



CANADIAN UTILITIES LIMITED

An **ATCO** Company

CANADIAN UTILITIES LIMITED ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2017

FEBRUARY 21, 2018

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

Unless otherwise noted, the information contained within this AIF is presented as at December 31, 2017.

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 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 4th Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4 and its registered office is 20th Floor, 10035 - 105 Street, Edmonton, Alberta T5J 2V6.

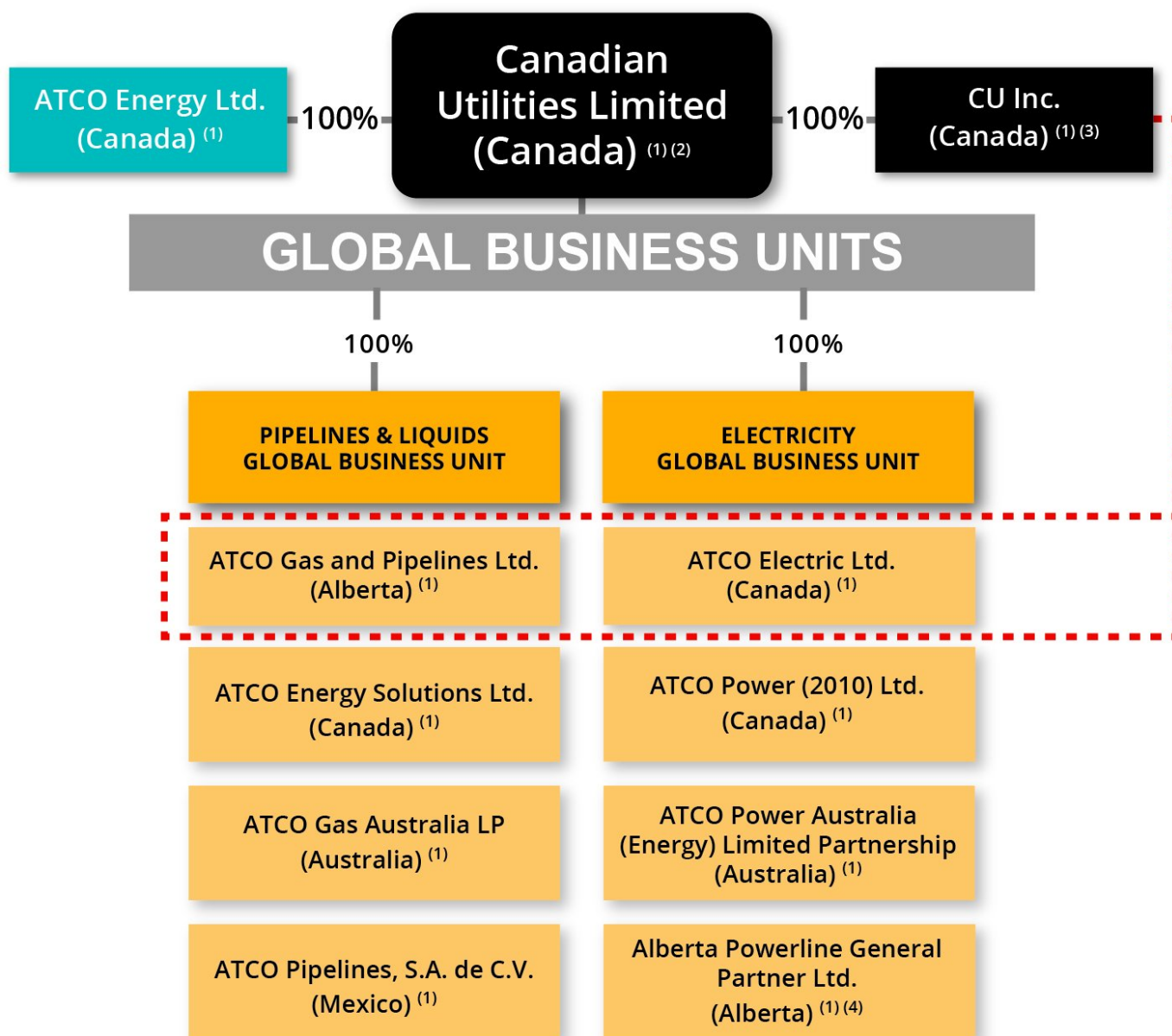
In 1999, the Company was reorganized to separate its Alberta-based regulated businesses from its non-regulated businesses. The reorganization was implemented by the transfer of the common shares and debt of the regulated subsidiaries from Canadian Utilities to CU Inc. in return for common shares of CU 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 \$21 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) Jurisdiction in which the company was incorporated.

(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, 2017.

(3) 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.

(4) Alberta PowerLine General Partner Ltd. is the general partner of Alberta PowerLine Limited Partnership (Alberta PowerLine or APL), a partnership between Canadian Utilities Limited (80 per cent) and Quanta Services, Inc. (20 per cent).

