..... Chairman & Chief Executive Officer
David Harris..... President & Chief Operating Officer
Timothy W. Watson..... Executive Vice President & Chief Financial Officer
Dennis A. Dawson Corporate Secretary
John Lowe..... Executive Vice President
Deborah S. Stein Executive Vice President
Bradley B. Grant Vice President & General Counsel
Kent E. Stout..... Vice President, Corporate Resources
Shaun Toivanen Vice President & Treasurer
Peter Karl Division Vice President, Power Commercial & Optimization
Paul Clements Vice President & Corporate Controller
Michael Olsen Vice President, Payroll Shared Services
Ken Parker Vice President, Taxation
Dan Woznow Vice President, Energy Exports
Joy Thakur Senior Vice President, Commercial & Business Operations
Grant Janes..... Vice President, Corporate Acquisitions
Dave Zoobkoff..... Division Vice President, Operations – Gas
Michael C. Halpen Vice President & Corporate Secretary
Alex Patterson..... Vice President, Operational Controller
Brian Wood..... Division Vice President, Gas Commercial
M. Colleen Starring..... Senior Vice President, Utility Business Operations - Canada

Kevin Staveley Vice President, Procurement
Charles Lyons Vice President, Environment, Health, Safety, Security &
Sustainability
Robert Beekhuizen..... Senior Vice President, Engineering, Procurement &
Construction
Tim Church..... Vice President, Stakeholder Relations

Description of the Business

AltaGas Ltd. is in the business of natural gas extraction, gathering, processing, transmission, distribution and storage, energy services and power generation.

Services Received by AUI

Gas supply (commodity) purchases, gas portfolio management, gas transportation service, gas operations services and electricity supply (Value: \$25,812,146).

Administrative services (Value: \$3,102,000).

Services Provided by AUI

Pipeline operating service, distribution services and sharing of employees (Value: \$789,525).

b) AltaGas Utility Holdings Inc. (AUHI) (as at December 31, 2015)

Suite 540, 355 - 4th Avenue SW
Calgary, Alberta T2P 0J1

Directors

Peter Karl Director
Alex Patterson..... Director

Officers

Peter Karl Division Vice President, Power Commercial & Optimization
Paul Clements Vice President & Corporate Controller
Michael Halpen..... Corporate Secretary

Description of the Business

AltaGas Utility Holdings Inc. holds interests in regulated natural gas distribution utility businesses operating in Alberta, Nova Scotia and the Northwest Territories.

Services Received by AUI

Debt financing (Value of interest on debt: \$6,374,641).

c) AltaGas Utility Group Inc. (AUGI) (as at December 31, 2014)

Suite 540, 355 - 4th Avenue SW
Calgary, Alberta T2P 0J1

Directors

Peter Karl Director
Alex Patterson..... Director

Officers

Peter Karl Divisional Vice President, Power Commercial & Optimization
Paul Clements Vice President & Corporate Controller
Michael Halpen..... Corporate Secretary

Description of the Business

AltaGas Utility Group Inc. is a holding company with financing and corporate support functions to support operations in regulated natural gas transmission and distribution facilities in Alberta, Nova Scotia and the Northwest Territories (NWT), as well as natural gas production and processing facilities delivering and selling natural gas to end-users in the NWT.

Services Provided by AUI

Environment, Occupational Health & Safety (EOH&S) services (Value: \$255).

d) Heritage Gas Limited (HGL) (as at December 31, 2015)

Park Place 1
Suite 200 – 238 Brownlow Avenue
Dartmouth, Nova Scotia B3B 1Y2

Directors

Bert Frizzel Director
George Bishop Director
Philip Knoll..... Director
David R. Wright..... Director
Steve Parker Director
M. Colleen Starring..... Director

Officers

Chris Smith President
John Hawkins..... Vice President, Engineering, Construction & Operations
Zeda Redden Vice President, Finance & Business Services & Corporate Secretary

Description of the Business

Heritage Gas Limited, a Nova Scotia-based natural gas distribution utility regulated by the Nova Scotia Utility and Review Board, is a wholly-owned subsidiary of AltaGas Utility Group Inc.

