CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2016

MARCH 2, 2017

This Annual Information Form (AIF) is meant to help readers understand the business and operations of Canadian Utilities Limited (Canadian Utilities, our, we, or the Company).

Unless otherwise noted, the information contained within this AIF is presented as at December 31, 2016.

The Company is controlled by ATCO Ltd. and its controlling share owners, Sentgraf Enterprises Ltd. and the Southern family.

Terms used throughout this AIF are defined in the Glossary at the end of this document.

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CORPORATE STRUCTURE

Canadian Utilities Limited (the Company) was incorporated under the laws of Canada on May 18, 1927, and was continued under the Canada Business Corporations Act on August 15, 1979. The common share capital of the Company was reorganized on September 10, 1982. The address of the head office of the Company is 700, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6 and its registered office is 20th Floor, 10035 - 105 Street, Edmonton, Alberta T5J 2V6.

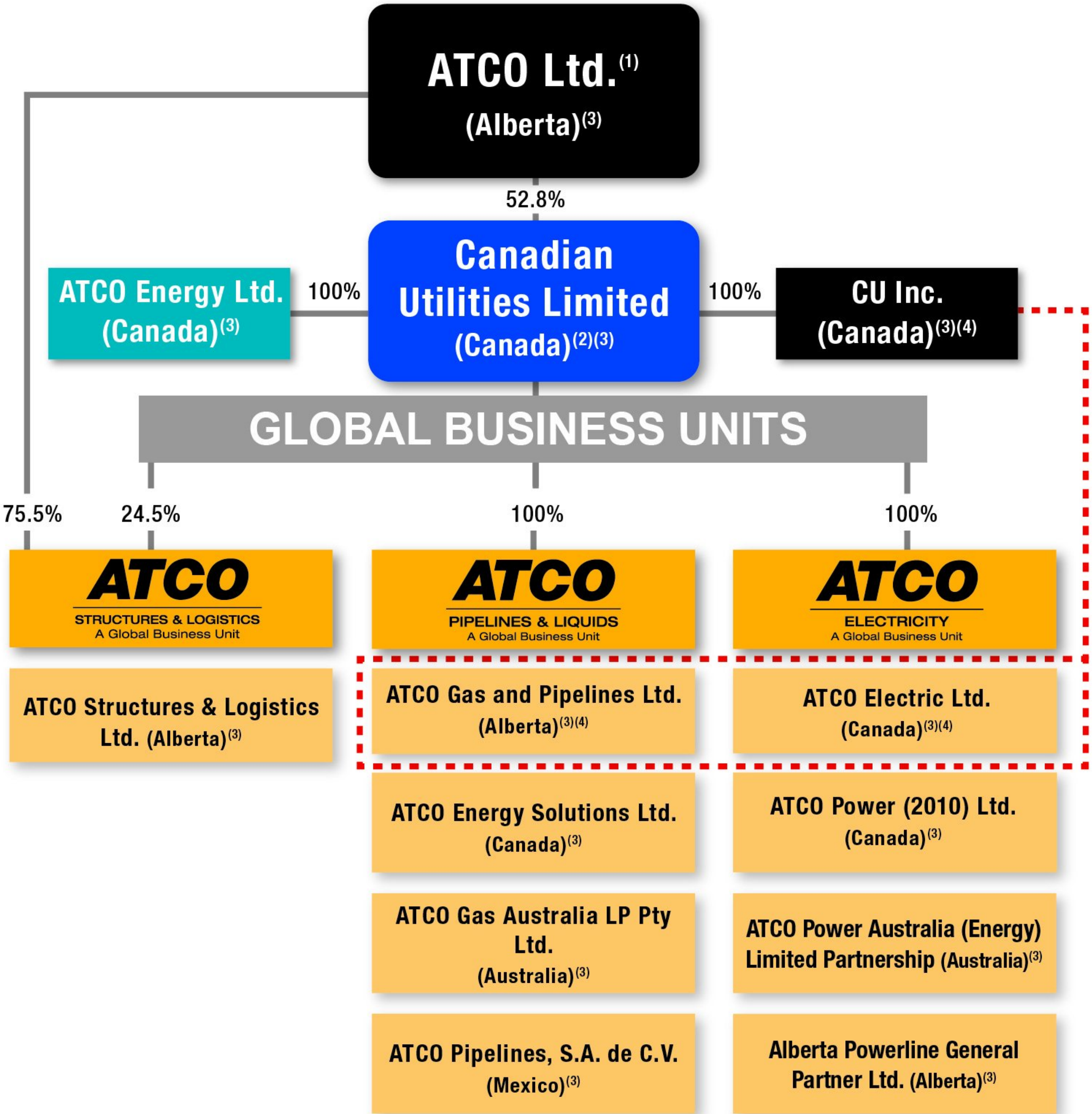
In 1999, the Company was reorganized to separate its Alberta-based regulated businesses from its non-regulated businesses. The reorganization was implemented by the transfer of the common shares and debt of the regulated subsidiaries from Canadian Utilities to CU Inc. in return for common shares of CU Inc. As a result of the reorganization, the Company's regulated operations in Alberta, which had previously been financed by Canadian Utilities, are now primarily financed by CU Inc.

INTERCORPORATE RELATIONSHIPS

With approximately 5,400 employees and assets of $19 billion, Canadian Utilities Limited is an ATCO Company. ATCO is a diversified global corporation delivering service excellence and innovative business solutions in Structures & Logistics (workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management); Electricity (power generation, distributed generation, and electricity distribution, transmission and infrastructure development); Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, natural gas liquids storage and processing, hydrocarbon storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales). More information can be found at www.canadianutilities.com.

SIMPLIFIED ORGANIZATIONAL STRUCTURE

The following chart includes the names of the Company's principal Business Units, as well as the principal subsidiaries comprising the Business Units, and the jurisdictions in which they were incorporated. The chart also shows the percentages of such subsidiaries' shares the Company beneficially owns, controls or directs, either directly or indirectly.



(1) *At December 31, 2016, ATCO owned 89.3 per cent of the Class B common shares, which are the only voting securities outstanding, and 38.9 per cent of the Class A non-voting shares of Canadian Utilities, for an aggregate ownership of 52.8 per cent.*

(2) *The organizational chart does not include all of the subsidiaries of the Company. The assets and revenues of excluded subsidiaries in the aggregate did not exceed 20 per cent of the total consolidated assets or total consolidated revenues of the Company as at December 31, 2016.*

(3) *Jurisdiction in which the company was incorporated.*

(4) *ATCO Gas and Pipelines Ltd. and ATCO Electric Ltd. (Alberta Utilities) are wholly owned subsidiaries of CU Inc., which is 100 per cent owned by Canadian Utilities Limited.*

CANADIAN UTILITIES CORE VALUES AND VISION

Excellence: The Heart & Mind of ATCO

"Going far beyond the call of duty. Doing more than others expect. This is what excellence is all about. It comes from striving, maintaining the highest standards, looking after the smallest detail and going the extra mile. Excellence means caring. It means making a special effort to do more."

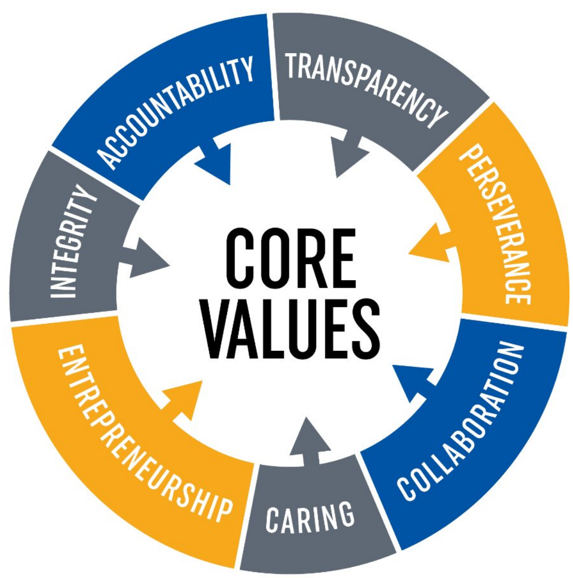
R.D. Southern, Founder, ATCO

CORE VALUES

It is ATCO's Heart and Mind that drives the Company's approach to service reliability and product quality; employee, contractor and public safety; and environmental stewardship.

Our pursuit of excellence governs the way we act and make decisions. At Canadian Utilities we strive to live by the following values:

- **Integrity**: We are honest, ethical and treat others with fairness, dignity and respect.
- **Transparency**: We are clear about our intentions and communicate openly.
- **Entrepreneurship**: We are creative, innovative and take a measured approach to opportunities, balanced with a long-term perspective.
- **Accountability**: We make good decisions, take personal ownership of tasks, are responsible for our actions and deliver on our commitments.
- **Collaboration**: We work together, share ideas and recognize the contribution of others.
- **Perseverance**: We persevere in the face of adversity with courage, a positive attitude and a fierce determination to succeed.
- **Caring**: We care about our customers, our employees, their families, our communities and the environment.



CORE VISION

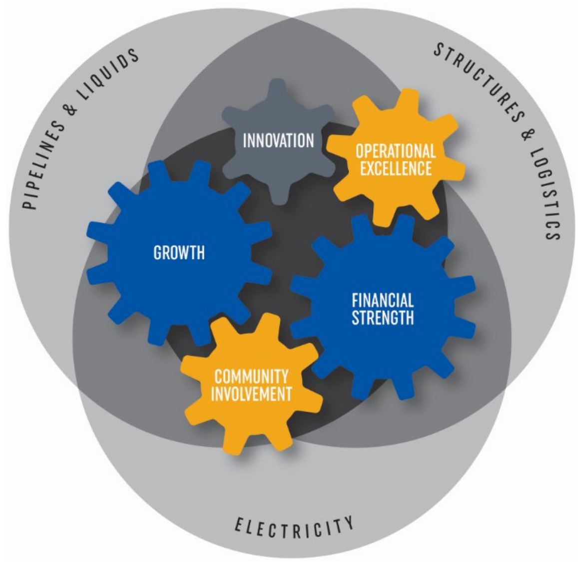
Our core vision is to improve the lives of our customers by providing sustainable, innovative and comprehensive solutions globally. We believe in well-managed risk and a disciplined approach to growth. We fuel the imagination of our people to drive growth over the long-term, ultimately delivering value to our customers and our share owners.

Our strong financial and operating performance reflects our approach to sales and our customers, the strength and determination of our people, a deeply embedded focus on operational excellence with its inherent cost controls, and careful consideration of the environmental and social impact of our actions - now and for the future.

CANADIAN UTILITIES STRATEGIES

Growth and financial strength are the pivotal strategies employed to build our enterprise. The long-term success of the Company is dependent on our ability to grow our business by expanding into new markets and business lines while offering our customers complete services and products to meet their needs.

These strategic imperatives are supported by the Company's commitment to innovation and operational excellence. We are also committed to engaging with our employees throughout their careers and to helping create healthy, vibrant communities in which the Company does business and in which our people live and work.



"Making life easier for our customers by offering vertically integrated infrastructure solutions around the world."

GROWTH

Long-term sustainable growth is paramount. The Company approaches this strategy by: expanding geographically to meet the global needs of customers; developing significant, value-creating greenfield projects; and fostering continuous improvement and innovation through research and development.

The ongoing exploration of opportunities to acquire assets provides the Company with additional growth potential. The Company will pursue the acquisition and development of complementary assets that have future growth potential and provide long-term value for share owners.

FINANCIAL STRENGTH

Financial strength is fundamental to the Company’s current and future success. It ensures the Company has the financial capacity to fund existing and future capital investments through a combination of predictable cash flow from operations, cash balances on hand, committed credit facilities and access to capital markets. It enables the Company to sustain its operations and to grow through economic cycles, thereby providing long-term financial benefits.

The Company continuously reviews its holdings to evaluate opportunities to sell mature assets and redeploy the proceeds into growing areas of the Company. The viability of such opportunities depends on the outlook of each business as well as general market conditions. This ongoing focus supports the optimal allocation of capital across the Company.

INNOVATION

The Company seeks to create a work environment where employees are encouraged to take a creative and innovative approach to meeting our customers' needs. By committing to continuous improvement through research and development, the Company is able to offer our customers unique and imaginative solutions that differentiate us from our competitors.

OPERATIONAL EXCELLENCE

The Company approaches operational excellence by achieving high service, reliability, and product quality for our customers and the communities we serve. We are uncompromising about maintaining a safe work environment for employees and contractors, promoting public safety and striving to minimize environmental impact. We have long range plans for ensuring timely supply of goods and services that are critical to a company's ability to meet its core business objectives.

COMMUNITY INVOLVEMENT

Canadian Utilities maintains a respectful and collaborative community approach, where meaningful partnerships and positive relationships are built with community leaders and groups that will enhance economic and social development. Community investment involves developing partnerships with Indigenous and community groups that may be affected by projects and operations worldwide, and building ongoing, positive Indigenous relationships that contribute to economic and social development in their communities. The Company also engages with governing authorities, regulatory bodies, and landowners. We encourage partnerships throughout the organization and at all levels that will serve to benefit non-profit organizations through volunteer efforts, providing products and services in-kind, and general advice where required.

FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

Canadian Utilities' financial and operational achievements in 2016 relative to the strategies outlined above are included in the Company's MD&A, 2016 Annual Financial Statements and AIF. Further commentary regarding strategies and commitments to growth, financial strength, innovation, operational excellence, and community involvement will be provided in the forthcoming 2016 Annual Report, Management Proxy Circular and Sustainability Report. The 2016 Management Proxy Circular also contains discussion of the Company's corporate governance practices.

Canadian Utilities' website, www.canadianutilities.com, is a valuable source for the latest news of the Company's activities. Prior years' reports are also available on this website.

BUSINESS DESCRIPTION

Canadian Utilities is a diversified global enterprise with assets of $19 billion and approximately 5,400 employees engaged in Electricity, Pipeline & Liquids, and Retail Energy.

ELECTRICITY GLOBAL BUSINESS UNIT

OVERVIEW

The Electricity Global Business Unit's activities are conducted through two regulated businesses; ATCO Electric Distribution and ATCO Electric Transmission, and three non-regulated businesses; ATCO Power, ATCO Power Australia and Alberta PowerLine (APL). Together these companies provide electricity distribution, transmission, and generation, and related infrastructure services.

BUSINESS STRATEGY

Electricity's strategy is to grow its businesses through continued investment and leverage of expertise in regulated electricity distribution and transmission, capitalize on the opportunity to provide renewable and firm supply electricity generation for Albertans, and expand its businesses geographically to meet the evolving needs of our global customer base through the development of innovative infrastructure solutions.

MARKET OPPORTUNITIES

The Government of Alberta's plan to eliminate emissions from coal-fired generation by 2030 has created a need for renewable power generation and firm capacity, such as gas-fired and hydroelectric power generation, as well as energy storage, to backstop the renewable power supply. Additional electricity distribution and transmission investment opportunities may result from this changing power market in addition to ongoing investment opportunities for customer growth and system replacements.

MARKET CHALLENGES

Near term, power market challenges related to the Alberta energy-only market put downward pressure on market pricing until surplus supply and additional clarity on market design are resolved.

ATCO ELECTRIC

The activity areas in which ATCO Electric Distribution and ATCO Electric Transmission operate in Western and Northern Canada are shown in the map below.

ATCO Electric transmits and distributes electricity to 245 communities and rural areas in east-central and northern Alberta. Among those served are the communities of Drumheller, Lloydminster, Grande Prairie and Fort McMurray as well as the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

ATCO Electric is headquartered in Edmonton and has 38 offices throughout its service area. Electric utility service is also provided to three communities in Saskatchewan. AEY serves 18 communities in the Yukon Territory, including the capital city of Whitehorse, and one community in British Columbia. NUY and NWT serve nine communities in the Northwest Territories, including the capital city of Yellowknife.

Approximately 630,000 people live in the principal markets for electric utility service by ATCO Electric and its subsidiaries NUY, NWT and AEY. Service is provided to approximately 256,000 customers. ATCO Electric has been assigned about 65 per cent of the designated service area within Alberta. This service area contains approximately 14 per cent of the provincial electrical load and 14 per cent of the population.

The number of customers served by ATCO Electric, NUY, NWT and AEY at the end of 2016 and 2015 is shown below.

	2016		2015	
	Number	**%**	**Number**	**%**
Industrial	**10,668**	**5**	10,919	5
Commercial	**34,221**	**13**	33,955	13
Residential	**179,525**	**70**	179,388	70
Rural, REA and other	**31,661**	**12**	31,477	12
Total	**256,075**	**100**	255,739	100

Electricity distributed to the various classes of customers in 2016 and 2015 is shown below.

	2016		2015	
	GWh	**%**	**GWh**	**%**
Industrial	**7,448**	**64**	7,506	63
Commercial	**2,393**	**20**	2,465	21
Residential	**1,292**	**11**	1,341	11
Rural, REA and other	**526**	**5**	520	5
Total	**11,659**	**100**	11,832	100

ATCO Electric, NUY, NWT and AEY own and operate extensive electricity transmission and distribution systems. The systems consist of approximately 12,000 kms of transmission lines and 72,000 kms of distribution lines. In addition, ATCO Electric delivers power to and operates approximately 4,000 kms of distribution lines owned by Rural Electrification Associations (REA).

ATCO Electric, NUY, NWT and AEY own and operate 26 diesel, natural gas turbine and hydro-generating plants, with an aggregate nameplate capacity of 59 MW in Alberta, the Yukon and Northwest Territories. The maximum peak load demand for these plants during 2016 was 29 MW.

ATCO Electric, AEY, NUY and NWT distribute electricity to incorporated communities under the authority of franchises or by-laws. In rural areas, electricity is distributed by approvals, permits or orders under applicable statutes.

The franchises under which service is provided in incorporated communities in Alberta and the Northwest Territories have been granted for up to 20 years. These franchises are exclusive to ATCO Electric, NUY or NWT and are renewable by agreement. If any franchise is not renewed, it remains in effect until either party, with the approval of the regulatory authority, terminates it on six months written notice.

On termination of a franchise, the municipality may purchase the facilities used under that franchise at a price to be agreed on or, failing agreement, to be fixed by the regulatory authority. The franchise under which service is provided in the Yukon Territory was granted under the Public Utilities Act (Yukon Territory) and has no set expiry date.