CORE VALUES AND VISION

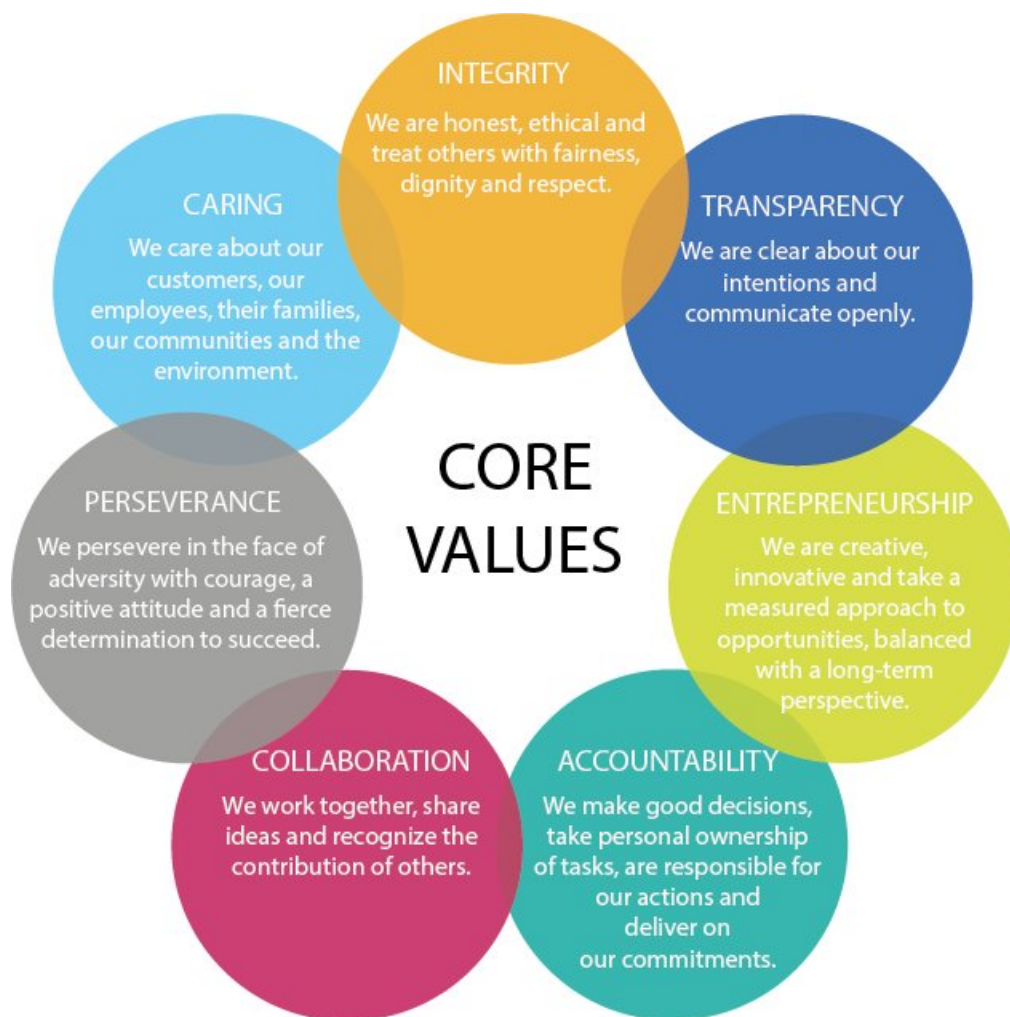
Excellence: The Heart & Mind of ATCO

"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:

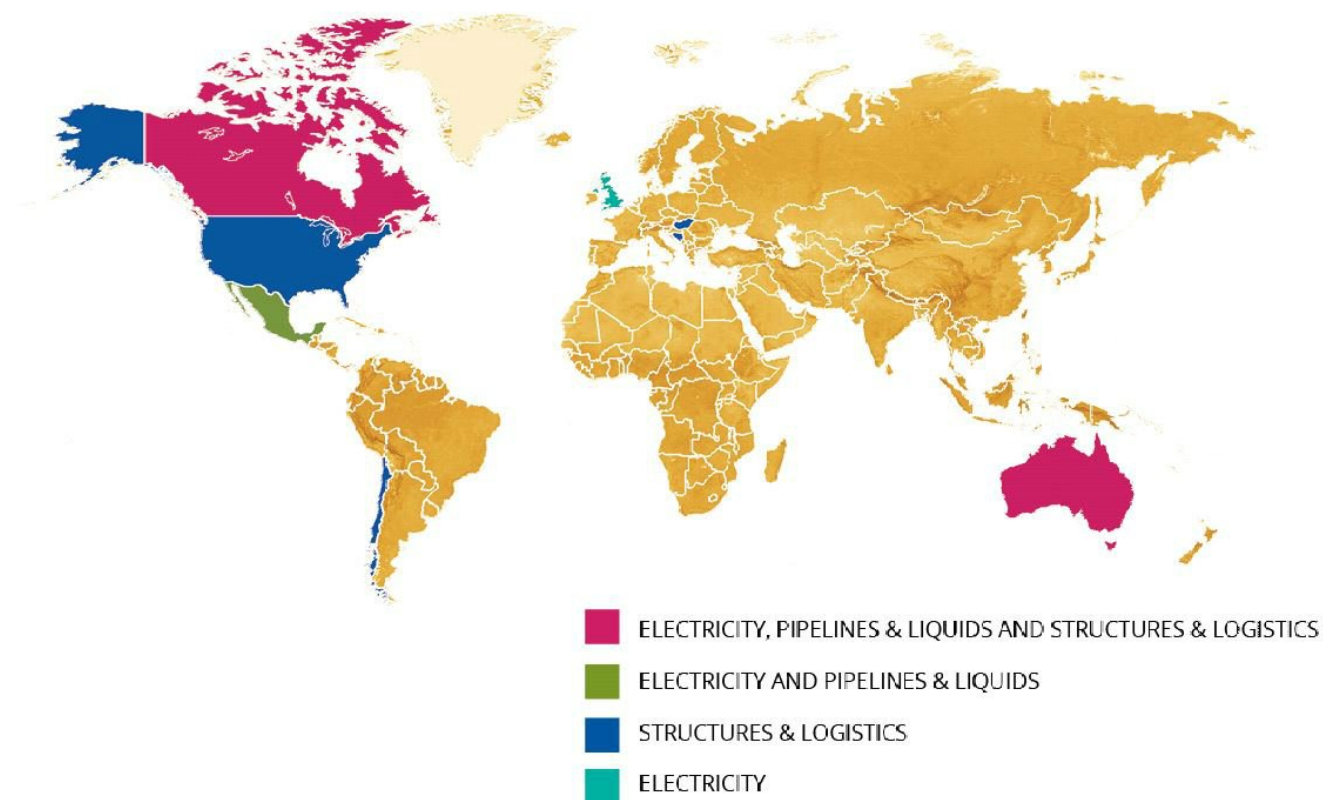


CORE VISION

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.