Services Provided by AUI

Billing and Information Systems & Technology (IS&T) services (Value: \$300,729).

2.4 LIST OF SERVICE AGREEMENTS

6. The following Service Agreements were in effect during 2015:

Services Received by AUI (Parties & Description):

- a) AUI/AltaGas Ltd. – Gas Supply Management Agreement;
- b) AUI/AltaGas Ltd. – Master Gas Transactions Agreement;
- c) AUI/AltaGas Ltd. – Moosehills Pipeline Transportation Service Agreement;
- d) AUI/AltaGas Ltd. – Summerdale Pipeline Transportation Service Agreement;
- e) AUI/AltaGas Ltd. – Electricity Sales Contract;
- f) AUI/AUHI – Debt Financing Agreements; and
- g) AUI/AUGI – Administrative Services Agreement.

Services Provided by AUI (Parties & Description):

- a) AUI/AltaGas Ltd. – Summerdale Pipeline Operating Services Agreement;
- b) AUI/AltaGas Ltd. – EOH&S Occasional Services Agreement;
- c) AUI/AltaGas Ltd. – Pension Fund Occasional Services Agreement;
- d) AUI/AltaGas Ltd. – Retailer Distribution Services Contract;
- e) AUI/AltaGas Ltd. – JDE Implementation Project Occasional Services Agreement;
- f) AUI/AltaGas Ltd. – Safety Consulting Services Agreement; and
- g) AUI/HGL – Billing and IS&T Standard Services Agreement.

2.5 COMPLIANCE WITH THE CODE

7. AUI advises there were no known instances of non-compliance in 2015.

8. To aid in achieving compliance, AUI provides computer-based training program (CBT) training and information to employees, consultants, contractors, agents and directors regarding the Code and Compliance Plan. AUI believes these efforts are effective in developing each person's awareness of their responsibilities in respect to the Code and Compliance Plan.

9. In addition to the foregoing, AUI notes in AUC Decision 2010-481, the AUC indicated it would review Sharing of Employees (Section 3.3.1) and other issues through a consultative process with all affected utilities. During the period of the consultative process, the AUC suspended the requirement of ATCO and the other impacted utilities (e.g. AUI) to apply for exemptions related to Section 3.3.1. On March 23, 2012, the Commission issued a letter announcing it was suspending the Inter-Affiliate Consultation until late 2012. Subsequently, the Commission issued a letter suspending the Inter-Affiliate Code of Conduct Consultation until further notice due to the heavy regulatory calendar. [November 6, 2012, X51.01, Proceeding ID 1216] To-date, no further consultative process has been announced.

2.6 EFFECTIVENESS OF THE COMPLIANCE PLAN

10. The Code and Compliance Plan were developed to:
 - a) Prevent utilities from cross-subsidizing affiliate activities;
 - b) Protect confidential customer information collected in the course of providing utility services;
 - c) Ensure affiliates and their customers do not have preferential access to utility services; and
 - d) Avoid uncompetitive practices between utilities and their affiliates, as they may be detrimental to the interests of utility customers. [AUI Inter-Affiliate Code of Conduct, January 1, 2005, p.1]

11. AUI submits the Compliance Plan has been effective in achieving the above noted objectives. The specified mechanisms are fully integrated into the organizational resources and are reviewed on an on-going basis to ensure ongoing compliance having regard to current circumstances and operational practices. If required, modifications to the Plan will be considered and brought forward to the AUC for review and approval, as appropriate.