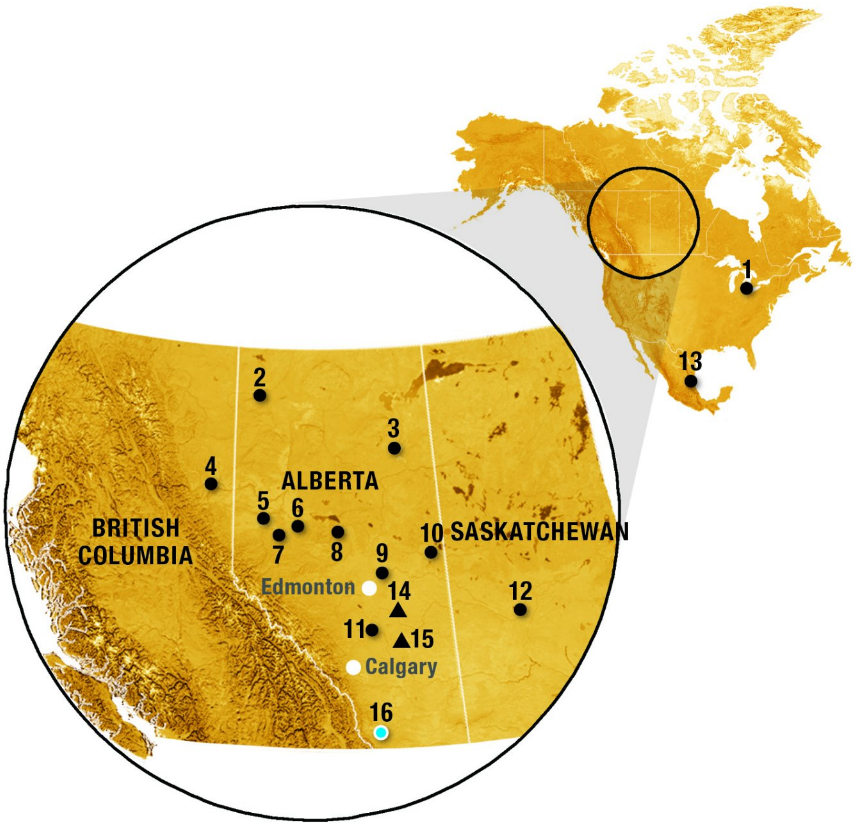
Under the Electric Utilities Act (Alberta) (EUA), wholesale tariffs for electricity transmission must be approved by the Alberta Utilities Commission (AUC). Transmission tariffs allow any owner of a generating unit to access the Alberta transmission system and thus facilitate the sale of its power. The same transmission tariff is charged to each distribution utility or customer directly connected to the transmission system, regardless of location.

Transmission costs are equalized by having each owner of transmission facilities charge its costs to the Alberta Electric System Operator (AESO). The AESO then aggregates these costs and charges a common transmission rate to all transmission system users.

The Transmission Regulation under the EUA stipulates that new transmission projects will be assigned to transmission facility owners based on the service areas of the distribution companies they have been historically affiliated with. Facilities ownership will change at service area boundaries, except where, in the AESO's opinion, only a small portion of the project is in another service area. This rule applies to all transmission projects except inter-provincial inter-tie projects and those deemed "critical" by the Government of Alberta.

ATCO POWER

ATCO Power operates across various provinces in Canada, as shown in the following map.



Facility	Generating Capacity Owned (MW)
● **NATURAL GAS**	
1 Brighton Beach	290
2 Rainbow Lake 4 & 5	45
3 Muskeg River	119
4 McMahon	60
5 Poplar Hill	45
6 Valleyview 1 & 2	90
7 Karr	3
8 House Mountain	6
9 Scotford	170
10 Primrose	42
11 Joffre	192
12 Cory	130
13 San Luis Potosi	2
▲ **COAL-FIRED**	
14 Battle River 3, 4 & 5	689
15 Sheerness 1 & 2	390
● **RUN-OF-RIVER HYDRO**	
16 Oldman River	24
Total	**2,297**

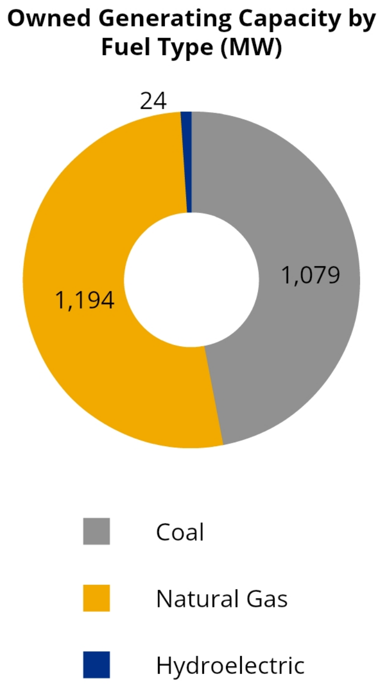
Power generation activities are focused on owning, operating and developing generating plants in Canada, primarily in Alberta.

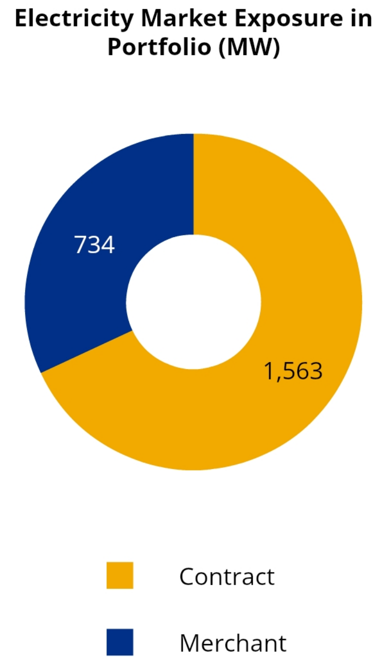
The Alberta power market serves approximately 4 million people. Installed electricity generating capacity at December 31, 2016, was approximately 16,400 MW, fueled by 38 per cent coal, 45 per cent natural gas, 5 per cent hydroelectric, 9 per cent wind and 3 per cent other. Approximately 180 MW of capacity was installed in 2016; this consisted primarily of natural gas generation.

ATCO Power is involved in joint ventures with a wide range of partners, including other generators, oil and gas companies, and steam hosts. ATCO Power's role in each venture is tailored to the specific needs of a project. ATCO Power generally operates the power and steam generation facilities. It ensures secure supply and, with some projects, the opportunity to sell electricity not under contract into the electricity market or the market for ancillary services.

At December 31, 2016, ATCO Power had an ownership position in generating plants with a total capacity, including partners' interests, of 3,604 MW. It operates 3,484 MW (97 per cent) and owns 2,297 MW (64 per cent) of the total capacity. This owned generating capacity is fueled by 1,194 MW (52 per cent) natural gas, 1,079 MW (47 per cent) coal and 24 MW (1 per cent) hydroelectric. Details of these plants are shown in Appendix 1.

The following charts illustrate the approximate portion of owned generating capacity by fuel types in the portfolio and contract versus merchant portions of owned capacity at December 31, 2016.





As at December 31, 2016, ATCO Power had 1,563 MW (68 per cent) of its owned generating capacity contracted in Canada with an average remaining contract length of approximately eight years.

The natural gas used to supply generating plants is procured in a variety of ways. Tolling arrangements for the Brighton Beach and Cory generating plants allow the customers to supply gas at their own cost. These combined-cycle facilities convert the gas to electricity for the customer.

At the cogeneration and remaining combined-cycle plants, gas is procured either through a long-term gas supply agreement or directly through the site host. The revenue contracts on these sites result in gas-cost recovery being included in the tariff charged to the customer. For the remaining facilities and the merchant portion of the combined-cycle and cogeneration plants, gas is procured from the Alberta market.

Fuel costs for the thermal units at the Battle River and Sheerness generating plants are mostly for coal, under coal supply agreements with Prairie Mines & Royalty ULC and Westmoreland Coal Company. To protect against volatility in coal prices, ATCO Power has long-term contracts for its Battle River and Sheerness coal-fired generating plants. These contracts are either fixed prices or indexed to inflation. The Battle River coal supply agreement extends until 2022. The coal supply agreement for Sheerness extends to 2026.

In March 2016, the Company purchased the remaining 49 per cent interest in Barking Power Limited, an entity that holds land assets in the U.K. Barking Power Limited which was previously accounted for as a joint venture and is now consolidated. This transaction was completed to strategically position ATCO Power for future opportunities in the U.K. market, including the potential re-powering of the existing Barking site if economically feasible in future years. As of December 2016, the Barking site remains inactive.

Thermal Power Purchase Arrangements

The electricity generated by the Battle River unit 5 and Sheerness plants is sold through PPAs. Under the PPAs, ATCO Power must make the generating capacity for each generating unit available to the PPA purchaser of that unit. These arrangements entitle ATCO Power to recover its forecast fixed and variable costs from the PPA purchaser. Under the terms of the PPAs, ATCO Power is subject to an incentive related to the generating unit availability. Incentives are payable by the PPA counterparties for availability in excess of predetermined targets. These amounts are amortized based on estimates of future generating unit availability and future electricity prices over the term of the PPAs.

On July 25, 2016, the Government of Alberta commenced legal action to determine the validity and interpretation of certain terms within the coal PPAs and related regulations. The legal action filed by the Government seeks to prevent the PPAs from being returned to the Balancing Pool. Canadian Utilities has never been a buyer of a coal PPA, and the proceeding seeks no direct relief against Canadian Utilities.

In December 2016, the Government of Alberta announced it had reached an agreement to settle the legal action against TransCanada Energy. The agreement completely removes TransCanada Energy from the court proceedings and settles the matter between the parties as well as all arbitrations with the Balancing Pool. As a result, the Sheerness units 1 and 2 PPAs have been returned to the Balancing Pool, who retains the rights and obligations under the PPAs.

A legal action remains outstanding between the Government of Alberta and Enmax for its return of certain PPAs to the Balancing Pool, including the Battle River unit 5 PPA.

Canadian Utilities continues to operate Battle River unit 5 and Sheerness units 1 and 2 under the terms of their respective PPAs. Canadian Utilities will monitor and, in its capacity as a respondent, participate in the proceeding.

Distributed Generation

In 2016, ATCO Power continued to advance distributed generation projects in Alberta and Mexico. Distributed generation aligns with the Company's strategy of taking a creative and innovative approach to meeting our customers' needs by building a fleet of portable natural gas-fired units that can be deployed for temporary or permanent projects.

With the cost of traditional, wire-delivered electricity on the rise, onsite power generation systems specifically designed and optimized for unique site requirements while using safe, reliable, proven power generation technologies are more cost-effective. In terms of permanent onsite power solutions, the gas-fired power plants are designed, built, owned and operated by ATCO Power. Temporary power generation can be used to bridge the gap between grid connection and permanent generation, for emergency or supplementary onsite power, or to offset electricity shortages.

In the first quarter of 2016, ATCO Power signed a 10-year contract to build and operate a two unit, 3 MW natural gas-fired units located southeast of Grande Prairie, Alberta with a capital investment of $8 million. In the fourth quarter of 2016, the Company and its Mexican partner, Grupo Ranman, completed the first phase of a distributed generation facility located in the World Trade Centre industrial park in San Luis Potosi, Mexico. Two 2 MW natural gas-fired units were installed to service initial customers. ATCO Power plans to expand this facility to up to 20 MW by December 2017.

Mexico Tula Cogeneration

In October 2014, the Company and its Mexican partner, Grupo Hermes S.A. de C.V., were selected by PMX Cogeneracion S.A.P.I. de C.V., an affiliate of Mexico's state-owned petroleum company Pemex, to commence the project development and approval process for a natural gas cogeneration plant at the Miguel Hidalgo refinery near the town of Tula in the state of Hidalgo, Mexico.

During 2015 and 2016, the Company and Grupo Hermes worked with Pemex to further the development of the plant. Commercial discussions continue with Pemex, who remains committed to the project and to working with ATCO and Grupo Hermes.

Strathcona Cogeneration Plant

In September 2016, Inter Pipeline Ltd. acquired the shares of The Williams Companies Inc.'s and Williams Partners L.P.'s Canadian businesses, including Williams Canada Propylene ULC (now Inter Pipeline Propylene ULC following a name change). ATCO Power has been selected by Inter Pipeline Propylene ULC to build and operate a natural gas-fired cogeneration plant to meet the high pressure steam and electricity needs of Inter Pipeline Propylene ULC's proposed propane dehydrogenation facility to be located in the Alberta Industrial Heartland region.

In December 2016, the Government of Alberta announced that Inter Pipeline's project would receive $200 million in royalty credits through the Petrochemical Diversification Program. Canadian Utilities' proposed 90 MW cogeneration plant is contingent on Inter Pipeline Ltd.'s final investment decision for the facility, which is expected during the second quarter of 2017. ATCO received its AUC approvals for the cogeneration plant on September 28, 2016.

Non-regulated Electricity Transmission

ATCO Power operates two non-regulated electricity transmission lines in Alberta, the Scotford transmission line and substation in Fort Saskatchewan and the Muskeg River transmission line and substation in Fort McMurray.

Alberta Electricity Market Reform

On November 23, 2016, the Government of Alberta announced its intention to change the existing energy-only electricity market to a capacity market in 2021. A capacity market includes a market component for the provision of capacity, or the ability to produce electricity, in addition to the market for the production of electricity. The Government of Alberta indicated that it will work closely with industry, consumer groups and other stakeholders to establish the framework and implement the capacity market by 2021.

In the near-term, Canadian Utilities will assess the economic viability of converting some of its coal-fired electricity generation to natural gas which will include participating in the development of greenhouse gas regulations for natural gas-fired electricity generation. In addition, Canadian Utilities will work alongside the Government of Alberta in exploring the potential of hydroelectric power as a means to provide reliable, emissions-free baseload generation in the province. Hydro, as the only form of renewable energy generation with dispatch control, is an optimal solution to replace coal-fired generation while supporting the reliability and sustainability of Alberta's electricity grid.

ATCO POWER AUSTRALIA

ATCO Power Australia's operations are shown in the following map.

◆ **ATCO Power Australia Headquarters**

● **ATCO Power Australia Natural Gas Facilities**

Facility	Generating Capacity Owned (MW)
1 Karratha	86
2 Osborne	90

ATCO Power Australia maintains ownership in and currently operates two generation plants: Osborne in Adelaide, South Australia, and Karratha in the Pilbara region of Western Australia. These facilities collectively generate 266 MW of power, providing energy for thousands of public sector, domestic, industrial and commercial clients across the country, through secure off-take arrangements with credible counterparties for 100 per cent of the capacity.

Osborne

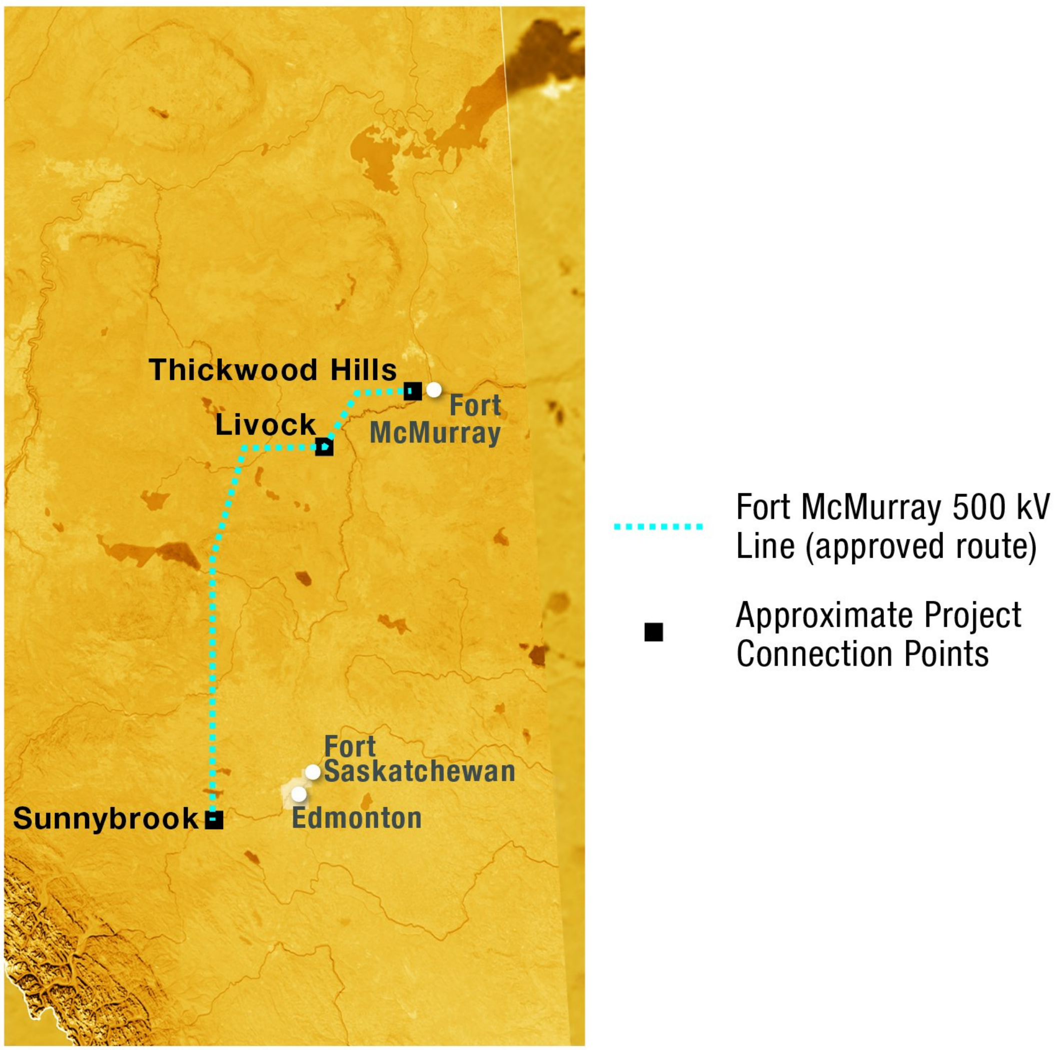
Osborne is a 50:50 joint venture between ATCO Power Australia and Origin Energy that commenced commercial operation on December 7, 1998. The 180 MW Osborne plant is located near Adelaide, South Australia, and is designed to accommodate operation in both cogeneration and combined cycle modes. The facility is fuelled by natural gas from South Australia's Cooper Basin and operated by ATCO Power Australia. Prior to July 2015, Osborne sold its electrical output under a long-term (20-year) PPA to Origin Energy. In July 2015, the PPA was amended to a tolling agreement whereby Origin Energy Electricity Limited (as the electricity off-taker) supplies the natural gas at its own cost, and in turn, operates the facility for its required electricity output.