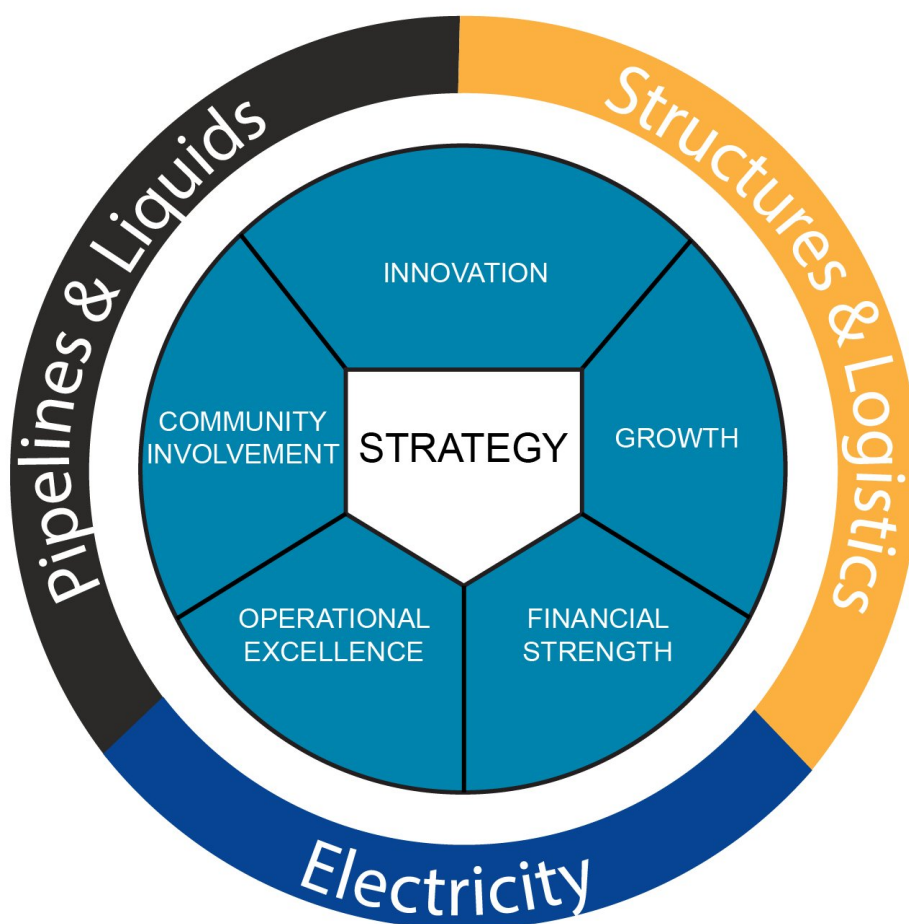
GLOBAL OPERATIONS



CANADIAN UTILITIES STRATEGIES

Innovation, growth and financial strength provide the foundation from which we have built our company. Our long-term success depends on our ability to expand into new markets and lines of business, while offering our customers premier, comprehensive and integrated solutions to meet their needs.

These strategic imperatives are supported by our unwavering commitment to operational excellence, our people and the customers and communities we are privileged to serve around the world.



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

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 research and development, the Company is able to offer our customers unique and imaginative solutions that differentiate us from our competitors.

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. \

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 ensure the 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 involvement 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.

FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

Canadian Utilities' financial and operational achievements in 2017 relative to the strategies outlined above are included in the Company's MD&A, 2017 Consolidated 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 2017 Annual Report, Management Proxy Circular and Sustainability Report. The 2017 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 \$21 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 businesses provide electricity distribution, transmission, and generation, and related infrastructure services.

BUSINESS STRATEGY

Electricity's strategy is to grow its businesses through: investing in regulated electricity distribution and transmission, and capitalizing on opportunities to provide renewable and firm supply electricity generation. Electricity will continue expanding its businesses geographically in select global markets 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 electricity generation by 2030 has created a need for renewable electricity 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. Expansion will be focused in select global markets, including Canada, Australia, South America, Mexico and the U.S. We target markets with stable regulatory environments and rule of law, excellent long-term growth potential and strategic fit with our existing asset base.

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 capacity 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 241 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. ATCO Electric Yukon (AEY) serves 19 communities in the Yukon Territory, including the capital city of Whitehorse, and one community in British Columbia. Northland Utilities is an equal partnership between ATCO Ltd. and Denendeh Investments Incorporated, which represents the 27 Dene First Nations of the Northwest Territories. Northland Utilities has two operating divisions: Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited (NUY). NUY and NWT serve nine communities in the Northwest Territories, including the capital city of Yellowknife.

Approximately 631,000 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 2017 and 2016 is shown below.

	2017		2016	
	Number	%	Number	%
Industrial	10,520	4	10,668	5
Commercial	34,333	14	34,221	13
Residential	179,639	70	179,525	70
Rural, REA and other	31,851	12	31,661	12
Total	256,343	100	256,075	100

Electricity distributed to the various classes of customers in 2017 and 2016 is shown below.

	2017		2016	
	GWh	%	GWh	%
Industrial	7,657	64	7,448	64
Commercial	2,434	20	2,393	20
Residential	1,316	11	1,292	11
Rural, REA and other	554	5	526	5
Total	11,961	100	11,659	100

ATCO Electric, NUY, NWT and AEY own and operate extensive electricity transmission and distribution systems. The systems consist of approximately 11,000 km of transmission lines and 72,000 km of distribution lines. In addition, ATCO Electric delivers power to and operates approximately 4,000 km 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 62 MW in Alberta, the Yukon and Northwest Territories. The maximum peak load demand for these plants during 2017 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.