12. Throughout 2015, the contents of the Code and Compliance Plan have been communicated to employees, consultants, contractors, agents and directors of AUI. The AUI Compliance Officer also obtained all necessary acknowledgements from those individuals and businesses, indicating their understanding and willingness to comply with the Code and Compliance Plan. As there have been very few instances of non-compliance over the last several years and none in 2015, AUI submits the existing mechanisms appear effective in achieving the objectives of the Code and Compliance Plan.

2.7 DESCRIPTION OF ANY MATERIAL NON-COMPLIANCE

13. In AUC Bulletin 2010-24, AUI and other utilities were provided specific direction with respect to reporting of non-compliances:

Quarterly Exception Reports – utilities must provide a quarterly exception report within 60 days of the quarter end only if there is an instance of non-compliance with the code or plan. Exception reports must detail the non-compliance and corrective actions taken.

Annual Compliance Reports – must be filed in accordance with Section 7.6 of each utility’s code within 120 days of the calendar year end. Section 7.6 item (g) requires the utility to report any material non-compliance. To avoid inconsistencies between utilities as to what constitutes a material non-compliance, the AUC require that all instances of non-compliance must be reported.

Non-Compliance with a utility’s code and plan – the AUC considers that non-compliance with the measures in the plan is an instance of non-compliance with the spirit and intent of the codes themselves. For the quarterly and annual compliance reports each utility must assess its compliance with both its plan and its code. [AUC Bulletin 2010-24 – Inter-Affiliate Code of Conduct process changes and clarification of requirements, September 17, 2010]

14. AUI advises there were no known instances of non-compliance during 2015.

2.8 SUMMARY OF DISPUTES & COMPLAINTS

15. During 2015, AUI did not receive any disputes or complaints regarding its compliance with the Code or Compliance Plan.

2.9 MAJOR TRANSACTIONS BETWEEN AUI & AFFILIATES

16. The following Table 1.0 identifies all Major Transactions, as defined in the Code, between AUI and its Affiliates.

Table 1.0

Line	Col. Month	1	2	3	4
		Gas Purchases AltaGas Ltd.	Financing AUHI	Administrative Services AltaGas Ltd.	Total 2015
1	January	\$ 4,630,331	\$ 524,622	\$ 258,500	\$ 5,413,453
2	February	3,914,154	473,852	258,500	4,646,506
3	March	2,669,249	524,622	258,500	3,452,371
4	April	1,678,541	507,698	258,500	2,444,739
5	May	976,470	524,622	258,500	1,759,592
6	June	381,544.33	507,698	258,500	1,147,742
7	July	634,640	524,622	258,500	1,417,762
8	August	436,715	526,229	258,500	1,221,444
9	September	1,362,836.52	555,904	258,500	2,177,241
10	October	1,508,296	574,434	258,500	2,341,230
11	November	2,519,923	555,904	258,500	3,334,327
12	December	3,880,072	574,434	258,500	4,713,006
13	Accrual	630,605			630,605
14	Total	\$25,223,377	\$6,374,641	\$3,102,000	\$34,700,018

[Note: The figures presented in Table 1.0 are based on AUI's 2015 audited financial statements.]