Karratha Power Station

Commissioned in 2010, the 86 MW Karratha Power Station is one of the most efficient and environmentally friendly power generation facilities in the North West Interconnected System in the Pilbara region of Western Australia. The facility generates electricity to supply residential and business consumers under a long-term (20-year) tolling power off-take contract with Horizon Power. The facility consists of two open cycle dry low-emissions natural gas turbines and meets all performance guarantee requirements, including output, heat rate, noise and nitrous oxide emissions.

ALBERTA POWERLINE

Alberta PowerLine's proposed route is shown on the following map.



Fort McMurray West 500-kilovolt (kV) Transmission Project (Fort McMurray 500 kV Project)

Alberta PowerLine (APL) is a partnership between Canadian Utilities and Quanta Capital Solutions Inc. Alberta PowerLine is 80 per cent owned by Canadian Utilities Limited and 20 per cent owned by Quanta Capital Solutions Inc.

In December 2014, APL was awarded a 35-year, $1.4 billion contract by the AESO to design, build, own, and operate the Fort McMurray 500 kV Project. This project will increase the capacity of the electricity system in northeast Alberta and help to ensure that this economically vital area of the province has the power it needs.

In December 2015, APL submitted the Facilities Application for the project to the AUC. The public hearing was completed in November 2016 and a decision approving the route was received in the first quarter of 2017. The design and planning phases are underway and construction is expected to commence in 2017. The project is anticipated to be in service in 2019.

PIPELINE & LIQUIDS GLOBAL BUSINESS UNIT

OVERVIEW

The Pipelines & Liquids Global Business Unit activities are conducted through three regulated businesses; ATCO Gas, ATCO Pipelines, and ATCO Gas Australia, and one non-regulated business; ATCO Energy Solutions. These companies offer complementary products and services that enable them to deliver comprehensive natural gas distribution and transmission services, energy storage, and industrial water solutions to existing and new customers.

BUSINESS STRATEGY

Pipelines & Liquids' strategy is to grow its businesses through continued investment and leverage of expertise in regulated natural gas distribution and transmission, and utilize its advantaged position in the Industrial Heartland of Alberta to become a premier hydrocarbon liquids storage and industrial water infrastructure provider in Alberta. Pipelines & Liquids will continue expanding geographically to meet the evolving needs of our global customer base.

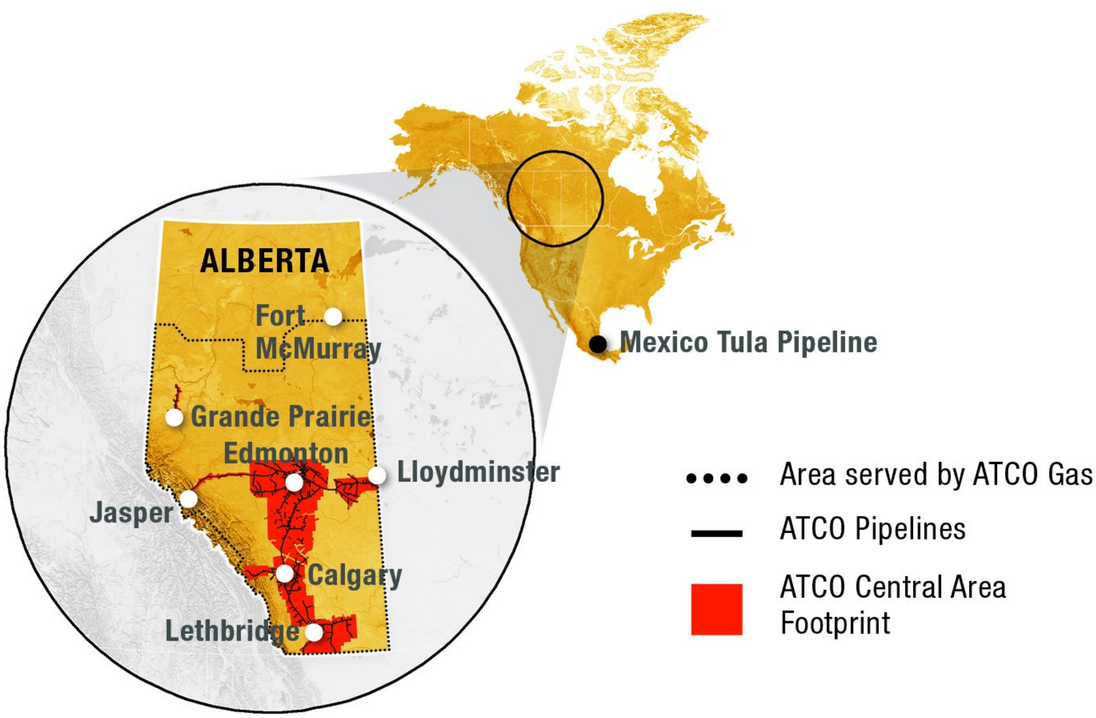
MARKET OPPORTUNITIES

The development of pipelines in Alberta is expected to increase the need for energy storage to manage supply and demand, and the industry trend toward sustainability is expected to increase demand for industrial water solutions. The regulated businesses expect to see continued growth based on projected customer growth and system replacements.

MARKET CHALLENGES

Potential changes in macroeconomic conditions could slow the growth trajectory of these businesses.

The following map shows the areas served by ATCO Gas and ATCO Pipelines in Alberta, as well as ATCO Pipelines S.A. de C.V.'s natural gas pipeline near Tula, Mexico.



ATCO GAS

ATCO Gas distributes natural gas throughout Alberta and in the Lloydminster area of Saskatchewan and serves more than 1.1 million customers in nearly 300 Alberta communities. Headquartered in Edmonton, it has more than 70 district offices across the province. ATCO Gas services municipal, residential, business and industrial customers.

ATCO Gas' principal markets for distributing natural gas are in Edmonton, Calgary, Airdrie, Fort McMurray, Grande Prairie, Lethbridge, Lloydminster, Red Deer, Spruce Grove, St. Albert and Sherwood Park. These communities have a combined population of approximately 2,800,000. Approximately 75 per cent of ATCO Gas' customers were located in these 11 communities. Also served are 279 smaller communities as well as rural areas with a combined population of approximately 749,000.

The number of customers served by ATCO Gas at the end of 2016 and 2015 is shown below.

	2016		2015	
	Number	**%**	**Number**	**%**
Residential	**1,085,731**	**92**	1,071,988	92
Commercial	**96,978**	**8**	95,880	8
Industrial	**346**	**—**	350	–
Other	**5**	**—**	4	–
Total	**1,183,060**	**100**	1,168,222	100

The quantities of natural gas distributed by ATCO Gas for each of the last two years is given below.

	2016		2015	
	PJ	**%**	**PJ**	**%**
Residential	**111.3**	**47**	113.4	48
Commercial	**112.0**	**48**	111.6	47
Industrial	**12.6**	**5**	13.0	5
Other	**0.2**	**—**	0.3	–
Total	**236.1**	**100**	238.3	100

ATCO Gas owns and operates more than 41,000 kms of distribution mains. It also owns service and maintenance facilities in major centres in Alberta.

ATCO Gas distributes natural gas in incorporated communities under the authority of franchises or by-laws and in rural areas under approvals, permits or orders issued through applicable statutes. It currently has 167 franchise agreements with communities throughout Alberta. These franchise agreements detail the rights granted to ATCO Gas and its obligations to deliver natural gas services to consumers in the municipality.

All franchises are exclusive to ATCO Gas and are renewable by agreement for additional periods of up to 20 years. If any franchise is not renewed, it remains in effect until either party, with the approval of the prevailing regulatory authority, terminates it on six months written notice. On termination, the municipality may purchase the facilities used in connection with that franchise at a price to be agreed on or, failing agreement, to be fixed by the prevailing regulatory authority.

In Edmonton, distribution of natural gas is carried on under the authority of an exclusive franchise. ATCO Gas has a 20-year franchise agreement with Edmonton that will expire on July 21, 2030. The franchises under which service is provided in other incorporated communities in Alberta have been granted for up to 20 years.

In Calgary, distribution of natural gas operates under a municipal by-law. The rights of ATCO Gas under this by-law, while not exclusive, are unrestricted as to term. The by-law does not confer any right for Calgary to acquire the facilities used in providing the service.

ATCO PIPELINES

ATCO Pipelines owns and operates natural gas transmission pipelines and facilities in Alberta. The business receives natural gas on its pipeline system at various gas processing plants as well as from connections with other natural gas transmission systems, and transports the gas to end users within the province such as local distribution utilities and industrial customers, or to other transmission pipeline systems, primarily for export out of the province.

ATCO Pipelines owns and operates an extensive natural gas transmission system. The system currently consists of approximately 9,400 kms of pipelines, 18 compressor sites, approximately 4,000 receipt and delivery points, and a salt cavern storage peaking facility near Fort Saskatchewan, Alberta. The system has 210 producer receipt points, one interconnection with Alliance Pipeline, and one interconnection with Many Islands Pipelines. Peak delivery capability of the ATCO Pipelines system is 3.8 billion cubic feet per day.

The Alberta System Integration Agreement entered into by ATCO Pipelines and NOVA Gas Transmission Ltd. (NGTL) in 2009 resulted in a single rate and services structure for gas transmission in Alberta. Since October 2011, natural gas transportation rates in Alberta are based on the ATCO Pipelines cost-of-service approved by the AUC plus the NGTL cost-of-service approved by the National Energy Board (NEB). The agreement also required ATCO Pipelines and NGTL to swap ownership of certain physical assets intended to establish distinct operating areas for ATCO Pipelines and NGTL. The Asset Swap was completed in 2016.

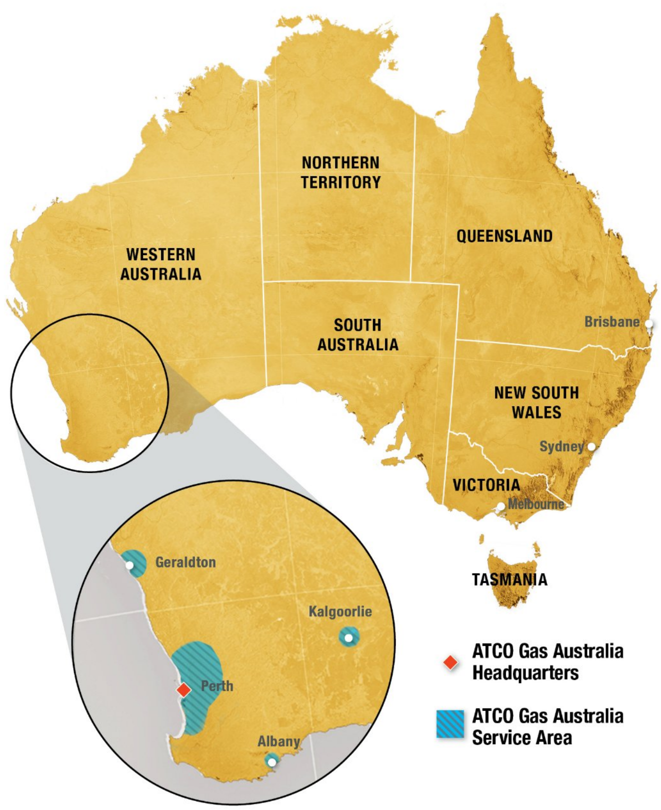
More details on the Alberta System Integration Agreement are provided in the Three Year History section of this Annual Information Form (AIF).

INTERNATIONAL NATURAL GAS TRANSMISSION - MEXICO TULA PIPELINE

In 2014, Canadian Utilities signed a 25-year Transportation Services Agreement with the Comisión Federal de Electricidad (CFE) to design, build and operate a 16 km natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. ATCO has completed the majority of construction and continues to work with the Government of Mexico regarding land access and the completion of construction.

ATCO GAS AUSTRALIA

ATCO Gas Australia's operations are shown in the following map.



ATCO Gas Australia provides natural gas distribution services in Western Australia and serves approximately 741,000 customers in 18 communities, including metropolitan Perth and surrounding regions such as Geraldton, Bunbury, Busselton, Kalgoorlie, Harvey, Pinjarra, Brunswick Junction and Capel. ATCO Gas Australia owns and operates approximately 14,000 kms of natural gas pipelines and associated infrastructure and also distributes liquefied propane gas (LPG) to the community of Albany.

The number of customers served by ATCO Gas Australia at the end of 2016 and 2015 is shown below.

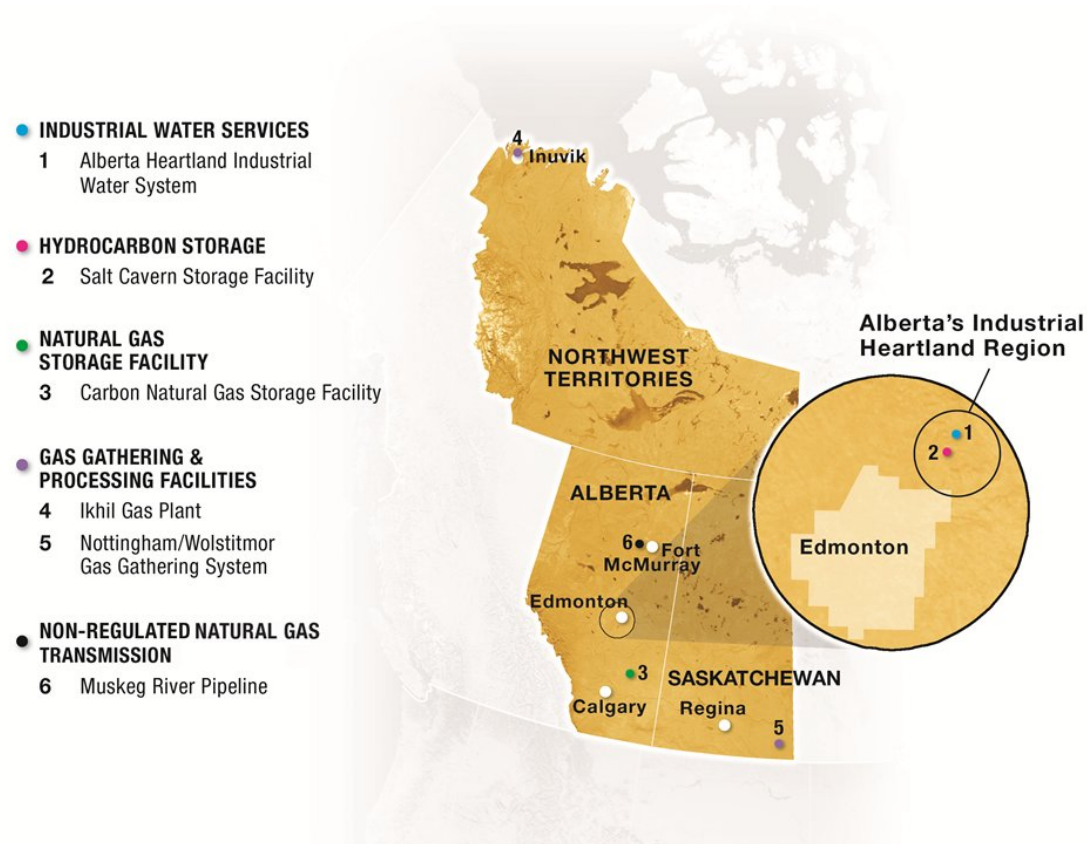
	2016		2015	
	Number	**%**	**Number**	**%**
Residential	**727,730**	**98**	712,274	98
Commercial	**13,068**	**2**	12,518	2
Industrial	**176**	**—**	180	–
Total	**740,974**	**100**	724,972	100

The quantity of gas delivered by ATCO Gas Australia in 2016 and 2015 is shown below.

	2016		2015	
	PJ	**%**	**PJ**	**%**
Residential	**11.1**	**41**	10.0	38
Commercial	**3.4**	**12**	3.1	12
Industrial	**12.6**	**47**	13.2	50
Total	**27.1**	**100**	26.3	100

ATCO ENERGY SOLUTIONS

ATCO Energy Solutions builds, owns and operates non-regulated industrial water, natural gas storage, hydrocarbon storage, and natural gas liquids related infrastructure to serve the midstream sector of western Canada's energy industry. It operates and owns a one-third interest in a regulated natural gas distribution system in the Northwest Territories. ATCO Energy Solutions also provides natural gas procurement and load balancing services for other Business Units.



Hydrocarbon Storage

ATCO Energy Solutions, together with our partner, is developing four salt caverns with capacity to store approximately 400,000 cubic metres of hydrocarbons at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four salt caverns. The total partnership investment is approximately $200 million. ATCO Energy Solutions has a 60 per cent partnership interest.

Construction of the first two caverns is complete and operations are underway with earnings starting in the fourth quarter of 2016. Construction of the two remaining caverns is expected to be complete by the end of 2017. As ATCO Energy Solutions secures additional customers and develops the supporting infrastructure, the Company has the potential to develop up to 40 caverns with the mineral rights it currently has in place in Alberta's Industrial Heartland.

Industrial Water Services

Through the Canadian Utilities Heartland Industrial Water System, ATCO Energy Solutions' multi-user water system connected to the North Saskatchewan River, Canadian Utilities provides integrated water services including pipeline transportation, water treatment, recycling and disposal to industrial customers. This industrial water system also supplies water for the development of salt caverns for the Company's hydrocarbon storage facilities in the region. The Company's river intake system and modern pump station facility has the capacity to withdraw 3,550 cubic metres per hour, with a current deliverability of 1,300 cubic metres per hour.