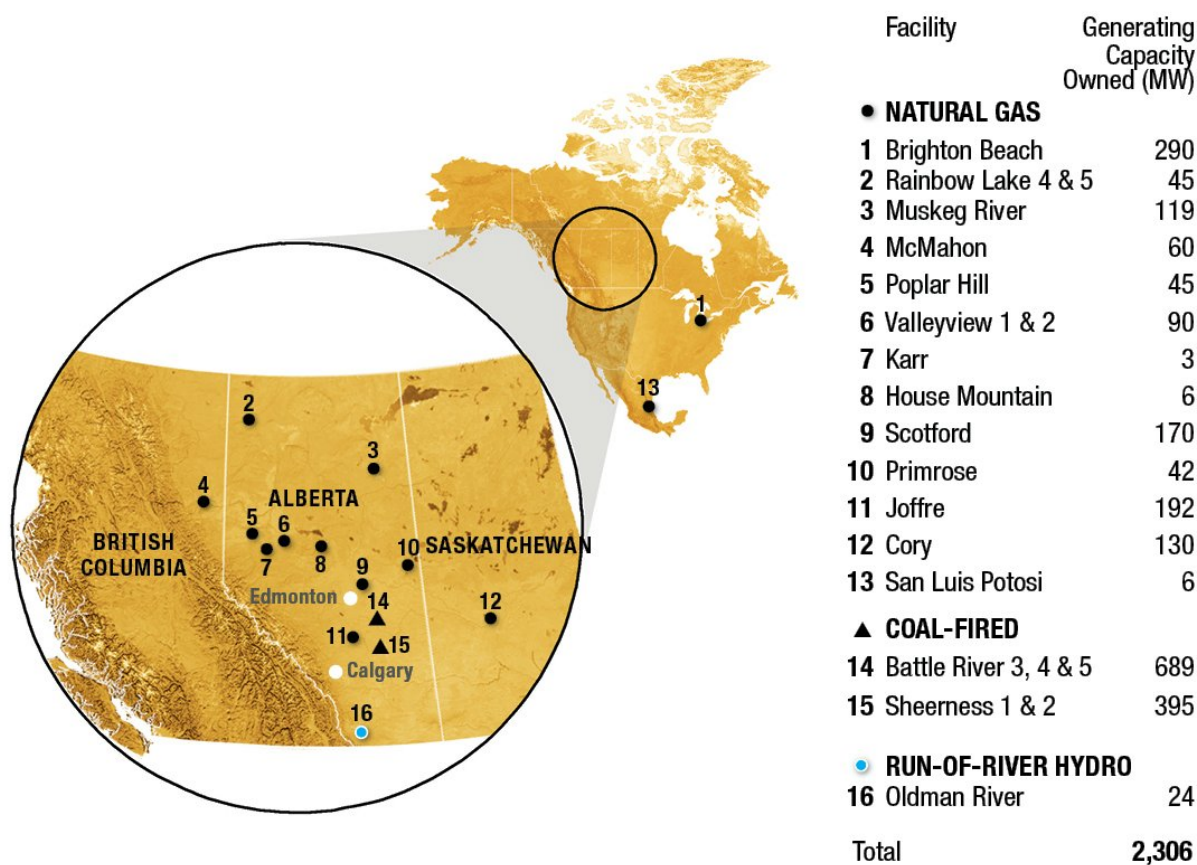
Under the Electric Utilities Act (Alberta) (EUA), wholesale tariffs for electricity transmission must be approved by the Alberta Utilities Commission (AUC). Transmission tariffs allow any owner of a generating unit to access the Alberta transmission system and thus facilitate the sale of its power. The 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, and in Mexico, as shown in the following map.



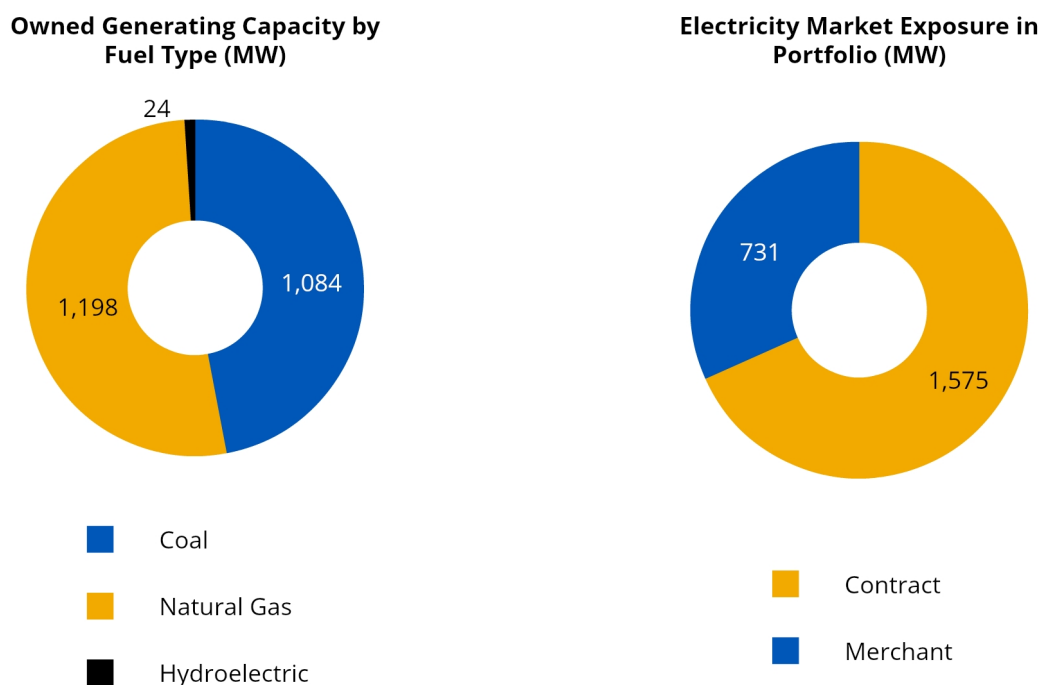
Power generation activities are focused on owning, operating and developing generating plants in Canada, primarily in Alberta.