2.10 AFFILIATE TRANSACTIONS SUMMARY

17. The following Table 2.0 lists all 2015 Affiliated Party Transactions, as defined in the Code.

**AltaGas Utilities Inc.
Inter-Affiliate Code of Conduct
2015 Compliance Report**

April 29, 2016

Page 12

Table 2.0

Col.	1	2	3	4	5	6	7	8	9	10	
	Gas Portfolio Mgt.	Trans. Service	Gas Ops.	Pipeline Ops.	Sharing of Employees	Sharing of Employees	Billing & IS&T Services	Electricity Supply	Retail Service	Total 2015	
Line	Month	AltaGas Ltd.	AltaGas Ltd.	AltaGas Ltd.	AltaGas Ltd.	AltaGas Ltd.	AUGI	HGL	AltaGas Ltd.	AltaGas Ltd.	
1	January	\$ 14,510	\$ 12,322	\$ 5,000	\$ (340)	-	-	\$ (28,076)	\$ 16,562	\$ (99,430)	\$ (79,452)
2	February	14,510	11,130	5,000	(340)	-	-	(24,607)	17,858	(84,822)	(61,271)
3	March	14,510	12,322	5,000	(340)	-	-	(24,607)	17,288	(80,723)	(56,549)
4	April	14,510	11,925	5,000	(340)	-	-	(24,607)	17,291	(62,359)	(38,580)
5	May	14,510	12,322	5,000	(340)	-	-	(24,607)	18,909	(42,861)	(17,066)
6	June	14,510	11,925	5,000	(340)	-	-	(24,607)	16,086	(31,089)	(8,515)
7	July	14,510	12,322	5,000	(340)	-	-	(24,607)	17,507	(31,416)	(7,023)
8	August	14,510	11,925	5,000	(340)	-	-	(24,607)	16,238	(41,559)	(18,832)
9	September	14,510	12,322	5,000	(340)	-	-	(24,607)	19,205	(46,261)	(20,171)
10	October	14,510	12,322	5,000	(340)	(5,699)	-	(26,589)	19,303	(59,147)	(40,639)
11	November	19,563	11,925	5,000	(340)	-	-	(24,607)	12,038	(70,916)	(47,337)
12	December	14,510	12,322	5,000	(340)	(16,326)	(255)	(24,607)	16,228	(112,838)	(106,305)
13	Total	\$179,173	\$145,084	\$60,000	(\$4,080)	(\$22,025)	(\$255)	(\$300,729)	\$204,511	(\$763,420)	(\$501,740)

[Note: The figures presented in Table 2.0 are based on AUI's 2015 audited financial statements.]

2.11 OCCASIONAL SERVICES

18. During 2015, AUI provided the following Occasional Services to Affiliates:

a) Occasional EOH&S Services to AUGI

From January to September, AUI's Manager, EOH&S, represented AUGI at the quarterly telephone conference meetings of the EOH&S Committee of the HGL Board of Directors. Work on this committee concluded following the third quarterly meeting held on September 15, 2015. (Value: \$255)

b) Occasional Pension Fund Services to AltaGas Ltd.

An AUI employee provided assistance to AltaGas Ltd. regarding the preparation of working papers and financial statements for the AltaGas Ltd. Pension Fund. (Value: \$886)

c) Occasional JDE Implementation Project Services to AltaGas Ltd.

An AUI employee provided assistance to AltaGas Ltd. regarding the JDE implementation project. Work on this project concluded February 27, 2015. (Value: \$15,440)

d) Occasional Safety Consulting Services to AltaGas Ltd.

An AUI employee provided safety consulting services to AltaGas Ltd. from October 12-18, 2015. (Value: \$5,699)

19. No Occasional Services were received by AUI from Affiliates.

2.12 SUMMARY OF EXEMPTIONS GRANTED/UTILIZED

20. Under EUB Order U2005-109, dated March 7, 2005, AUI is exempt from Section 7.3 of the Code, requiring AUI to appoint an officer to the position of Compliance Officer. Specifically, this exemption allows non-officers in AUI's senior management team to serve as AUI's Compliance Officer. However, subsequent to the granting of this exemption, AUI's senior management were made officers of AUI. Consequently, the exemption is not currently utilized.

21. On October 9, 2010, pursuant to Section 2.6 of the Code, AUI applied to the Commission for approval of two exemptions permitting: 1) AUI's President to provide Occasional EOH&S Services to AUGI; and 2) AUI's operations employees to provide For Profit Pipeline Operating Services to AltaGas Ltd. On March 1, 2010, the Commission issued Decision 2010-085 exempting the Occasional EOH&S Services and Pipeline Operating Services from the requirements of Section 3.3.1 of the Code.