In the fourth quarter of 2015, ATCO Energy Solutions entered into a long-term commercial agreement with Air Products to provide water pre-treatment services in addition to the existing water transportation services contract for Air Products' hydrogen facility near Fort Saskatchewan. Construction on this project was completed, and commercial operations commenced in the fourth quarter of 2016. With the addition of this service, ATCO Energy Solutions has the potential to further grow the Company's suite of water and wastewater services for industrial customers throughout Alberta's Industrial Heartland.

Natural Gas Storage

ATCO Energy Solutions owns and operates a natural gas storage facility at Carbon, Alberta. The facility is a natural gas reservoir with a seasonal storage cycle capacity of 52 petajoules, a maximum injection rate of 400 terajoules per day, and a maximum withdrawal rate of 600 terajoules per day. The facility is connected to multiple transmission pipeline systems and has been in service more than 45 years.

ATCO Energy Solutions also provides flexible storage, natural gas procurement and transportation services tailored to a customer's specific needs. Services range from daily to multi-year terms and are offered to financial institutions, marketing companies, pipeline operators, retail energy providers and producers.

Natural Gas Liquids Extraction

ATCO Energy Solutions has an interest in one natural gas liquids (NGL) extraction facility as at December 31, 2016, the Empress Gas Liquids Straddle Plant which ATCO Energy Solutions operates but is currently being decommissioned. The Company sold its share in the Edmonton Ethane Extraction Plant effective January 1, 2016. The proceeds from this sale were deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

Natural Gas Gathering and Processing

ATCO Energy Solutions has an interest in two natural gas gathering and processing facilities, the Nottingham and Ikhil gas plants, with a net ownership gathering and processing capacity of 4 million cubic feet per day. In addition, ATCO Energy Solutions owns approximately 165 kms of field gathering lines. Natural gas production connected to ATCO Energy Solutions' natural gas gathering systems is processed for a fee or purchased, processed and sold under third-party contractual arrangements.

Non-regulated Natural Gas Pipeline

ATCO Energy Solutions owns the 116 km Muskeg River non-regulated natural gas pipeline near Fort McMurray.

CORPORATE & OTHER

Corporate & Other includes the recent launch of retail energy through ATCO Energy Ltd. (ATCOenergy) to provide retail electricity and natural gas services in Alberta and the commercial real estate owned by the Company in Alberta. The business development office in Mexico is reported in the Company's Corporate & Other Business Unit, while projects and operations are reported in the Electricity and Pipelines & Liquids Global Business Units. Corporate & Other also includes the Company's global corporate head office in Calgary, Canada and ATCO Australia's corporate head office in Perth, Western Australia. Services provided by one or both corporate head offices include: corporate business development, finance, tax, treasury, regulatory, information technology, human resources, corporate communications, investor relations, risk management, internal audit and other administrative services including compliance and governance services.

RETAIL ENERGY

As part of the Company's continued growth strategy, ATCOenergy was launched in January 2016, selling electricity and natural gas to residential and small commercial customers. ATCOenergy is a logical step in the vertically integrated growth of the Company.

ATCOenergy is comprised of three business lines: ATCOhome, ATCObusiness and the ATCO Blue Flame Kitchen. ATCOhome intends to be a preeminent retailer of electricity and natural gas by leveraging the strength of the ATCO brand with a compelling value proposition that includes sign-up incentives, loyalty rewards, competitive rates and flexible plans for customers. ATCObusiness sells electricity and natural gas to large commercial retail customers. ATCO Blue Flame Kitchen, which has a long history in Alberta spanning more than eight decades, was integrated with ATCOenergy in 2016.

REAL ESTATE

ATCO Investments Ltd. owns ATCO Centre Phase II and the adjacent parking lot at 919 & 931 - 11th Avenue S.W., Calgary, Alberta. This building contains approximately 139,600 sq. ft. of net rentable area, of which 100 per cent was occupied at December 31, 2016.

ATCO Investments Ltd. also owns land at the ATCO Commercial Centre in Calgary. The ATCO Structures & Logistics manufacturing plant, office, and yard space occupy just over 22 acres of this property. Part of the remainder of the property is in the planning and construction phase for development. Phase 1 of this development, comprising 230,000 sq. ft. of modern commercial offices, is under construction, and is scheduled for occupancy by the Company by the fourth quarter of 2017.

ATCO Real Estate Holdings Ltd., a subsidiary of Canadian Utilities, owns commercial real estate in Calgary, Edmonton, Fort McMurray, Fort Saskatchewan, and Stettler, all in Alberta.

ATCO MEXICO BUSINESS DEVELOPMENT

The Company has an office in Mexico City to evaluate and pursue business opportunities in Mexico's energy market. The Mexican government has embarked on a program of reforming its energy sector, inviting foreign investment in energy infrastructure such as power generation, electricity and natural gas transmission and distribution facilities. ATCO Mexico is focused on developing, building, owning and operating new energy infrastructure assets to support the development of Mexico's energy infrastructure.

PERFORMANCE SUMMARY

COMPARISON OF SEGMENTED REVENUES AND ADJUSTED EARNINGS

Each Global Business Unit's contribution to the Company's consolidated revenues and adjusted earnings is shown in the charts below.

Revenues [1]	2016		2015	
	($ millions)	*%*	*($ millions)*	*%*
Electricity	**1,877**	**55**	1,771	54
Pipelines & Liquids	**1,496**	**44**	1,525	47
Corporate & Other and Eliminations	**26**	**1**	(32)	(1)
Total	**3,399**	**100**	3,264	100

Adjusted Earnings [1] [2]	2016		2015	
	($ millions)	*%*	*($ millions)*	*%*
Electricity	**402**	**68**	322	67
Pipelines & Liquids	**255**	**43**	189	39
Corporate & Other and Eliminations	**(67)**	**(11)**	(28)	(6)
Total	**590**	**100**	483	100

(1) The above data has been extracted from note 3 ("Segmented Information") of the consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar.

(2) Adjusted earnings are defined as earnings attributable to Class A and Class B shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and dividends on equity preferred shares of the Company. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

REVENUES

In 2016, revenues of $3,399 million were $135 million higher when compared to 2015. Higher revenues were mainly due rate base growth in the Regulated Utilities, and revenue recorded for APL.

ADJUSTED EARNINGS

Adjusted earnings in the Electricity Global Business Unit were $80 million higher in 2016 compared to 2015. Higher earnings were primarily due to continued capital investment and growth in rate base within Regulated Electricity, business-wide cost reduction initiatives and the adverse impact associated with the Generic Cost of Capital (GCOC) and Capital Tracker regulatory decisions received in 2015.

Adjusted earnings in the Pipelines & Liquids Global Business Unit were $66 million higher in 2016 compared to 2015. Higher adjusted earnings were primarily due to continued capital investment and growth in rate base, business-wide cost reduction initiatives and the adverse impact associated with the GCOC and Capital Tracker regulatory decisions received in the first quarter of 2015.

Corporate & Other adjusted earnings were lower in 2016 compared to 2015. Lower earnings were primarily due to dividend costs associated with Canadian Utilities' preferred share issuances in the second half of 2015 and ATCOenergy business development expenses.

COMPARISON OF SEGMENTED CAPITAL INVESTMENTS

Each Global Business Unit's contribution to the Company's consolidated capital investments is shown below.

	2016 (1)		2015 (1)	
	($ millions)	*%*	*($ millions)*	*%*
Electricity	**647**	**45**	935	52
Pipelines & Liquids	**790**	**55**	875	48
Corporate & Other and Eliminations	**5**	**–**	9	–
Total (2)(3)	**1,442**	**100**	1,819	100

(1) The above data has been extracted from the MD&A. The reporting currency is the Canadian dollar.

(2) Includes additions to property, plant and equipment, intangibles as well as $18 million (2015 - $97 million) of interest capitalized during construction for the year ended December 31, 2016.

(3) Includes capital expenditures in joint ventures, $62 million (2015 - $51 million) for the year ended December 31, 2016.

Total capital investments of $1,442 million in 2016 were $377 million lower than the $1,819 million reported in 2015. Of the $647 million invested by the Electricity Global Business Unit, $470 million, or 73 per cent, pertained to regulated businesses. Of the $790 million invested by the Pipelines & Liquids Global Business Unit, $678 million, or 86 per cent, pertained to regulated businesses.

THREE YEAR HISTORY

Summarized below are major events that occurred in the Company and the significant conditions that influenced the Company's development during the past three years.

During 2015, Canadian Utilities restructured into two Global Business Units - Electricity and Pipelines & Liquids. These Global Business Units are vertically integrated and better able to efficiently and effectively respond to customer needs by offering a complete infrastructure solution for energy and delivery, maintenance and ongoing operations to customers worldwide.

ELECTRICITY GLOBAL BUSINESS UNIT

Electricity's total capital investment over the last three years amounted to $3.2 billion (see table below). The largest expenditures were in the transmission operations of ATCO Electric. The AESO identified the need for major reinforcement and expansion of the electricity transmission system in Alberta, and ATCO Electric is dedicated to improving Alberta's electrical system through responsible transmission development. Continued investment in utility infrastructure in Alberta has been a primary driver of an overall upward trend in earnings in the last three years.

EASTERN ALBERTA TRANSMISSION LINE (EATL)

In December 2015, ATCO Electric completed and placed in-service the longest transmission line in Alberta's history. The 500 kV high voltage direct-current transmission line, with its associated converter stations and facilities, extends approximately 485 kms along a corridor on the east side of the province between Edmonton and Calgary. The $1.8 billion EATL Project is a critical component of Alberta's electrical transmission backbone and will play a key role in bringing renewable energy to Albertans across the province. By reducing the amount of electricity lost during transmission, EATL reduces the amount of power generation required, saving money as well as thousands of tons of future greenhouse gas emissions for Albertans.

Total capital investments for Electricity in the last three years is provided in the table below.

		Year Ended December 31		
($ millions)	**Total**	**2016**	**2015**	**2014**
ATCO Electric Distribution	991	**267**	355	369
ATCO Electric Transmission	1,907	**203**	471	1,233
ATCO Power [(1)]	213	**108**	85	20
Alberta PowerLine	93	**69**	24	–
Total	3,204	**647**	935	1,622

(1) Includes ATCO Power Australia's capital expenditures in joint ventures of $6 million (2015 - nil) for the year ended December 31, 2016.

ATCO ELECTRIC

In addition to the continued investment to utility infrastructure in Alberta, the financial results of ATCO Electric have also been influenced by several regulatory decisions. The regulatory decisions are described in the "Regulatory Development" section in the Company's Management's Discussion and Analysis (MD&A) and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

ATCO POWER

ATCO Power's financial results are affected by power pool prices, price volatility, natural gas prices and power generating plant availability.

Lower Alberta Power Pool prices and reduced price volatility throughout 2015 and 2016 negatively impacted earnings. Average Alberta Power Pool prices were 45 per cent lower in 2016 compared to 2015 and 33 per cent lower in 2015 compared to 2014. In 2016, this impact was offset by higher earnings from ATCO Power's forward sales as well as lower general and administrative expenses due to cost-savings initiatives. As a result, the Company achieved higher earnings in 2016 than 2015.

ATCO Power's 2015 earnings were lower than 2014 due primarily to the poor market conditions. An increase in provincial tax rates and higher outage costs relative to 2014 also contributed to the lower results.

Plant availability can also have an impact on financial results. Plant availability during 2016 remained high across the Company's fleet of generation units. Availability of the independent power plants was lower in 2016 compared to 2015 due to a planned outage at the Joffre facility in 2016. Availability of the Thermal PPA plants was higher in 2016 compared to 2015 as a result of the Battle River unit 5 and Sheerness unit 1 planned outages in 2015.

ATCO POWER AUSTRALIA

ATCO Power Australia's earnings in 2016 were slightly lower compared to 2015 and 2014. In April 2014, British Petroleum (BP) announced that it planned to cease refining operations at its oil refinery in Brisbane by mid-2015, resulting in the planned closure and transfer of ownership of the Company's 33 MW Bulwer Island power station to BP on June 23, 2015. Bulwer Island Energy Partnership (BIEP) was a 33 MW cogeneration plant located at the BP refinery in Brisbane, which commenced commercial operation on January 1, 2000. BIEP was an equal joint venture partnership between ATCO Power Australia and Origin Energy. The closure of this power plant was the main reason for modestly lower earnings in 2016.

ALBERTA POWERLINE

In December 2014, APL Canadian Utilities was awarded a 35-year, $1.4 billion contract by the AESO to design, build, own, and operate the Fort McMurray 500 kV Project. This project will increase the capacity of the electricity system in northeast Alberta and help to ensure that this economically vital area of the province has the power it needs.

The Fort McMurray 500 kV Project has been accounted for as a service concession arrangement under IFRS because the AESO controls the output of the transmission facilities as a part of the greater Alberta network and the ownership of the transmission facilities will transfer to the AESO at the end of the service agreement. Under a service concession arrangement, revenues and costs relating to the design, planning and construction phases of the project are recognized based on a percentage of completion, and revenues and costs relating to the operating phase will be recognized as the service is rendered.

Capital investments for Electricity also includes the capital invested in Alberta Powerline under this service concession arrangement.

PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

Pipelines & Liquids' total capital investment over the last three years amounted to $2.3 billion (see table below). The largest expenditures were in the AUC-approved Urban Pipeline Replacement (UPR) program and ATCO Gas' Mains Replacement Program. Continued investment in utility infrastructure in Alberta has been a primary driver of an overall upward trend in earnings in the last three years.

URBAN PIPELINE REPLACEMENT PROGRAM

Construction continued on ATCO Pipelines' AUC-approved UPR program in 2016. Construction will continue until 2020 and the total cost of the UPR program is estimated to be $850 million, which includes the cost to integrate the new high-pressure network with ATCO Gas' low-pressure distribution system. In 2016, ATCO Gas and ATCO Pipelines invested $185 million in the UPR program. The program will replace and relocate aging, high-pressure natural gas pipelines in densely populated areas of Calgary and Edmonton to address safety, reliability and future growth.

PLASTIC MAINS REPLACEMENT PROGRAM

The Plastic Mains Replacement program within ATCO Gas is a 20-year program aimed at replacing polyvinyl chloride (PVC) and early generation polyethylene (PE) pipe. The pipe has been identified for replacement due to risks associated with brittle cracking. Overall, approximately 8,000 kms of main gas line, impacting roughly 27,500 services, will be replaced. The program began in 2011 with a target completion date of no later than 2030. Through the first six years of the program, approximately 1,522 kms of main line, impacting 8,912 services, have been replaced.

STEEL MAINS REPLACEMENT PROGRAM

ATCO Gas has 9,000 kms of steel pipe which it continues to replace as it identifies pipe at the end of its useful life. The pipe that is being replaced is generally more than 60 years old and a portion of this pipe is replaced every year. ATCO Gas will see an increase in this required replacement activity as the steel mains age. In 2016, ATCO Gas replaced approximately 41 kms of steel pipe.

Total capital investment for Pipelines & Liquids in the last three years is provided in the table below.

				Year Ended December 31
($ millions)	**Total**	**2016**	**2015**	**2014**
ATCO Gas	959	**336**	331	292
ATCO Pipelines	694	**252**	257	185
ATCO Gas Australia	249	**90**	80	79
Non-Regulated Capital Investment (1)	401	**112**	207	82
Total	2,303	**790**	875	638

(1) Non-Regulated Capital Investment includes ATCO Pipelines Mexico and ATCO Energy Solutions.

In addition to the continued investment to utility infrastructure in Alberta, the financial results of ATCO Pipelines and ATCO Gas have been influenced by several regulatory decisions. The regulatory decisions are described in the "Regulatory Development" section in the Company's MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

Alberta System Integration

In 2009, ATCO Pipelines and NGTL entered into an agreement with respect to natural gas transmission service that will allow ATCO Pipelines and NGTL to utilize their physical assets under a single rates and services structure with a single commercial interface for Alberta customers. This integration ends duplicate tolling and operational activities and results in more efficient regulatory processes.

The AUC issued a decision on May 27, 2010 approving the integration, subject to subsequent applications to address (i) the transition of ATCO Pipelines' customers to NGTL, and (ii) the swap of assets between ATCO Pipelines and NGTL in order to establish distinct operating areas. Commercial integration and the transition of customers took place on October 1, 2011, following AUC approval.

On November 22, 2012, the AUC issued a decision approving an asset swap between ATCO Pipelines and NGTL in order to establish distinct operating areas (Asset Swap). On October 16, 2014, the NEB issued an order approving the Asset Swap. The Asset Swap was completed in 2016.

INTERNATIONAL NATURAL GAS TRANSMISSION - MEXICO TULA PIPELINE

In 2014, ATCO signed a 25-year Transportation Services Agreement with the Comisión Federal de Electricidad (CFE) to design, build and operate a 16 km natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. ATCO has completed the majority of construction and continues to work with the Government of Mexico regarding land access and the completion of construction.

ATCO GAS AUSTRALIA

During the last three years, ATCO Gas Australia's earnings have benefited from continued growth in rate base as a result of increased investment in utility infrastructure, growth in customer base, interest savings related to the refinancing of its long-term debt at favourable rates, savings due to cost reduction initiatives, and favourable decisions on its appeal of various events relating to the 2010-2014 Access Arrangement (AA3).

In July 2015, the Western Australia Economic Regulation Authority (ERA) released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. The Australian Competition Tribunal (ACT) decision resulted in a reduced utility ROE from 10.41 per cent (AA3) to 7.21 per cent (AA4).

ATCO Gas Australia lodged an Appeal Application with the ACT on October 1, 2015 seeking leave to appeal a number of key items, including, but not limited to, ROE and the recovery of operating expenses, depreciation and corporate income tax expenses. The ACT decision was received in July 2016 resulting in an increase of approximately $3 million to 2016 adjusted earnings mainly due to an improvement in the recoverability of certain expenses.

ATCO ENERGY SOLUTIONS

ATCO Energy Solution's financial results are affected mainly by natural gas storage differentials, industrial water services provided, and natural gas liquids pricing and volumes.

During the last three years, storage volumes increased, but differentials declined significantly prior to 2016. The result is lower storage earnings, partially offset by higher earnings realized from the sale of excess natural gas as a result of enhancements in the delivery capability of the Company's natural gas storage facility. Higher earnings were realized in 2016 due to higher demand and prices for storage services.