The Alberta power market serves approximately 4 million people. Installed electricity generating capacity at December 31, 2017, was approximately 16,600 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 215 MW of capacity was installed in 2017; 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, 2017, ATCO Power had an ownership position in generating plants with a total capacity, including partners' interests, of 3,621 MW. It operates 3,501 MW (97 per cent) and owns 2,306 MW (64 per cent) of the total capacity. This owned generating capacity is fuelled by 1,198 MW (52 per cent) natural gas, 1,084 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, 2017.



As at December 31, 2017, ATCO Power had 1,575 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.

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 recognized as received over the term of the PPAs.

The legal action filed by the Government of Alberta in 2016 regarding the determination on the validity and interpretation of certain terms within the coal PPAs and related regulations remains outstanding and, at this point, only involves Enmax as a Buyer and its purported termination of the Battle River unit 5 and Keephills PPAs. Previously, the Balancing Pool had reported that they were unable to make decisions to accept or terminate the PPAs until this legal action was resolved. In late 2017, Enmax sought injunctive relief on the outstanding decision by the Balancing Pool to accept the Keephills PPA termination. In November 2017, a Court of Queen's Bench (Alberta) decision instructed the Balancing Pool to finalize their assessment of the Keephills PPA and make its acceptance decision. This court decision provided legal precedence that the Government of Alberta's legal action should not encumber the Balancing Pool from making decisions in regards to the PPAs. The originating application on this legal action from the Government of Alberta is expected to be heard by the Court of Queen's Bench (Alberta) in November 2018.

In 2017, the Balancing Pool continued to assess the commercial management of the five PPAs which it held (Battle River unit 5, Genesee, Keephills, Sheerness and Sundance) through its mandate requiring it to manage its generation assets in a commercial manner and to conduct itself in a fashion that is not contrary to a fair, efficient, and openly competitive market. The Company owns 100 per cent of Battle River unit 5 and 50 per cent of Sheerness. On September 18, 2017, the Balancing Pool issued notice of PPA termination of the Sundance unit B and unit C no later than March 31, 2018. In addition, on January 12, 2018, the Balancing Pool announced that it will begin consultation on the return of the Battle River unit 5 PPA as proceeding with this PPA termination decision is no longer encumbered by the Government of Alberta legal action.

The Balancing Pool may terminate a PPA if it:

- Consults with representatives of customers and the Minister about the reasonableness of the termination;
- Gives to the owner of the generating unit to which the PPA applies six months' notice, or any shorter period agreed to by the owner, of its intention to terminate; and
- Pays the owner or ensures that the owner receives an amount equal to the remaining closing net book value of the generating unit, determined in accordance with the power purchase arrangement, as if the generating unit had been destroyed, less any insurance proceeds.

Canadian Utilities continues to operate Battle River unit 5 and Sheerness units 1 and 2 under the terms of their respective PPAs. Termination of the Battle River unit 5 by the Balancing Pool would result in the cessation of the PPA and the control of the underlying PPA unit returning to Canadian Utilities.

Distributed Generation

In 2017, ATCO Power continued to advance distributed generation projects in 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.

At year end, the Company and its Mexican partner, Grupo Ranman, had 11 MW of capacity installed at a distributed generation facility located in the World Trade Centre industrial park in San Luis Potosi, Mexico.

Mexico Tula Cogeneration

In October 2014, ATCO Mexico 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. Canadian Utilities continues discussions with Pemex on commercial terms.

Non-regulated Electricity Transmission

ATCO Power operates five non-regulated electricity transmission lines in Alberta, including Scotford transmission line and substation, Muskeg River transmission line and substation, Grand Rapids substation, Husky Rainbow substation, and Air Products transmission line.

Mexico Hydro Facility

In December 2017, Canadian Utilities announced the acquisition of a long-term contracted, 35 MW hydroelectric power station based in Veracruz, Mexico. The \$114 million transaction closed on February 20, 2018.