2.13 EMPLOYEE TRANSFERS, TEMPORARY ASSIGNMENTS & SECONDMENTS

22. No employees were transferred, temporarily assigned or seconded between AUI and its Affiliates in 2015.

2.14 OFFICER'S CERTIFICATES

23. AUI is required to provide two certificates, one signed by the Compliance Officer and another signed by the highest ranking operating officer of AUI. These certificates attest to compliance with the Code and completeness of the Compliance Report. Please find on the following two pages Schedule "G", signed by:

- Nancy J. McKenzie, Compliance Officer and VP, Regulatory & Legal Affairs;
and
- Greg Johnston, President.



SCHEDULE G: OFFICER'S CERTIFICATE (s. 7.6)

Note: Terms utilized in this Certificate are defined in the Definitions Section 2 of the AUI Inter-Affiliate Compliance Plan.

To: Alberta Utilities Commission

I, Nancy J. McKenzie of the City of Leduc, in the Province of Alberta, acting in my position as an officer of AltaGas Utilities Inc. (AUI) and not in my personal capacity, to the best of my knowledge do hereby certify as follows:

1. My position with AUI is Vice President, Regulatory & Legal Affairs, and as such I have personal knowledge of, or have conducted due inquiry of individuals who have personal knowledge of, the facts and matters herein stated.
2. Capitalized terms used herein (which are not otherwise defined herein) shall have the meanings ascribed thereto in the AltaGas Utilities Inc. Inter-Affiliate Code of Conduct (the Code).
3. I have read the Code, the Compliance Plan of AUI dated August 29, 2005, and the Compliance Report of AUI dated April 29, 2016.
4. The form and contents of the Compliance Report comply with the requirements of the Code and the matters reported therein are fully and accurately described.
5. I am not aware of any material non-compliance with the provisions of the Code by any director, officer, employee, consultant, contractor or agent of AUI, or by any Affiliate of AUI (including any director, officer, employee, consultant, contractor or agent of the Affiliate) with respect to any interaction between an Affiliate and AUI that is not fully and accurately described in the Compliance Report.

Signature: _____

A handwritten signature in black ink, appearing to read "Nancy J. McKenzie", written over a horizontal line.

Title: Vice President, Regulatory & Legal Affairs

Date: April 29, 2016



SCHEDULE G: OFFICER'S CERTIFICATE (s. 7.6)

Note: Terms utilized in this Certificate are defined in the Definitions Section 2 of the AUI Inter-Affiliate Compliance Plan.

To: Alberta Utilities Commission

I, Greg Johnston of the City of Leduc, in the Province of Alberta, acting in my position as an officer of AltaGas Utilities Inc. (AUI) and not in my personal capacity, to the best of my knowledge do hereby certify as follows:

1. My position with AUI is President, and as such I have personal knowledge of, or have conducted due inquiry of individuals who have personal knowledge of, the facts and matters herein stated.
2. Capitalized terms used herein (which are not otherwise defined herein) shall have the meanings ascribed thereto in the AltaGas Utilities Inc. Inter-Affiliate Code of Conduct (the Code).
3. I have read the Code, the Compliance Plan of AUI dated August 29, 2005, and the Compliance Report of AUI dated April 29, 2016.
4. The form and contents of the Compliance Report comply with the requirements of the Code and the matters reported therein are fully and accurately described.
5. I am not aware of any material non-compliance with the provisions of the Code by any director, officer, employee, consultant, contractor or agent of AUI, or by any Affiliate of AUI (including any director, officer, employee, consultant, contractor or agent of the Affiliate) with respect to any interaction between an Affiliate and AUI that is not fully and accurately described in the Compliance Report.

Signature: _____

A handwritten signature in black ink, appearing to read "Greg Johnston", written over a horizontal line.

Title: President

Date: April 29, 2016

3. APPENDIX 1

AltaGas Utilities Inc.
Inter-Affiliate Code of Conduct Compliance Plan

Approved by Order U2005-342
August 29, 2005