Average frac spreads have been volatile over the last three years and continued to decline in 2014 through 2015. ATCO Energy Solutions' frac spreads were further impacted by its exposure to propane prices which experienced greater decline resulting from warmer weather. This volatility is reflected in the Company's earnings from Gas Processing operations and assets.

In 2014, ATCO Energy Solutions commenced a strategy of repositioning itself as an energy infrastructure provider within Alberta's Industrial Heartland, Canada's largest hydrocarbon processing region. As a result of this new direction, industrial water contracts were executed and a major hydrocarbon storage partnership was announced. By the end of 2016, the Company has disposed or shut–in its interests in Gas Processing operations except for the remaining interest in the Nottingham/Wolstitmor and Ikhil Gas Gathering System.

Hydrocarbon Storage

ATCO Energy Solutions, together with our partner, is developing four salt caverns with capacity to store approximately 400,000 cubic metres of hydrocarbons at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four salt caverns. The total partnership investment is approximately $200 million. ATCO Energy Solutions is the facility operator and has a 60 per cent partnership interest.

Construction of the first two caverns is complete and operations are underway with earnings contributions commencing in the fourth quarter of 2016. Construction of the two remaining caverns is expected to be complete by the end of 2017.

Industrial Water

In anticipation of the growing demand for industrial water transportation services in Alberta's Industrial Heartland, ATCO Energy Solutions upgraded its water infrastructure in 2011 and 2012, positioning the Company as a leading supplier of comprehensive industrial water infrastructure and energy-related services in the region.

In the fourth quarter of 2015, ATCO Energy Solutions entered into a long-term commercial agreement with Air Products to provide water pre-treatment services in addition to the existing water transportation services contract for Air Products' hydrogen facility near Fort Saskatchewan. Construction on this project was completed, and commercial operations commenced in the fourth quarter of 2016. With the addition of this service, ATCO Energy Solutions has the potential to further grow the Company's suite of water and wastewater services for industrial customers throughout Alberta's Industrial Heartland.

CORPORATE & OTHER

RETAIL ENERGY

As part of the Company's continued growth strategy, ATCOenergy was launched in January 2016, selling electricity and natural gas to residential and small commercial customers. ATCOenergy is a logical step in the vertically integrated growth of the Company.

ATCOenergy is comprised of three business lines: ATCOhome, ATCObusiness and the ATCO Blue Flame Kitchen. ATCOhome intends to be a preeminent retailer of electricity and natural gas by leveraging the strength of the ATCO brand with a compelling value proposition that includes sign-up incentives, loyalty rewards, competitive rates and flexible plans for customers. ATCObusiness sells electricity and natural gas to large commercial retail customers. ATCO Blue Flame Kitchen, which has a long history in Alberta spanning more than eight decades, was integrated with ATCOenergy in 2016.

CAPITAL REDEPLOYMENT

The Company continuously reviews its holdings to evaluate opportunities to sell mature assets and redeploy the proceeds into growing areas of the Company. The viability of such opportunities depends on the outlook of each business as well as general market conditions. This ongoing focus supports the optimal allocation of capital across the Company.

STRUCTURES & LOGISTICS

In December 2015, Structures & Logistics completed the sale of its Emissions Management business. Included in the sale were Emissions Management's operations in Canada, United States and Mexico and the transfer of current contracts and employees. Proceeds of the sale totalled $60 million, resulting in a gain of $16 million. The proceeds from the sale were redeployed to finance the Company's future growth initiatives.

PIPELINES & LIQUIDS

As a result of an ongoing review of the economic environment and declining natural gas supply in Western Canada, certain of the Company's natural gas gathering, processing and liquids extraction assets were either shut-in or sold during the three year period from 2014 to 2016 without a significant impact on the Company's earnings.

In the first quarter of 2016, ATCO Energy Solutions sold its 51.3 per cent ownership in the Edmonton Ethane Extraction Plant. The $21 million of proceeds from the sale were deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

CORPORATE & OTHER

During the third quarter of 2014, the Company completed the sale of its IT services to Wipro, a global IT, consulting and business process services company. ATCO I-Tek developed, operated and supported the Company's information systems and technologies. The billing services, payment processing, credit, collection, and call centre services formerly provided by ATCO I-Tek were retained by the Company. Wipro acquired all the shares of ATCO I-Tek, including current contracts and employees, as well as the assets of ATCO I-Tek Australia as part of the transaction. Proceeds of the sale were $204 million, resulting in a gain of $138 million.

The proceeds from the sale were redeployed to finance the Company's growth initiatives, including the significant investment in Regulated Utilities in Alberta, energy infrastructure in Alberta's Heartland, and opportunities in Mexico's energy market. The Company simultaneously entered into a strategic alliance with Wipro to provide a complete suite of IT services.

GOVERNMENT REGULATION

GOVERNMENT OF ALBERTA REGULATION

The regulated electricity and natural gas distribution and transmission operations of ATCO Electric, ATCO Gas and ATCO Pipelines are regulated mainly by the AUC. The AUC administers acts and regulations covering such matters as rates, financing and service area.

The transmission operations of ATCO Electric and ATCO Pipelines are subject to a cost-of-service regulatory model. Under this model, the regulator establishes the revenues required to recover forecast operating costs of the regulated service, including depreciation and amortization and income taxes. The regulator also establishes the revenues needed for a fair return on utility investment. Determining a fair return to common share owners involves the regulator assessing many factors, including returns on alternative investment opportunities with comparable risk and the level of return for a utility to attract the necessary capital to fund operations and maintain financial integrity.

The Company's regulated operations in the Yukon Territory (AEY) and Northwest Territories (NWT and NUY) are subject to a cost-of-service regulatory model, similar to that in Alberta, administered by regulatory authorities in those jurisdictions.

In 2013, the distribution operations of ATCO Electric and ATCO Gas moved to a form of rate regulation called Performance Based Regulation (PBR). The PBR model uses a formula to determine utility rates on an annual basis; however, the rates should provide utilities the opportunity to recover prudently incurred operating costs for providing regulatory services and earn a fair return on investment.

Before the introduction of PBR, the distribution utilities would have filed cost-of-service applications with the AUC to recover forecast costs from customers. Under PBR, however, revenue is determined by a formula that adjusts customer rates for inflation and expected productivity improvements over a five-year period.

Specifically, the PBR formula incorporates the following factors:

- Estimated annual inflation for input prices (I Factor)
- Less an offset to reflect expected productivity improvements during the PBR plan period (X Factor)

PBR also includes mechanisms to allow companies to:

- Recover capital expenditures not recoverable through the PBR formula that are significant and meet certain criteria (K Factor)
- Recover from or refund to customers amounts outside of management's ability to control that are material, should not significantly influence the I Factor, are prudently incurred, are recurring, and could vary greatly from year to year (Y Factor), or are unforeseen, and not likely to recur (Z Factor).

The first PBR period runs from 2013 to 2017. The AUC can re-open and review the PBR plan if utility return on common equity (ROE) is +/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year.

NEXT GENERATION OF PERFORMANCE BASED REGULATION (PBR 2)

On December 16, 2016, the AUC released its decision on the second generation of PBR plan framework for electricity and natural gas distribution utilities in Alberta. Under the 2018 to 2022 second generation PBR framework, utility rates will continue to be adjusted by a formula that estimates inflation annually and assumes productivity improvements. The framework also contains modified provisions for supplemental funding of capital expenditures that are not recovered as part of the base inflation less productivity formula. Regulatory applications to determine going-in rates will be filed by March 31, 2017. This decision does not apply to the transmission operations of ATCO Electric and ATCO Pipelines; these continue to be regulated under Cost of Service regulation.

The following table compares the key aspects of the PBR First Generation with the PBR Second Generation based on the AUC's December 16, 2016 decision.

	PBR First Generation	**PBR Second Generation**
Timeframe	2013 to 2017	2018 to 2022
Inflation Adjuster (I Factor)	Inflation indexes (AWE and CPI) adjusted annually	Unchanged
Productivity Adjuster (X Factor)	1.16%	0.30%
O&M	Based on approved 2012 forecast O&M levels; inflated by I-X thereafter over the PBR term	Based on the lowest annual actual O&M level during 2013-2016, adjusted for anomalies, inflation and growth to 2017 dollars; inflated by I-X thereafter over the PBR term
Treatment of Capital Expenditures	• Recovered through going-in rates inflated by I-X • Significant capital expenditures not fully recovered by the I-X formula and meeting certain criteria recovered through a K Factor	Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital expenditures for the period 2013-2016 Significant capital expenditures that are extraordinary, not previously incurred and required by a third-party recovered through a “Type I” K Factor
ROE Used for Going-in Rates	8.75%	• 8.5% • + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019
Efficiency Carry-over Mechanism (ECM)	ECM up to 0.5% additional ROE for the years 2018 and 2019 based on certain criteria	ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria
Reopener	+/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year	Unchanged
ROE Used for Reopener Calculation	• 2013 to 2016: 8.3% • 2017: 8.5%	2018 approved ROE (once known) and approved rates thereafter

GENERIC COST OF CAPITAL (GCOC)

In October 2016, the Company received the AUC 2016 GCOC decision. The decision established the return on equity (ROE) and deemed common equity ratios for the Alberta Utilities for 2016 and 2017. The approved ROE and common equity ratios for 2017 will remain in place on an interim basis for 2018 and for subsequent years until changed by the AUC. For ATCO Electric Distribution and ATCO Gas, the 2016 GCOC decision only applies to incremental capital funding and does not apply to the base PBR formula. Based on the changes to the approved ROE and common equity ratios, the net impact is expected to be an improvement to 2017 adjusted earnings for Canadian Utilities, mainly due to the increase in the approved ROE and common equity ratio for ATCO Electric Transmission.

The table below details mid-year rate base, rate of return on common equity and the common equity ratio for each of ATCO Electric Distribution, ATCO Electric Transmission, ATCO Pipelines and ATCO Gas during the past three years. The information shown reflects the most recent amending or varying orders issued after the original decision date.

	Year	AUC Decision	Rate of Return on Common Equity (%) (1)	Common Equity Ratio (%) (2)	Mid-Year Rate Base ($ millions)
ATCO Electric Distribution	**2017**	**2016 GCOC (3)**	**8.50**	**37.0**	–
	2016	**2016 GCOC (3)**	**8.30**	**37.0**	**2,315 (6)**
	2015	2013 GCOC (4)	8.30	38.0	2,130 (7)
	2014	2013 GCOC (4)	8.30	38.0	1,949
ATCO Electric Transmission	**2017**	**2016 GCOC (3)**	**8.50 (5)**	**37.0**	–
	2016	**2016 GCOC (3)**	**8.30 (5)**	**37.0**	**5,218 (8)**
	2015	2013 GCOC (4)	8.30	36.0	5,198 (9)
	2014	2013 GCOC (4)	8.30	36.0	4,413
ATCO Gas	**2017**	**2016 GCOC (3)**	**8.50**	**37.0**	–
	2016	**2016 GCOC (3)**	**8.30**	**37.0**	**2,352 (10)**
	2015	2013 GCOC (4)	8.30	38.0	2,145 (11)
	2014	2013 GCOC (4)	8.30	38.0	1,988
ATCO Pipelines	**2017**	**2016 GCOC (3)**	**8.50**	**37.0**	–
	2016	**2016 GCOC (3)**	**8.30**	**37.0**	**1,263 (12)**
	2015	2013 GCOC (4)	8.30	37.0	1,144
	2014	2013 GCOC (4)	8.30	37.0	979

(1) Rate of return on common equity is the rate of return on the portion of rate base considered to be financed by common equity.

(2) The common equity ratio is the portion of rate base considered to be financed by common equity.

(3) The AUC released its GCOC decision for the periods 2016 to 2017 on October 7, 2016.

(4) The ROE and common equity ratio were based on the last AUC GCOC decision of March 23, 2015.

(5) The ROE and common equity ratio for ATCO Electric Transmission were approved on an interim basis on October 7, 2016, and were approved on a final basis on December 16, 2016.

(6) The mid-year rate base forecast for 2016 is based of the 2016-2017 Capital Tracker Compliance application filed on April 14, 2016.

(7) The mid-year rate base for 2015 is based on the Rule 005 Actuals Package filed on May 2, 2016.

(8) The mid-year rate base forecast for 2016 is based of the 2015-2017 GTA Compliance application filed on December 14, 2016.

(9) The mid-year rate base for 2015 is based on the Rule 005 Actuals Package filed on May 2, 2016.

(10) The mid-year rate base forecast for 2016 is based on the 2016 forecast included in the 2016-2017 Capital Tracker Compliance Application filed on May 12, 2016.

(11) The mid-year rate base for 2015 is based on the Rule 005 Actuals Package filed on May 16, 2016.

(12) The mid-year rate base for 2016 is from the 2017/2018 General Rate Application (GRA) filed September 22, 2016.

ATCO ELECTRIC TRANSMISSION 2015 TO 2017 GENERAL TARIFF APPLICATION (GTA)

In March 2015, ATCO Electric Transmission filed a general tariff application for its operations for 2015, 2016 and 2017. The application requested, among other things, additional revenues to recover higher financing, depreciation and operating costs associated with growth in rate base in Alberta. In August 2016, the AUC issued a decision on the GTA with final rates that were lower than the approved interim rates from 2015 mainly due to lower approved O&M and G&A costs. The impact of this decision was a reduction to 2016 adjusted earnings of $19 million of which $12 million relates to 2016 and $7 million relates to 2015.

PBR CAPITAL TRACKER APPLICATIONS

The Capital Tracker is a mechanism included in the 2013-2017 PBR regulatory model to allow the Company to recover capital investments that meet certain criteria and are not recoverable through the base PBR formula. The decisions for the 2014 Capital Tracker true-up and the 2016-2017 Capital Tracker applications were received by ATCO Electric Distribution in March 2016 and ATCO Gas in April 2016. These decisions included approval of incremental funding for the majority of the Company's applied-for forecast Capital Tracker programs for 2016 and 2017.

WESTERN AUSTRALIA GOVERNMENT REGULATION

ATCO Gas Australia is regulated mainly by the Economic Regulation Authority (ERA) of Western Australia. Rates are generally set for a five-year Access Arrangement (or General Rate Application). ATCO Gas Australia is subject to a cost-of-service regulatory mechanism under which the ERA establishes the revenues for each year of the Access Arrangement to recover (i) a return on projected rate base, including income taxes; (ii) depreciation on the projected rate base; and (iii) projected operating costs.

Under the existing Access Arrangement, ATCO Gas Australia is using the Post-Tax Revenue Model (PTRM) method to determine revenue requirement and customer rates. Under this method, the impact of inflation is added to the rate base annually. The inflation impact is reflected in customer rates in future periods through the recovery of depreciation. Customer rates are adjusted annually through a mechanism, which adjusts the approved rates in real dollars for actual inflation.

The PTRM nominal post-tax return for 2015 under the current Access Arrangement is 6.02 per cent. The return is based on a deemed capital structure of 60 per cent debt and 40 per cent equity. This return was calculated using a cost of debt based on market rates for a benchmark sample of companies in Australia within the BBB credit band and a cost of equity, based on a capital asset pricing model. Income taxes are provided for separately in the build-up of the revenue requirement.

In July 2015, the Western Australia Economic Regulation Authority (ERA) released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. The Australian Competition Tribunal (ACT) decision resulted in a reduced utility ROE from 10.41 per cent (AA3) to 7.21 per cent (AA4).

ATCO Gas Australia lodged an Appeal Application with the ACT on October 1, 2015 seeking leave to appeal a number of key items, including, but not limited to, ROE and the recovery of operating expenses, depreciation and corporate income tax expenses. The ACT decision was received in July 2016 resulting in an increase of approximately $5 million to 2016 adjusted earnings mainly due to an improvement in the recoverability of certain expenses.

The following table compares the ROE and deemed common equity ratios resulting from the 2016 ERA Amended Final Decision.

	Year	ERA Decision	Mid-Year Rate Base ($ millions)	Rate of Return on Common Equity (%) (1)	Common Equity Ratio (%) (2)
ATCO Gas Australia	**2016**	**2016 AA4 (3)**	**1,111**	**7.21**	**40**
	2015	2016 AA4 (3)	1,083	7.21	40
	2014	2016 AA4 (3)	953	8.81	40

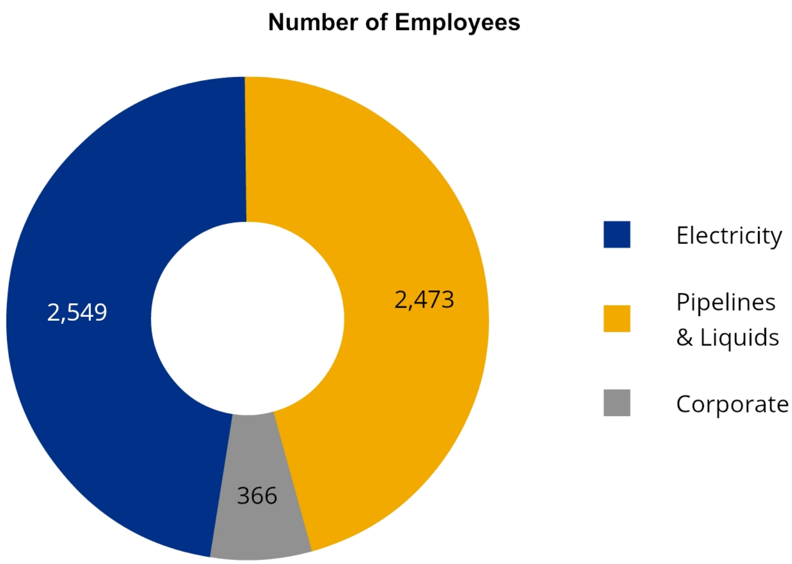
(1) Rate of return on common equity is the rate of return on the portion of rate base considered to be financed by common equity.

(2) The common equity ratio is the portion of rate base considered to be financed by common equity.

(3) The ERA released its AA4 Amended Final Decision on September 10, 2015. This was superseded when the ERA released its AA4 Revised Final Decision on October 25, 2016.

EMPLOYEE INFORMATION

At December 31, 2016, the Company had 5,388 employees. The accompanying chart represents the employee numbers in each segment. The chart does not include 23 employees in ATCO Power Australia joint ventures.