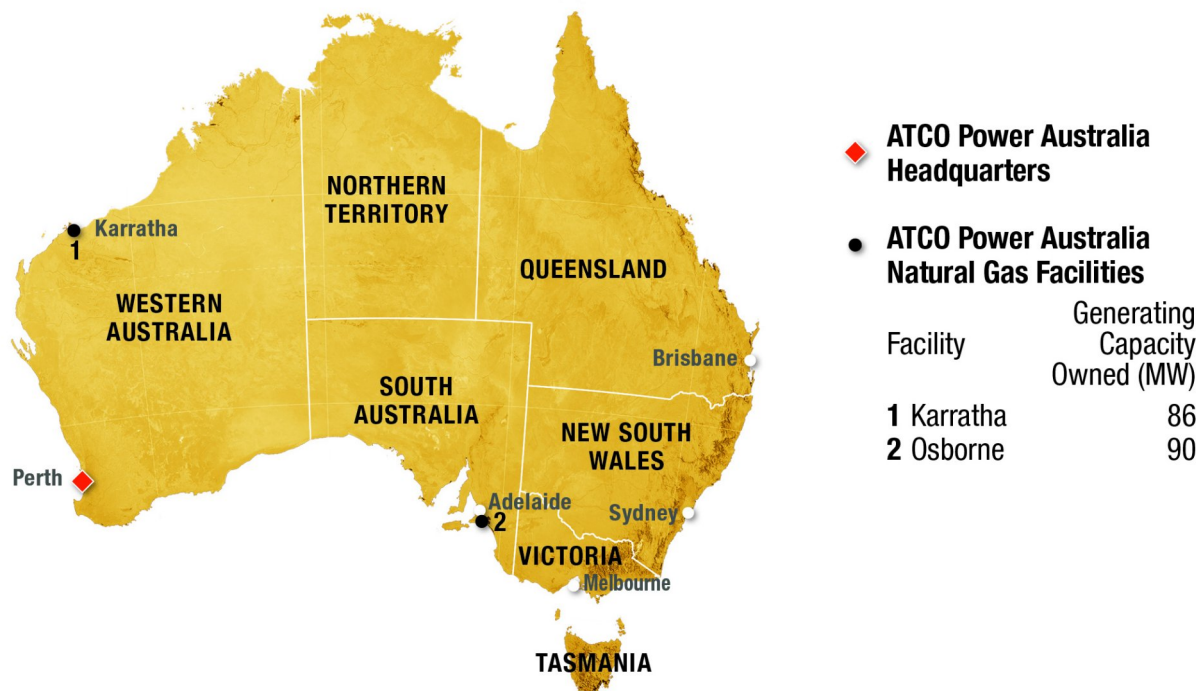
Alberta Electricity Market Reform

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 in 2021. The first version of the Comprehensive Market Design for the capacity market was released on January 26, 2018. The proposed first capacity auction will start in November 2019, for an obligation from November 2021, for a one year term. Multiple aspects of the capacity market design remain under discussion and consultation. The AESO plans to release its second version of the Comprehensive Market Design in March 2018, with a final version expected mid-year 2018.

In the near-term, ATCO 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 emissions regulations for natural gas-fired electricity generation.

ATCO POWER AUSTRALIA

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



ATCO Power Australia maintains ownership in and currently operates two generation plants: Karratha in the Pilbara region of Western Australia, and Osborne in Adelaide, South 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.

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.

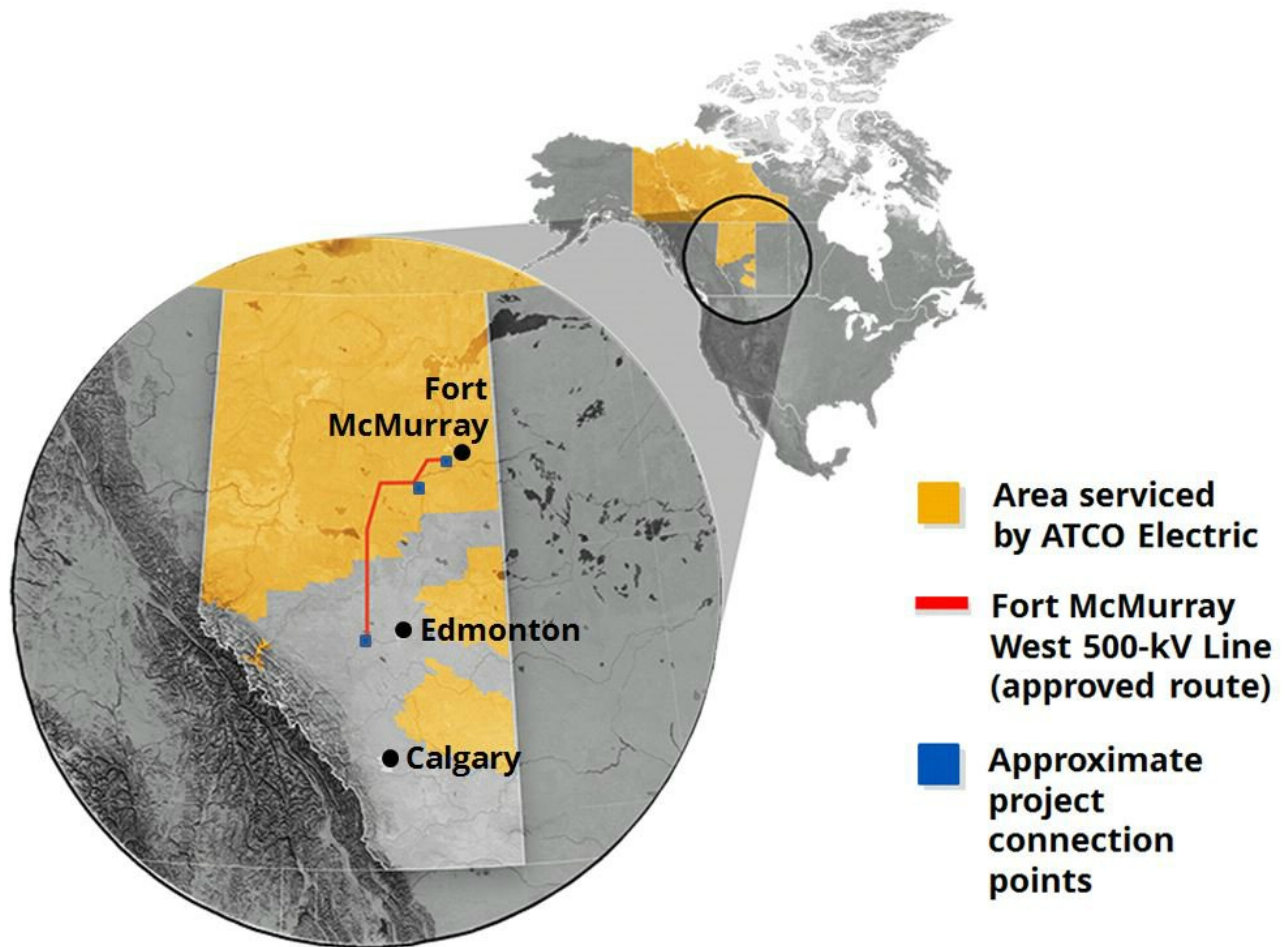
Osborne

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, operated by ATCO Power Australia, is located near Adelaide, South Australia, and is designed to accommodate operation in both cogeneration and combined cycle modes. 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, utilizes the facility for its required electricity output.

ALBERTA POWERLINE

Alberta PowerLine (APL) is a partnership between ATCO's subsidiary, Canadian Utilities Limited, and Quanta Services, Inc. Alberta PowerLine is 80 per cent owned by Canadian Utilities Limited and 20 per cent owned by Quanta Services, Inc.

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



The design and planning phases of the approximately 500 km, Fort McMurray West 500-kV Project have been completed and construction commenced in August 2017, keeping the target energization of June 2019 on track.

On October 2, 2017, APL closed the issuance of an aggregate of \$1.4 billion of bonds with maturities from June 2032 to March 2054. This represents the largest public-private partnership debt financing ever completed in Canada. As a result, APL has been awarded the P3 Deal of the Year for the Americas by Project Finance International.

On November 30, 2017, APL submitted a tariff application as owner of the project. On January 23, 2018, the AUC approved the application.

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: investing in regulated natural gas distribution and transmission, and to become a premier hydrocarbon liquids storage and industrial water infrastructure provider. Pipelines & Liquids will continue expanding geographically to meet the evolving needs of our global customer base through the development of innovative infrastructure solutions.

MARKET OPPORTUNITIES

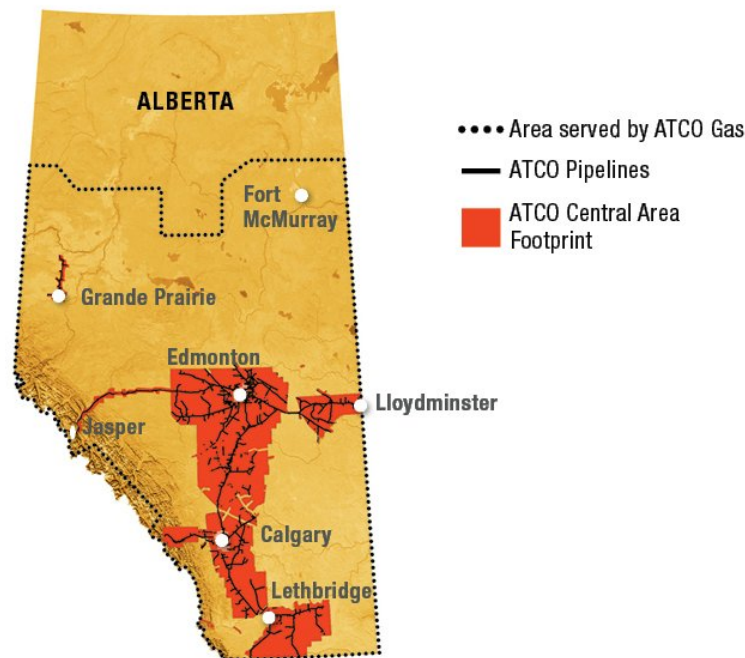
The development of pipelines in Alberta is expected to increase the need for energy storage to manage supply and demand, and the industry trend toward sustainability is expected to increase demand for industrial water solutions. The regulated businesses expect to see continued growth based on projected customer growth and system replacements. Expansion will be focused in select global markets, including Canada, Australia, South America, Mexico and the U.S. We target markets with stable regulatory environments and rule of law, excellent long-term growth potential and strategic fit with our existing asset base.

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.



ATCO GAS

ATCO Gas distributes natural gas throughout Alberta and in the Lloydminster area of Saskatchewan and serves approximately 1.2 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 2.8 million. Approximately 75 per cent of ATCO Gas' customers were located in these 11 communities in 2017. Also served are 279 smaller communities as well as rural areas with a combined population of approximately 752,000.

The number of customers served by ATCO Gas at the end of 2017 and 2016 is shown below.

	2017		2016	
	Number	%	Number	%
Residential	1,100,625	92	1,085,731	92
Commercial	98,123	8	96,978	8
Industrial	347	-	346	-
Other	3	-	5	-
Total	1,199,098	100	1,183,060	100

The quantities of natural gas distributed by ATCO Gas in 2017 and 2016 is shown below.

	2017		2016	
	PJ	%	PJ	%
Residential	124.9	48	111.3	47
Commercial	122.4	47	112.0	48
Industrial	13.1	5	12.6	5
Other	0.3	-	0.2	-
Total	260.7	100	236.1	100

ATCO Gas owns and operates approximately 41,000 km 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 from 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 km of pipelines, 16 compressor sites, approximately 3,500 receipt and delivery points, and a salt cavern storage peaking facility near Fort Saskatchewan, Alberta. The system has 190 producer receipt points, one interconnection with Alliance Pipeline, and one interconnection with Many Islands Pipelines. Peak delivery capability of the ATCO Pipelines system is 3.7 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.