SUSTAINABILITY, CLIMATE CHANGE AND THE ENVIRONMENT

Sustainability, Climate Change and the Environment is described in the "Sustainability, Climate Change and the Environment" section in Canadian Utilities Limited's MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

BUSINESS RISKS

Business risks are described in the "Global Business Unit Information" and "Business Risks and Risk Management" sections in Canadian Utilities Limited's MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

DIVIDENDS

Cash dividends declared during the past three years for all series and classes of shares were as follows.

(Canadian dollars per share)	**Date of Issue**	**2016**	**2015**	**2014**
Series Second Preferred Shares				
Series V (1)	Oct 3, 1997	1.0000	1.0000	1.0000
Series Y	Sep 21, 2011	1.0000	1.0000	1.0000
Series AA	Jun 18, 2012	1.2250	1.2250	1.2250
Series BB	Jul 5, 2012	1.2250	1.2250	1.2250
Series CC	Mar 19, 2013	1.1250	1.1250	1.1250
Series DD	May 15, 2013	1.1250	1.1250	1.1250
Series EE	Aug 7, 2015	1.3125	0.4171	–
Series FF	Sep 24, 2015	1.1250	0.2096	–
Class A and Class B Shares		1.3000	1.1800	1.0700

(1) The dividend was reset to $1.00 (from 4.70 per cent to 4.00 per cent) for dividend periods between October 3, 2012, and October 3, 2017.

The Company's practice is to pay dividends quarterly on its Class A and Class B shares. The Company has increased its common share dividends each year since 1972. On January 12, 2017, the Board of Directors declared a first quarter dividend of 35.75 cents per share. That amount represents a 10 per cent increase over the quarterly dividends per share paid in 2016; the sixth consecutive year of a 10 per cent increase in dividends. The payment of any dividend is at the discretion of the Board of Directors and depends on the Company's financial condition, among other factors.

DIVIDEND REINVESTMENT PLAN

The Canadian Utilities Dividend Reinvestment Plan (DRIP) allows eligible Class A and Class B share owners of Canadian Utilities to reinvest all or a portion of their dividends in additional Class A shares.

In the year ended December 31, 2016, Canadian Utilities issued 1,484,241 Class A shares under its DRIP in lieu of cash dividend payments of $52 million.

In the year ended December 31, 2015, Canadian Utilities issued 2,792,302 Class A shares under its DRIP in lieu of cash dividend payments of $99 million.

In the year ended December 31, 2014, Canadian Utilities issued 2,699,207 Class A shares under its DRIP in lieu of cash dividend payments of $104 million.

CAPITAL STRUCTURE

SHARE CAPITAL

The share capital of the Company at March 1, 2017 is as shown below.

Share Description	Authorized	Outstanding
Series Preferred Shares	150,000	–
Series Second Preferred Shares	Unlimited	60,400,000
Class A Shares	Unlimited	194,290,102
Class B Shares	Unlimited	74,265,683

SERIES PREFERRED SHARES

The Series Preferred Shares are entitled, in priority to the Series Second Preferred Shares and the Class A Non-Voting shares and Class B Common shares, to fixed cumulative preferential cash dividends and, in the event of the liquidation, dissolution or winding-up of the Company, or other distribution of assets of the Company among its share owners for the purpose of winding up its affairs, to the amount paid up thereon and accrued and unpaid dividends and, if such action is voluntary, the premiums payable on redemption, if any.

The Series Preferred Shares are subject to redemption on 30 days' notice and are non-voting except upon the failure of the Company to pay dividends on any such shares for a period of 18 months, in which case the owners of all such shares are entitled to one vote per share at meetings of share owners.

The provisions attaching to the Series Preferred Shares stipulate that no shares ranking junior to the Series Preferred Shares may be retired unless all dividends then payable on the Series Preferred Shares shall have been declared and paid.

There are currently no Series Preferred Shares outstanding.

SERIES SECOND PREFERRED SHARES

An unlimited number of Series Second Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions attaching thereto as may be determined by the directors. The Series Second Preferred Shares as a class have, among others, provisions to the following effect:

(i) The Series Second Preferred Shares rank junior to the Series Preferred Shares but are, with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Company, entitled to preference over the Class A shares and the Class B shares and any other shares of the Company ranking junior to the Series Second Preferred Shares. The Series Second Preferred Shares may also be given such other preference over the Class A shares and the Class B shares and any other junior shares as may be determined for any series authorized to be issued.

(ii) The Series Second Preferred Shares of each series rank equally with the Series Second Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Company.

(iii) The owners of the Series Second Preferred Shares are not entitled as such (except as provided in any series) to any voting rights nor to receive notice of or to attend share owners' meetings unless dividends on the Series Second Preferred Shares of any series are in arrears to the extent of eight quarterly dividends or four half-yearly dividends, as the case may be, whether or not consecutive. Until all arrears of dividends have been paid, such owners will be entitled to receive notice of and to attend all share owners' meetings at which directors are to be elected (other than separate meetings of owners of another class of shares) and to one vote in respect of each Series Second Preferred Share held.

The following Series Second Preferred Shares are currently outstanding:

	Stated Value	Shares	Amount ($ millions)
Perpetual Cumulative Second Preferred Shares			
4.00% Series V	$25.00	4,400,000	110
Cumulative Redeemable Second Preferred Shares			
4.00% Series Y	$25.00	13,000,000	325
4.90% Series AA	$25.00	6,000,000	150
4.90% Series BB	$25.00	6,000,000	150
4.50% Series CC	$25.00	7,000,000	175
4.50% Series DD	$25.00	9,000,000	225
5.25% Series EE	$25.00	5,000,000	125
4.50% Series FF	$25.00	10,000,000	250
			1,510

Series V Preferred Shares

The dividends payable on the Series V preferred shares are fixed until October 3, 2017, at which time a new dividend rate may be established by negotiations between the Company and the owners of the shares. The Series V preferred shares are redeemable at the option of the Company.

Series Y Preferred Shares

The Series Y Preferred Shares may be redeemed by the Company on June 1, 2017, and on June 1 of every fifth year thereafter, in whole or in part at the stated value plus all accrued and unpaid dividends. Holders may elect to convert any or all of their Series Y Preferred Shares into an equal number of Cumulative Redeemable Second Preferred Shares Series Z on June 1, 2017, and on June 1 of every fifth year thereafter. Holders of the Series Z Preferred Shares will be entitled to receive floating rate cumulative preferential cash dividends, as and when declared by the Board, payable quarterly at a rate equal to the then current 3-month Government of Canada Treasury Bill yield plus 2.40 per cent. On June 1, 2022, and on June 1 of every fifth year thereafter (Series Z Conversion Date), holders of the Series Z Preferred Shares may elect to convert any or all of their Series Z Preferred Shares back into an equal number of Series Y Preferred Shares. The Company may redeem the Series Z Preferred Shares in whole or in part at $25.00 on a Series Z Conversion Date or at $25.50 on any other date.

Series AA and Series BB Preferred Shares

The Series AA and Series BB Preferred Shares are redeemable in whole or in part at the option of the Company starting September 1, 2017 at the stated value plus a 4 per cent premium per share for the next twelve months plus accrued and unpaid dividends. The redemption premium declines by 1 per cent in each succeeding twelve month period until September 1, 2021.

Series CC Preferred Shares

The Series CC Preferred Shares are redeemable in whole or in part at the option of the Company starting June 1, 2018 at the stated value plus a 4 per cent premium per share for the next twelve months plus accrued and unpaid dividends. The redemption premium declines by 1 per cent in each succeeding twelve month period until June 1, 2022.

Series DD Preferred Shares

The Series DD Preferred Shares are redeemable in whole or in part at the option of the Company starting September 1, 2018 at the stated value plus a 4 per cent premium per share for the next twelve months plus accrued and unpaid dividends. The redemption premium declines by 1 per cent in each succeeding twelve month period until September 1, 2022.

Series EE Preferred Shares

The Series EE Preferred Shares are redeemable in whole or in part at the option of the Company starting September 1, 2020 at the stated value plus a 4 per cent premium per share for the next twelve months plus accrued and unpaid dividends. The redemption premium declines by 1 per cent in each succeeding twelve month period until September 1, 2024.

Series FF Preferred Shares

The Series FF Preferred Shares may be redeemed by the Company on December 1, 2020, and on December 1 of every fifth year thereafter, in whole or in part at the stated value plus all accrued and unpaid dividends. Holders may elect to convert any or all of their Series FF Preferred Shares into an equal number of Cumulative Redeemable Second Preferred Shares Series GG on December 1, 2020, and on December 1 of every fifth year thereafter. Holders of the Series GG Preferred Shares will be entitled to receive quarterly floating rate cumulative preferential cash dividends, as and when declared by the Board of Directors, equal to the then current 3-month Government of Canada Treasury Bill yield plus 3.69 per cent provided that, in any event, such rate shall not be less than 4.5%. On December 1, 2025, and on December 1, of every fifth year thereafter, the Company may redeem the Series GG Preferred Shares in whole or in part at the stated value. On any other date, the Company may redeem the Series GG Preferred Shares in whole or in part by the payment of $25.50 for each share to be redeemed.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

Class A and Class B share owners are entitled to share equally, on a share for share basis, in all dividends the Company declares on either of such classes of shares as well as in the Company's remaining property on dissolution. Class B share owners are entitled to vote and to exchange at any time each share held for one Class A share.

If a take-over bid is made for the Class B shares and if it would result in the offeror owning more than 50 per cent of the outstanding Class B shares (excluding any Class B shares acquired upon conversion of Class A shares), the Class A share owners are entitled, for the duration of the take-over bid, to exchange their Class A shares for Class B shares and to tender the newly acquired Class B shares to the take-over bid. Such right of exchange and tender is conditional on completion of the applicable take-over bid.

In addition, Class A share owners are entitled to exchange their shares for Class B shares if ATCO Ltd., the Company's controlling share owner, ceases to own or control, directly or indirectly, more than 10,000,000 of the issued and outstanding Class B shares. In either case, each Class A share is exchangeable for one Class B share, subject to changes in the exchange ratio for certain events such as a stock split or rights offering.

Of the 12,800,000 Class A shares authorized for grant of options under the Company's stock option plan, 5,360,750 Class A shares were available for issuance at December 31, 2016. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

To the Company's knowledge, none of the securities of the Company are held in escrow or are subject to a contractual restriction on transfer as at the date hereof.

CREDIT RATINGS

Credit ratings are important to the Company's financing costs and ability to raise funds. The Company intends to maintain strong investment grade credit ratings in order to provide efficient and cost effective access to funds required for operations and growth.

In 2016, Standard and Poor's Rating Services (S&P) affirmed its rating on the Company as "A" with a negative outlook. In August 2016, DBRS Limited (DBRS) affirmed its rating on the Company as "A" with a stable trend.

In October 2016, S&P affirmed its rating on ATCO Gas Australia's debt as "A-" with a negative outlook.

The following table shows the current credit ratings assigned to the securities of Canadian Utilities Limited and CU Inc., and ATCO Gas Australia Limited Partnership's long-term debt. Ratings are provided by DBRS and S&P.

	DBRS	S&P
Canadian Utilities Limited		
Long-term debt and issuer	A	A
Commercial paper	R-1 (low)	A-1 (mid)
Preferred shares	Pfd-2 (high)	P-2 (high)
CU Inc.		
Long-term debt and issuer	A (high)	A
Commercial paper	R-1 (low)	A-1 (mid)
Preferred shares	Pfd-2 (high)	P-2 (high)
ATCO Gas Australia Limited Partnership [(1)]		
Long-term debt and issuer	N/A	A-

(1) ATCO Gas Australia Limited Partnership holds the long-term debt for ATCO Gas Australia Pty Ltd.

LONG-TERM DEBT AND ISSUER CREDIT RATINGS

An "A" rating by DBRS is the third highest of 10 categories. Long-term debt rated "A" is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than "AA". A-rated debt may be vulnerable to future events, but qualifying negative factors are considered manageable. Each rating category other than "AAA" and "D" contains the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

An "A" rating by S&P is also the third highest of 10 categories. An entity rated "A" by S&P has a strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than an entity in higher-rated categories. Ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

COMMERCIAL PAPER AND SHORT-TERM DEBT CREDIT RATINGS

An "R-1 (low)" rating by DBRS is the lowest subcategory in the highest of six categories and is granted to short-term debt of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favourable as higher rating subcategories and may be vulnerable to future events, but qualifying negative factors are considered manageable. Rating categories "R-1" and "R-2" are further denoted by the subcategories "high", "middle", and "low".

An "A-1 (Mid)" rating by S&P is the second highest of eight categories in its Canadian commercial paper ratings scale. A short-term obligation rated "A-1 (Mid)" reflects a strong capacity for the entity to meet its financial commitment on the obligation.

PREFERRED SHARE CREDIT RATINGS

A “Pfd-2” rating by DBRS is the second highest of six categories granted by DBRS. Preferred shares rated in this category are considered of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as “Pfd-1” rated companies. Each rating category is denoted by the subcategories “high” and “low". The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category.

A “P-2” rating by S&P is the second highest of eight categories S&P uses in its Canadian preferred share rating scale. An obligation rated “P-2” exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the entity to meet its financial commitment on the obligation. A “high” or “low” designation shows relative standing within a rating category. The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category.

CREDIT RATINGS GENERALLY

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The ratings indicate the likelihood of payment and an issuer’s capacity and willingness to meet its financial commitment on an obligation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization.

As is customary, the Company makes payments to the credit ratings organizations for the assignment of ratings as well as other services. The Company expects to make similar payments in the future.

MARKET FOR SECURITIES OF THE COMPANY

The Company’s Class A shares, Class B shares and Cumulative Redeemable Second Preferred Shares, Series Y, AA, BB, CC, DD, EE, and FF are listed on the Toronto Stock Exchange (TSX). The Perpetual Cumulative Second Preferred Shares Series V are not listed.

TRADING PRICE AND VOLUME

The following tables set forth the high and low prices and volume of the Company’s shares traded on the TSX under the symbols CU for Class A shares, CU.X for Class B shares, CU.PR.C for Series Y shares, CU.PR.D for Series AA shares, CU.PR.E for Series BB shares, CU.PR.F for Series CC shares, CU.PR.G for Series DD shares, CU.PR.H for Series EE shares, CU.PR.I for Series FF shares, during 2016.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

			Class A Shares			Class B Shares
2016	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	36.28	30.20	7,196,427	36.00	30.50	21,118
February	36.39	32.12	6,729,817	36.28	32.25	20,752
March	36.70	32.57	4,676,331	36.60	33.23	14,819
April	36.76	34.48	3,091,594	36.41	34.50	9,119
May	37.42	35.81	5,005,539	37.15	35.83	13,737
June	37.93	35.89	4,171,287	37.55	36.00	32,316
July	40.78	37.59	4,366,770	40.40	36.25	31,159
August	40.49	37.40	3,762,317	40.21	37.47	17,652
September	38.45	36.23	3,761,318	38.25	36.45	8,868
October	38.99	35.87	3,412,880	38.75	36.00	9,154
November	38.66	34.99	4,517,592	38.25	35.15	14,658
December	36.70	34.83	4,396,380	36.50	34.85	32,156

CUMULATIVE REDEEMABLE SECOND PREFERRED SHARES

			Series Y			Series AA			Series BB
2016	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	20.10	15.41	265,933	22.28	20.25	141,451	22.30	20.25	68,573
February	17.50	14.87	160,856	21.60	21.10	53,802	21.65	21.04	110,593
March	18.08	14.97	125,767	22.46	21.25	145,405	22.36	21.32	164,589
April	18.58	17.28	159,917	22.83	22.13	197,460	22.84	22.08	53,261
May	18.90	17.74	213,405	22.89	22.45	96,159	22.94	22.25	112,374
June	18.32	15.35	210,011	23.32	22.60	172,781	23.24	22.67	184,989
July	18.00	16.32	135,550	24.48	23.38	77,598	24.53	23.36	71,389
August	19.25	17.95	147,952	25.00	24.44	105,640	25.07	24.42	62,045
September	18.79	17.66	101,742	24.84	24.30	90,187	24.85	24.30	71,261
October	19.87	17.88	341,929	24.99	24.28	142,387	24.85	24.36	100,399
November	20.30	18.89	257,162	24.97	22.94	141,167	24.90	22.96	111,734
December	21.24	19.10	253,086	23.34	22.61	96,576	23.34	22.61	152,440

			Series CC			Series DD
2016	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	20.80	18.68	96,887	20.75	18.59	116,702
February	19.91	19.32	52,589	19.82	19.02	51,980
March	20.75	19.60	62,829	20.55	19.32	105,090
April	21.39	20.45	376,779	22.19	20.45	240,573
May	21.15	20.61	107,102	21.29	20.74	113,505
June	21.25	20.80	89,171	21.35	20.71	78,048
July	22.49	21.25	151,514	22.55	21.28	97,297
August	23.17	22.45	110,399	23.32	22.43	82,540
September	22.93	22.42	43,696	22.97	22.41	78,165
October	22.86	22.22	63,787	22.89	22.20	75,727
November	22.75	20.92	78,852	22.82	20.71	86,818
December	21.60	20.54	246,194	21.28	20.39	108,388

			Series EE			Series FF
2016	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	23.90	21.80	106,218	25.64	23.58	306,066
February	23.15	22.26	164,456	25.60	24.70	349,776
March	23.90	22.99	42,781	25.79	24.93	465,078
April	24.36	23.65	43,217	25.97	25.50	182,223
May	24.45	23.86	78,050	25.98	25.44	93,448
June	24.95	24.27	57,292	26.20	25.03	218,679
July	25.80	24.89	31,708	26.67	25.93	107,874
August	25.80	25.25	42,423	26.95	25.57	158,083
September	25.44	25.07	30,763	26.08	25.16	133,691
October	25.87	25.26	42,336	26.56	25.66	86,919
November	25.89	24.57	53,228	27.13	25.40	149,845
December	24.87	24.13	85,148	27.32	25.90	73,671

DIRECTORS AND OFFICERS

DIRECTORS [(1)]

NANCY C. SOUTHERN

Calgary, Alberta, Canada
Director since 1990
Age 60

Ms. Southern was appointed Chair of Canadian Utilities and ATCO effective December 1, 2012 and has been Chief Executive Officer of Canadian Utilities and President and Chief Executive Officer of ATCO since January 1, 2003. Ms. Southern was also President of Canadian Utilities from 2003 to 2015. Previously, she was Deputy Chair of each of ATCO and Canadian Utilities from 2008 until 2012, Co-Chair and Co-Chief Executive Officer of each company from 2000 until 2002, Deputy Chief Executive Officer of each company from 1998 to 1999, and Deputy Chair of each company from 1996 to 1999. Ms. Southern has full responsibility for the strategic direction and the operations of Canadian Utilities, reporting to the Board of Directors. Ms. Southern is a founding director and is a member of the Board of Directors of AKITA Drilling Ltd. She is also a director of Sentgraf Enterprises Ltd. and an Honorary Director of the Bank of Montreal.

Ms. Southern is a member of The U.S. Business Council; a member of the American Society of Corporate Executives, and a Canadian member of The Trilateral Commission. She is also a member of the Business Council of Canada, the Rideau Hall Foundation Board of Directors, and the Premier of Alberta's Advisory Committee.

MATTHIAS F. BICHSEL, PhD

Luzern, Switzerland
Director since 2014
Age 62

Dr. Bichsel is an energy and technology consultant to private investment companies. During his career at Royal Dutch Shell plc, he held increasingly senior positions and was a member of the Executive Committee until his retirement in 2014. He ran one of its four global businesses, Projects and Technology, and was responsible for oil and gas field developments, upstream and downstream capital projects, R&D, engineering, supply chain management, drilling, safety and environmental performance and sustainable development. Dr. Bichsel was accountable for the safety and environmental performance at Shell. His responsibilities included setting environmental standards, carbon dioxide emission reduction policies, and climate change matters. Dr. Bichsel was also responsible for sustainable development including climate change, emissions, pollution, societal shifts and stakeholder interests.

Dr. Bichsel has a PhD in Geology from the University of Basel, Switzerland, and was appointed Honorary Professor at the Chinese University of Petroleum, Beijing, China.

LORAINE M. CHARLTON (2) (3)

Calgary, Alberta, Canada
Director since 2006
Age 60

Loraine Charlton is currently Vice President and Chief Financial Officer of Lintus Resources Limited, a private oil and gas company with interests across Western Canada, and has over three decades of experience in the oil and gas industry. Ms. Charlton spent 22 years at Investors Petroleum Consultants Ltd. where she held the roles of Chief Financial Officer, Chief Operating Officer and various other positions involving responsibility for directing the company's overall management, including financial reporting, banking, debt and treasury management, investor relations, risk management, as well as human resources, health and safety, operations and strategy. She also sits on the boards of CU Inc. and AKITA Drilling Ltd.

Ms. Charlton graduated from the University of Calgary with a Bachelor of Commerce degree in Finance. She also holds the Corporate Director Designation (ICD.D) from the Institute of Corporate Directors.

ROBERT B. FRANCIS

Priddis, Alberta, Canada
Director since 2012
Age 62

Mr. Francis is President and Founder of Agriteam Canada Consulting Ltd. and Salasan Consulting Inc. These companies specialize in designing and managing large-scale international development projects. The sectors in which they work include government reform, rule of law, judicial reform, health, environment, natural resource management, rural development, agriculture and corporate social responsibility. He has more than 30 years' experience working in international development and has considerable experience in managing projects in these companies that currently employ over 800 people in 26 countries. Mr. Francis' extensive experience provides the Board with a unique insight and perspective on all aspects of the business and international growth strategy.

Mr. Francis has a B.Sc. in Animal Biology, a B.Sc. in Agriculture, and M.Sc. studies in Agricultural Economics-Marketing. He has also completed post graduate studies at the School of Agriculture, University of Nottingham in the U.K.

ROBERT J. NORMAND (3) (4)

Edmonton, Alberta, Canada
Director since 2008
Age 70

Mr. Normand retired in October 2015 as Chair of the Workers Compensation Board of Alberta, the agency which administers workplace insurance for the workers and employers of the Province of Alberta. In 2008, he retired from the position of President and Chief Executive Officer of Alberta Treasury Branches ("ATB"). Prior to joining ATB as Executive Vice-President Sales in 1996, he was employed by the Bank of Montreal for 26 years and held line and credit executive positions in Quebec, Ontario and Alberta.

Through his experience in the financial services sector, he has developed extensive knowledge and expertise in the areas of finance, regulatory matters and risk management.

Mr. Normand is a Fellow of the Institute of Canadian Bankers and holds a B.A. (Econ.) from Sir George Williams University and an M.B.A. from Concordia University.

HECTOR A. RANGEL

Mexico City, Mexico
Director since 2014
Age 69

Mr. Rangel is the President of BCP Securities Mexico, a joint venture with BCP Securities LLC, a US investment bank specializing in emerging markets. Prior to this role, he was the Chief Executive Officer of Nacional Financiera S.N.C. and Banco Nacional de Comercio Exterior and a member of Mexico's cabinet under President Felipe Calderon. Mr. Rangel has extensive corporate and investment banking expertise having held various executive positions with the Grupo Financiero Bancomer from 1991 until 2008, including a tenure as Chairman of the Board. Mr. Rangel has also been President of the Mexico Bankers Association and President of the Mexican Business Council.

Mr. Rangel is also presently a director of Afore GNP, Seguros GNP and Nadro S.A. and has been director of a number of major public companies in Mexico.

Mr. Rangel has an Industrial Engineering degree from Purdue University and a Master's Degree in Business Administration from Stanford University.

LAURA A. REED

Wynn Vale, Australia
Director since 2014
Age 55

Ms. Reed was the Chief Executive Officer/Managing Director of Spark Infrastructure (ASX: SKI) from 2008 until May 2012. Spark Infrastructure owned 49 per cent of three electricity distribution businesses in Australia. Before joining Spark Infrastructure, she spent nine years at Envestra Limited (ASX:ENV), a gas distribution company, in a number of senior financial roles including Chief Financial Officer.

Ms. Reed is the Chair of ERIC Alpha Holdings Pty Ltd and its subsidiaries, which owns 49% of Ausgrid, an electricity distribution business in Australia. In addition, Ms. Reed is a director of Ausgrid. Ms. Reed is also a director and Audit & Risk Committee Chair of Epic Energy, which owns the Moomba to Adelaide gas transmission pipeline in South Australia, as well as a director of ATCO Australia Pty Ltd.

Ms. Reed holds an MBA from Deakin University and a Bachelor of Business (Accounting) and is a fellow of Certified Practicing Accountants Australia.

WILLIAM G. SEMBO (4)

Calgary, Alberta, Canada
Director since 2014
Age 63

Mr. Sembo was a Vice Chairman and Managing Director of RBC Capital Markets LLC until October 2013. With over 40 years of industry experience, Mr. Sembo has spent the majority of his career in energy investment banking. He has expertise in investment banking, corporate credit and mergers and acquisitions. Prior to joining RBC in 1986, Mr. Sembo held corporate finance and financial planning positions with Toronto Dominion Bank and Asamera Inc. He has extensive capital markets expertise having served as a director for both private and public boards as well as numerous not-for-profit organizations.

Mr. Sembo currently serves as a director for ARC Resources Ltd. as well as three privately owned enterprises, OMERS Energy Services LP, CEDA International Corporation and Calgary Scientific Inc.

Mr. Sembo has a Bachelor of Arts in Economics from the University of Calgary.

JAMES W. SIMPSON (2) (3)

Calgary, Alberta, Canada
Director since 2004
Age 72

Mr. Simpson is Lead Director for the Board of Canadian Utilities. Formerly President of Chevron Canada Resources, he retired after a 30 year career with Chevron Corporation. While President of Chevron Canada, Mr. Simpson was involved with several remediation projects including a multi-million dollar program to identify and remediate oil pipeline river and stream crossings from legacy operations.

He is a former Chairman of the Board of Governors of the Canadian Association of Petroleum Producers and actively participated in climate change issues and emerging regulatory policies related to Canada's petroleum industry. He has also participated in the World Petroleum Congress.

Mr. Simpson holds a B.Sc. (Honours) in Geology and a M.Sc. in Geophysics He is a graduate of the Program for Senior Executives from the Sloan School of Business at M.I.T.

LINDA A. SOUTHERN-HEATHCOTT (4)

Calgary, Alberta, Canada
Director since 2000
Age 53

Ms. Southern-Heathcott is President & Chief Executive Officer of Spruce Meadows Ltd., an internationally recognized equestrian facility in Calgary, Alberta. As a former professional equestrian rider, Ms. Southern-Heathcott was a member of the Canadian Equestrian Team for nine years and competed in the 1996 Olympic Summer Games in Atlanta, Georgia. Ms. Southern-Heathcott brings significant management and business experience to the Board and was appointed Vice Chair of the Board of Directors of Canadian Utilities in March 2017.

Ms. Southern-Heathcott is a founding director, and currently serves as Board Chair, of AKITA Drilling Ltd. Ms. Southern-Heathcott also serves on the Boards of ATCO Structures and Logistics Ltd. and Sentgraf Enterprises Ltd.

In 2010, Ms. Southern-Heathcott received her ICD.D certification from the Director Education Program of the Institute of Corporate Directors.

KAREN M. WATSON (4)

Victoria, British Columbia, Canada
Director since 2012
Age 65

After 33 years of service with ATCO, in December 2009, Ms. Watson retired as Senior Vice President & Chief Financial Officer of Canadian Utilities, ATCO, and CU Inc., and as a director of CU Inc. Following her retirement, Ms. Watson was appointed General Manager of Sentgraf Enterprises Ltd., from which she retired in December 2011.

Ms. Watson received her B.Sc. degree in Mathematics from the University of Alberta. In 2013 Ms. Watson received her ICD.D certification from the Director Education Program at the Institute of Corporate Directors.

CHARLES W. WILSON (2)

Boulder, Colorado, USA
Director since 2000
Age 77

Mr. Wilson is Lead Director for the Board of Directors of ATCO Ltd. and is a director of ATCO Australia Pty Ltd. He was President and Chief Executive Officer of Shell Canada from 1993 to 1999, and Executive Vice President, U.S. Downstream Oil and Chemical of Shell Oil Company from 1988 to 1993. Before 1988, he was Vice President, U.S. Exploration and Production of Shell Oil Company, and also held various executive positions in the domestic and international natural resource operations of Shell.

As the former Head of the Environment Committee of the Canadian Association of Petroleum Producers, Mr. Wilson was actively involved in climate change matters and emerging regulatory policies related to the petroleum industry.

Mr. Wilson holds a B.Sc. in Civil Engineering and an M.Sc. in Engineering.

(1) All directors hold office until the close of the annual meeting of share owners of the Company or until their successors are elected or appointed.
(2) Member of the Corporate Governance - Nomination, Compensation and Succession Committee
(3) Member of the Audit & Risk Review Committee
(4) Member of the Pension Fund Committee

OFFICERS (IN ALPHABETICAL ORDER)

Name, Province and Country of Residence	Position Held and Principal Occupation
C.J. Ackroyd Alberta, Canada	Vice President, Marketing & Communications Canadian Utilities Limited and ATCO Ltd.
B.R. Bale Alberta, Canada	Senior Vice President & Chief Financial Officer Canadian Utilities Limited and ATCO Ltd.
B.J. Black Alberta, Canada	Vice President, Corporate Services Canadian Utilities Limited
L. Brewster Alberta, Canada	Vice President, Indigenous Community Relations & Development Canadian Utilities Limited
C.M.D. Field Alberta, Canada	Vice President, Human Resources Canadian Utilities Limited and ATCO Ltd.
G.D. Friesen Alberta, Canada	Vice President, Indigenous and Government Relations & Sustainability Canadian Utilities Limited
C. Gear Alberta, Canada	Corporate Secretary Canadian Utilities Limited and ATCO Ltd.
E.M. Kiefer Alberta, Canada	Senior Vice President & Chief Administration Officer Canadian Utilities Limited and ATCO Ltd.
S.W. Kiefer Alberta, Canada	Chief Strategy Officer, ATCO Ltd. and Canadian Utilities Limited President, Canadian Utilities Limited
G.J. Lidgett Alberta, Canada	Managing Director, Pipelines & Liquids Canadian Utilities Limited and ATCO Ltd.
A.L. Maher Alberta, Canada	Vice President, Controller Canadian Utilities Limited and ATCO Ltd.
R.C. Neumann Alberta, Canada	Vice President, Internal Audit Canadian Utilities Limited and ATCO Ltd.
S.F. Policicchio Alberta, Canada	Managing Director, Shared Services Canadian Utilities Limited and ATCO Ltd.
A.M. Skiffington Alberta, Canada	Vice President & Chief Information Officer Canadian Utilities Limited and ATCO Ltd.
N.C. Southern Alberta, Canada	Chair & Chief Executive Officer, Canadian Utilities Limited and Chair, President & Chief Executive Officer, ATCO Ltd.
W.K. Stensby Alberta, Canada	Managing Director, Electricity Canadian Utilities Limited and ATCO Ltd.
Patrick C. Tait Alberta, Canada	Vice President, Real Estate Strategies Canadian Utilities Limited and ATCO Ltd.
D.J. Toole Alberta, Canada	Vice President, HR Services Canadian Utilities Limited and ATCO Ltd.
C.G. Warkentin Alberta, Canada	Vice President, Finance & Risk Canadian Utilities Limited and ATCO Ltd.

POSITIONS HELD BY OFFICERS WITHIN PRECEDING FIVE YEARS

All the officers have been engaged for the last five years in the indicated principal occupations, or in other capacities with the companies or firms referred to, or with their affiliates or predecessors, except for Mr. Tait and Ms. Toole. Mr. Tait has held several senior management and executive level roles specializing in national and international corporate real estate, including his most recent position as Global Director of Real Estate and Construction at Magna International (a Canadian automotive supplier). Ms. Toole has held several senior executive roles, serving as Vice President, Human Resources at Brookfield Residential (a land development and home building company) and prior to that, as Vice President, Human Resources at TransAlta (a power generation and energy trading company).

DIRECTORS' AND OFFICERS' INTEREST IN THE COMPANY

At December 31, 2016, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), 68,609,677 (92.3 per cent) of the issued and outstanding Class B common shares of the Company.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Since January 1, 2016, there has been no indebtedness outstanding to the Company from any of its directors, executive officers, senior officers or associates of any such directors, nominees or senior officers.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

As at March 1, 2017, there were 74,265,683 Class B shares outstanding. To the knowledge of the directors and officers of the Company, the only person who beneficially owns, controls or directs, either directly or indirectly, 10% or more of the Class B shares is ATCO Ltd.

ATCO Ltd. owns 66,309,246 Class B shares representing approximately 89.3% of the outstanding Class B shares. The Margaret E. Southern Spousal Trust (the "Spousal Trust") has a controlling interest in Sentgraf Enterprises Ltd. ("Sentgraf"), and together with Sentgraf controls ATCO Ltd. Ms. Nancy Southern and Ms. Linda Southern-Heathcott are trustees of the Spousal Trust. All actions regarding the Class B shares owned by the Spousal Trust require the approval of a majority of the trustees. The Spousal Trust, ATCO and Sentgraf are collectively referred to as the "Majority Share Owner."

No director or executive officer of the Company, person or company that beneficially owns, or controls or directs, directly or indirectly, greater than ten per cent of the Company’s Class B voting common shares, nor any associate or affiliate of the foregoing, has, or has had, any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES OR SANCTIONS

Corporate Cease Trade Orders

Except as otherwise disclosed herein, no director, executive officer or controlling security holder of the Company is, as at the date of this AIF, or has been, within the past ten years before the date hereof, a director or executive officer of any other issuer that, while that person was acting in that capacity:

i. was the subject of a cease trade or similar or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or

ii. was subject to an event that resulted, after the person ceased to be a director or executive officer, in the Company being the subject of a cease trade or similar order or an order that denied the relevant company access to an exemption under securities legislation for a period of more than 30 consecutive days; or

iii. within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

No director, executive officer or controlling security holder of the Company has, within the years before the date hereof, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Penalties or Sanctions

No current director, executive officer or controlling security holder of the Company has:

i. been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or

ii. been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Circumstances may arise where members of the Board serve as directors or officers of corporations which are in competition to the interests of the Company. No assurances can be given that opportunities identified by any such member of the Board will be provided to the Company. However, the Company's policies provide that each director and executive officer must comply with the disclosure requirements of the Canada Business Corporations Act (CBCA) regarding any material interest. If a declaration of material interest is made, the declaring director shall not vote on the matter if put to a vote of the Board. In addition, the declaring director and executive officer may be requested to recuse himself or herself from the meeting when such matter is being discussed.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Class A shares, Class B shares and the Cumulative Redeemable Second Preferred Shares Series Y, AA, BB, CC, DD, EE and FF is CST Trust Company at its principal offices in Calgary, Vancouver, Toronto and Montreal.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is occasionally named as a party in claims and legal proceedings which arise during the normal course of its business. The Company reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. There can be no assurance that any particular claim will be resolved in the Company's favour or that such claim may not have a material adverse effect on the Company. For further information, please refer to Note 33 of our audited consolidated financial statements for the year ended December 31, 2016.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business (unless otherwise required by applicable securities requirements to be disclosed), there were no material contracts entered into by the Company or its subsidiaries during the most recently completed financial year, or before the most recently completed financial year that are still in effect.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has prepared the auditor's report for the Company's annual consolidated financial statements. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Adjusted earnings are defined as earnings attributable to Class A and Class B shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and dividends on equity preferred shares of the Company. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to Class A and Class B shares is presented in the MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the 2016 Annual Financial Statements.

Capital investments is defined as cash used for capital expenditures and service concession arrangements. Capital expenditures include additions to property, plant and equipment, intangibles and the Company's proportional share of capital expenditures in joint ventures, as well as interest capitalized during construction. In management's opinion, capital investment reflects the Company's total cash investment in assets.

FORWARD LOOKING INFORMATION

Certain statements contained in this AIF constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “anticipate,” “plan,” “estimate,” “expect,” “may,” “will,” “intend,” “should,” and similar expressions. Forward-looking information involves 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. The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, is contained in the Company's most recent Management Proxy Circular dated May 3, 2017. Additional financial information is provided in the Company's audited consolidated financial statements and the Company's MD&A for the financial year ended December 31, 2016.

Information relating to ATCO or CU Inc. may be obtained on request from Investor Relations at 1500, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6, or by telephone (403) 292-7500 or fax (403) 292-7532. Corporate information is also available on the Company's website: www.canadianutilities.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

AEY means ATCO Electric Yukon.

AGP means ATCO Gas and Pipelines Ltd.

Alberta Power Pool means the market for electricity in Alberta operated by AESO.

Alberta Utilities means ATCO Electric Distribution, ATCO Electric Transmission, ATCO Gas and ATCO Pipelines.

Ancillary Services means those services purchased by the AESO from Alberta generating stations to ensure that electricity can be transmitted reliably, efficiently, and securely across Alberta's interconnected transmission system.

APL means Alberta PowerLine.

ATCO means ATCO Ltd.

ATCO Electric means ATCO Electric Ltd.

ATCO Energy means ATCO Energy Ltd.

ATCO Energy Solutions means ATCO Energy Solutions Ltd.

ATCO Gas means the natural gas distribution division of AGP.

ATCO Gas Australia means ATCO Gas Australia LP

ATCO means ATCO Ltd. and its subsidiaries.

ATCO I-Tek means ATCO I-Tek Inc.

ATCO Pipelines means the natural gas transmission division of AGP.

ATCO Pipelines Mexico means ATCO Pipelines S.A. de C.V.

ATCO Power means ATCO Power (2010) Ltd. with its subsidiaries.

ATCO Power Australia means ATCO Power Australia (Energy) Limited Partnership.

ATCO Structures & Logistics means ATCO Structures & Logistics Ltd. with its subsidiaries.

AUC means the Alberta Utilities Commission.

Canadian Utilities means Canadian Utilities Limited.

Class A shares means Class A non-voting common shares of the Company.

Class B shares means Class B common shares of the Company.

Company means Canadian Utilities Ltd. and, unless the context otherwise requires, includes its subsidiaries.

ERA means the Economic Regulatory Authority (Western Australia).

EUA means the Electric Utilities Act (Alberta).

Earnings means Adjusted Earnings as defined in the Non-GAAP and Additional GAAP Measures section of this MD&A.

Frac spread means the premium or discount between the purchase price of natural gas and the selling price of extracted natural gas liquids on a heat content equivalent basis.

GAAP means Canadian generally accepted accounting principles.

Gigawatt hour (GWh) is a measure of electricity consumption equal to the use of 1 billion watts of power over a one-hour period.

IFRS means International Financial Reporting Standards.

Km means kilometre.

LNG means liquefied natural gas.

MD&A means the Company's Management's Discussion and Analysis for the year ended December 31, 2016.

Megawatt (MW) is a measure of electric power equal to 1,000,000 watts.

Megawatt hour (MWh) is a measure of electricity consumption equal to the use of 1,000,000 watts of power over a one-hour period.

Merchant means uncontracted generating plant capacity that is offered into the spot electricity market in which the generating plant is located.

NEB means National Energy Board.

NGL means natural gas liquids, such as ethane, propane, butane and pentanes plus, that are extracted from natural gas and sold as distinct products or as a mix.

NGTL means NOVA Gas Transmission Ltd.

NUY means Northland Utilities (Yellowknife) Limited.

NWT means Northland Utilities (NWT) Limited.

PBR means Performance Based Regulation.

Petajoule (PJ) is a unit of energy equal to approximately 948.2 billion British thermal units.

PPA means Power Purchase Arrangements that became effective on January 1, 2001, as part of the process of restructuring the electric utility business in Alberta. PPA are legislatively mandated and approved by the AUC.

REA means Rural Electrification Association. REAs are constituted under the Rural Utilities Act (Alberta) by groups of persons carrying on farming operations. Each REA purchases electric power for distribution to its members through a distribution system owned by that REA.

Regulated Utilities means ATCO Electric Distribution, ATCO Electric Transmission, ATCO Gas, ATCO Pipelines and ATCO Gas Australia.

ROE means Return on Equity.

Spark spread is the difference between the selling price of electricity and the marginal cost of producing electricity from natural gas. In this MD&A, spark spreads are based on an approximate industry heat rate of 7.5 GJ per MWh.

Terajoule (TJ) is a unit of energy equal to approximately 948.2 million British thermal units.

TPL means Thames Power Limited.

U.K. means United Kingdom.

U.S. means United States of America.

APPENDIX 1

DETAILS OF GENERATING PLANTS

ATCO POWER GENERATING PLANTS

Name & Location	Type	Date In Service	MW[1]	Ownership (%)	Capacity Share (MW)	Contracted Capacity (MW)	Partner(s) [2]	Customer(s)[2]	Contract Expiry Date
Battle River 3, 4 Forestburg, AB	Coal-Fired Thermal	1969 & 1975	304	100	304		–	Merchant	–
Battle River 5 Forestburg, AB	Coal-Fired Thermal	1981	385	100	385	368	–	ENMAX	2020
Sheerness 1, 2 Hanna, AB	Coal-Fired Thermal	1986 & 1990	780	50	390	378	TransAlta	Balancing Pool	2020
Cory Saskatoon, SK	Gas-Fired Cogeneration	2003	260	50	130	130	SPI	SPC	2028
Joffre Red Deer, AB	Gas-Fired Cogeneration	2000	480	40	192	46	Capital Power / NOVA	NOVA/ Merchant	2020
McMahon Taylor, BC	Gas-Fired Cogeneration	1993	120	50	60	60	Spectra Energy	BC Hydro	2029
Muskeg River Ft. McMurray, AB	Gas-Fired Cogeneration	2003	170	70	119	119	SPI	AOSP/ Merchant	2042
Primrose Primrose, AB	Gas-Fired Cogeneration	1998	85	50	42	21	CNRL	CNRL/ Merchant	2018
Rainbow Lake 4, 5 Rainbow Lake, AB	Gas-Fired Cogeneration	1999	90	50	45	–	Husky Energy	Husky Energy/ Merchant	2020
Scotford Ft. Saskatchewan AB	Gas-Fired Cogeneration	2003	170	100	170	140	–	AOSP/ Merchant	2043
Brighton Beach Windsor, ON	Gas-Fired Combined-Cycle	2004	580	50	290	290	OPG	Shell Energy	2024
Poplar Hill Grande Prairie, AB	Gas-Fired Open-Cycle	1998	45	100	45	–	–	Merchant / TMR [3] contract	2020
Valleyview 1, 2 Valleyview, AB	Gas-Fired Open-Cycle	2001 & 2008	90	100	90	–	–	Merchant	–
Oldman River Pincher Creek, AB	Hydroelectric	2003	32	75	24	–	Piikani Nation	Merchant	–
Distributed Generation House Mountain, AB	Gas-Fired	2016	6	100	6	6	–	Apache Canada Ltd.	2026
Distributed Generation Karr, AB	Gas-Fired	2016	3	100	3	3	–	Various	2026
Distributed Generation Mexico	Gas-Fired	2016	4	50	2	2	Grupo Ranman	Various	2026
Total (A)			**3,604**		**2,297**	**1,563**			

ATCO POWER AUSTRALIA GENERATING PLANTS

Name & Location	Type	Date In Service	MW (1)	Ownership (%)	Capacity Share (MW)	Contracted Capacity (MW)	Partner(s) (2)	Customer(s) (2)	Contract Expiry Date
Osborne South Australia	Gas-Fired Combined-Cycle	1998	180	50	90	90	Origin Energy	Origin Electricity	2018
Karratha Western Australia	Gas-Fired Open-Cycle	2010	86	100	86	86	–	Horizon Power	2030
Total (B)			**266**		**176**	**176**			
Total (A + B)			**3,870**		**2,473**	**1,739**			

(1) *Name plate capacity.*

(2) *Full names of customers and partners:*

- *AOSP means Athabasca Oil Sands Project.*
- *BC Hydro means BC Hydro and Power Authority.*
- *Capital Power means Capital Power (Alberta) Limited Partnership.*
- *CNRL means Canadian Natural Resources Limited.*
- *ENMAX means Enmax Corporation.*
- *Husky Energy means Husky Energy Inc.*
- *NOVA means NOVA Chemicals Corporation.*
- *OPG means Ontario Power Generation Inc.*
- *Piikani Nation means Piikani Resource Development Inc.*
- *Shell Energy means Shell Energy North America (Canada) Inc.*
- *SPC means SaskPower Corporation.*
- *Spectra Energy means Spectra Energy Corporation.*
- *SPI means SaskPower International Inc.*
- *TransAlta means TransAlta Corporation.*
- *TransCanada means TransCanada Corporation.*
- *Origin Electricity means Origin Energy Electricity Limited.*
- *Origin Energy means Origin Energy Limited.*

(3) *TMR means Transmission Must Run and represents an arrangement between a group of generators and the AESO whereby transmission constraints around the location of the facility require the generators to generate a required level of electricity at all times. Compensation is provided to the generators through a TMR contract.*

APPENDIX 2

AUDIT & RISK COMMITTEE INFORMATION

AUDIT & RISK COMMITTEE MANDATE

PURPOSE

The Audit & Risk Committee (the "Committee") of Canadian Utilities Limited is responsible for contributing to the effective stewardship of the Company by assisting the Board of Directors of the Company (“Board”) in fulfilling its oversight of:

- the integrity of the Company’s financial statements;
- the Company’s compliance with applicable legal and regulatory requirements;
- the independence, qualifications and appointment of the Company's external auditor;
- the performance of the Company’s internal audit function and external auditor;
- the accounting and financial reporting processes of the Company;
- audits of the financial statements of the Company;
- the risk management processes of the Company.

AUTHORITY

The Committee is empowered to:

- determine the public accounting firm to be recommended to the Board for appointment as external auditors, and be directly responsible for the compensation and oversight of the work of the external auditors. The external auditors will report directly to the Committee;
- pre-approve all auditing and permitted non-audit services performed by the Company’s external auditors;
- conduct or authorize investigations into any matters within the Committee’s scope of responsibilities. The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee, and to communicate directly with the internal and external auditors;
- inspect all the books and records of the Company and its subsidiary entities and to discuss such books and records in any manner relating to the financial position and/or risk related issues of the Company and its subsidiary entities with the officers, employees and internal and external auditors of the Company and its subsidiary entities. All employees are directed to cooperate with the Committee’s requests;
- meet with the Company's officers, external auditors or outside counsel, as necessary;
- delegate authority, to the extent permitted by applicable legislation and regulation, to one or more designated members of the Committee, including the authority to pre-approve all auditing and permitted non-audit services provided by the Company’s external auditor.

COMPOSITION

The Board shall elect annually from among its members an Audit & Risk Committee comprised of not less than three directors. Each member of the Committee must be:

- a director of the Company;
- independent (within the meaning of sections 1.4 and 1.5 of National Instrument 52-110);
- financially literate (within the meaning of section 1.6 of National Instrument 52-110).

In order to be considered to be independent for the purposes of membership on the Committee, a director must have been determined by the Board to have no direct or indirect material relationship with the Company and must satisfy all other applicable legal and regulatory requirements.

The Board will appoint one member of the Committee as Chair. Any member of the Committee may be removed or replaced at any time by the Board, and a member shall cease to be a member of the Committee upon ceasing to be a director of the Company or upon ceasing to be independent.

MEETINGS

The Committee shall meet at least four times per year and whenever deemed necessary by the Chair of the Committee or at the request of a Committee member or the Company's external or internal auditor. Matters related specifically to Risk Management as described under "Duties and Responsibilities" will be on the agenda for two of the Committee meetings each year.

The chair of the committee shall prepare and/or approve an agenda in advance of each meeting. Reasonable notification of meetings, which may be held in person, by telephone or other communication device, shall be sent to the members of the Committee, the external auditor and any additional attendees as determined by the Chair of the Committee. The external auditor has the right to appear before and be heard at any meeting of the Committee. Meetings will be scheduled to permit timely review of Committee materials. A majority of the Committee will constitute a quorum. Minutes of each meeting will be prepared by the person designated by the Committee to act as secretary and will be kept by the Corporate Secretarial Department.

DUTIES AND RESPONSIBILITIES

Financial and Operating

- Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include: complex or unusual transactions and highly judgmental areas; major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; and the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- Review analysis prepared by management and/or the external auditors, setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including analysis of the effects of new or revised IFRS methods on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the Company's annual and interim financial statements, MD&A and earnings press releases and the AIF before the Company publicly discloses this information.
- Review reports prepared by Designated Audit Directors regarding any significant items pertaining to year-end financial disclosure documents.
- If delegated by the Board, approve the interim financial statements, interim MD&A and interim earnings press releases before the Company publicly discloses this information.
- Recommend to the Board the approval of the Company's annual financial statements, AIF and annual MD&A.
- Be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and periodically assess the adequacy of these procedures. This would include an annual review of the Company's Disclosure Policy.
- Be satisfied that the Company has implemented appropriate systems of internal control over financial reporting and that these systems are operating effectively.

External Auditor

- Recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Company; and the compensation of the external auditor.
- Be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- Pre-approve all non-audit services to be provided to the Company or its subsidiaries by the external auditor of the Company ("Non-audit Services"). The Committee may delegate to one or more of its members the authority to pre-approve Non-audit Services. All Non-audit Services provided by the external auditor shall be summarized and reported to the Audit & Risk Committee on a cumulative basis for the year at each quarterly meeting.
- The Committee shall adopt and periodically review policies and procedures for the engagement of Non-audit Services (refer to Policy B-13, External Audit Services - CU) that are detailed as to the particular service, that do not include delegation of the Committee's responsibilities to management, and that are designed to manage the pre-approval process and comply with all applicable legal and regulatory requirements.
- Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

Internal Auditor

- Be satisfied that the internal audit function has been effectively carried out and the internal auditor has adequate resources.
- Review and approve the annual Audit Plan.

Risk Management

- Understand the principal risks of the Company; review and consider with management the Company's risk taking philosophy; review and discuss with management the Company's risk inventory and related mitigation plans; receive presentations, reports and other information about extraordinary risks, emerging risks and significant trends that could materially affect the Company's ability to achieve its strategic objectives; review reports prepared by Designated Audit Directors regarding any significant risks identified by management; review and discuss with management a summary of safety and environmental performance.
- Be satisfied that management has appropriate processes in place to identify, assess, manage and monitor risk.
- Review and approve risk policies and frameworks recommended by management.
- Review the Company's insurance programs for adequacy annually.

Other

- Ensure that the Company has appropriate procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.
- Provide a means for confidential and anonymous submission by employees of the Company of concerns regarding accounting or auditing matters.
- Review and reassess annually the adequacy of this mandate and recommend any proposed changes to the Board for approval.
- Review and approve annually the Disclosure Committee, Designated Audit Directors, Internal Audit, Risk Management Committee, and Crisis Management Committee mandates.
- The Committee will inquire into any other matters referred to it by the Board.

REPORTING

The Committee shall report to the Board on such matters and questions relating to the financial position or risk management of the Company as the Board may from time to time refer to the Committee. A summary of all meetings will be provided to the Board by the Chair of the Committee. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request. The external auditor and the Vice President, Internal Audit of the Company shall report directly to the Committee. The Committee is expected to maintain free and open communication with the Company's external auditor, internal auditor and management. This communication shall include private sessions, at least annually, with each of these parties.

COMPOSITION AND RELEVANT EDUCATION AND EXPERIENCE OF THE AUDIT & RISK COMMITTEE

The following are the members of the Company's Audit & Risk Committee, all of whom are independent and financially literate:

- L.M. Charlton - Ms. Charlton has a Bachelor of Commerce degree in Finance. Ms. Charlton is Vice President & Chief Financial Officer at Lintus Resources Limited and has held positions of increasing financial responsibility ranging from Financial Analyst to Chief Financial Officer during her 22 year career at Investors' Petroleum Consultants Ltd. Ms. Charlton holds the Corporate Director Designation (ICD.D) from the Institute of Corporate Directors.
- R.J. Normand - Mr. Normand has a M.B.A. and a B.A. (Economics) and has completed studies leading to the Fellow of the Institute of Canadian Bankers designation. Over the past 30 years, Mr. Normand has filled senior executive roles in the financial and banking sectors. In October 2015, he retired as Chair of the Workers Compensation Board of Alberta. Through his experience in the financial services sector, he has developed extensive knowledge and expertise in the areas of finance, regulatory matters and risk management.
- J.W. Simpson (Chair) - During Mr. Simpson's career at Chevron Corporation, various financial positions reported to him. In his capacity as General Manager, the accounting department reported to him and as President of Chevron Canada Resources, the Vice President Finance directly reported to Mr. Simpson. In addition, Mr. Simpson was Chairman of the Internal Audit Committee of Chevron Canada Resources. Mr. Simpson graduated from a Senior Executive Program at M.I.T's Sloan School of Business.

PRE-APPROVAL POLICIES AND PROCEDURES

The Company's Audit Committee has adopted a policy for approval of external auditor services. The policy prohibits the external auditor from providing specified services to the Company and its subsidiaries.

The engagement of the external auditor for a range of services defined in the policy has been pre-approved by the Audit Committee. If an engagement of the external auditor is contemplated for a particular service that is neither prohibited nor covered under the range of pre-approved services, such engagement must be pre-approved. The Audit Committee has delegated the authority to grant such pre-approval to the Chairman of the Audit Committee.

Services provided by the external auditor are subject to an engagement letter. The policy mandates that the Audit Committee receive regular reports of all new pre-approved engagements of the external auditor.

EXTERNAL AUDITOR SERVICE FEES

The aggregate fees incurred by the Company and its subsidiaries for professional services provided by PricewaterhouseCoopers LLP for each of the past two years were as follows.

($ Millions)	**2015**	**2014**
Audit Fees (1)	**2.8**	2.7
Tax fees (2)	**0.1**	0.2
Total	**2.9**	2.9

(1) Audit fees are the aggregate professional fees paid to the external auditor for the audit of the annual consolidated financial statements and other regulatory audits and filings.

(2) Tax fees are the aggregate fees paid to the external auditor for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and sales tax returns.