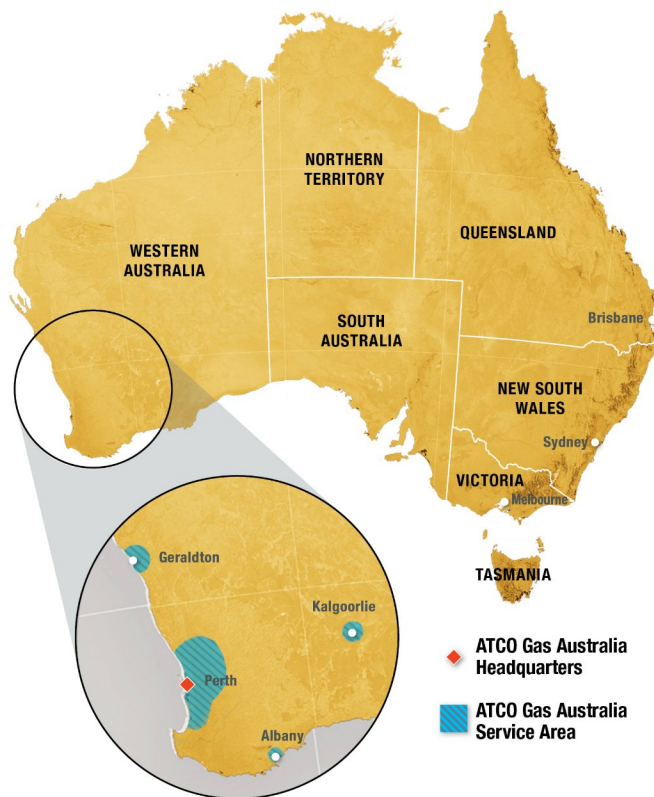
More details on the Alberta System Integration Agreement are provided in the Three Year History section of this AIF.

INTERNATIONAL NATURAL GAS TRANSMISSION - MEXICO TULA PIPELINE

In 2014, ATCO was awarded a 25-year Transportation Services Agreement with the Comisión Federal De Electricidad (CFE) to design, build, own and operate a 16 km natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. ATCO has completed applications for all required permits 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 753,000 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 km 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 2017 and 2016 is shown below.

	2017		2016	
	Number	%	Number	%
Residential	739,345	98	727,730	98
Commercial	13,453	2	13,068	2
Industrial	173	-	176	-
Total	752,971	100	740,974	100

The quantity of gas delivered by ATCO Gas Australia in 2017 and 2016 is shown below.

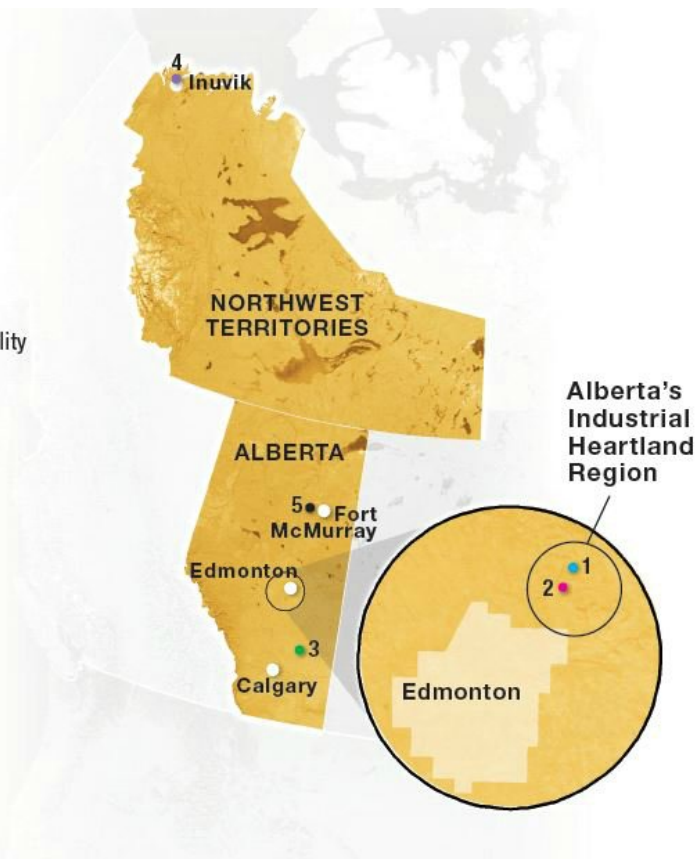
	2017		2016	
	PJ	%	PJ	%
Residential	10.2	40	11.1	41
Commercial	3.3	13	3.4	13
Industrial	12.2	47	12.6	46
Total	25.7	100	27.1	100

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.

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 2017, the Company had disposed or shut-in its interests in gas processing operations except for the remaining interest in the Ikhil Gas Gathering System.

- **INDUSTRIAL WATER SERVICES**
 - 1 Alberta Heartland Industrial Water System
- **HYDROCARBON STORAGE**
 - 2 Salt Cavern Storage Facility
- **NATURAL GAS STORAGE FACILITY**
 - 3 Carbon Natural Gas Storage Facility
- **GAS GATHERING & PROCESSING FACILITIES**
 - 4 Ikhil Gas Plant
- **NON-REGULATED NATURAL GAS TRANSMISSION**
 - 5 Muskeg River Pipeline



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.

The first two caverns are in service with earnings starting in the fourth quarter of 2016. The two remaining caverns are expected to be completed in the first quarter of 2018.

Industrial Water Services

Through the ATCO Heartland Industrial Water System, ATCO Energy Solutions' multi-user water system connected to the North Saskatchewan River, ATCO provides integrated water services including pipeline transportation, storage, 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 2017, we entered into a long-term commercial agreement with Inter Pipeline Ltd. to provide water services to Inter Pipeline's newly authorized integrated propane dehydrogenation and polypropylene plant to be known as the Heartland Petrochemical Complex. The water services contract will commence by 2021 with final determination of timing subject to customer notice, which is expected in the first quarter of 2018.

With the addition of these services, we continue to 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, 2017. The Empress Gas Liquids Straddle Plant, which ATCO Energy Solutions operates, is currently being decommissioned.

Natural Gas Gathering and Processing

ATCO Energy Solutions has a non-operating 33.3% ownership interest in one natural gas gathering and processing facility, the Ikhil gas plant.

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 ATCO Energy Ltd. (ATCOenergy) a retail electricity and natural gas services provider in Alberta, and the commercial real estate owned by the Company in Alberta. 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 early 2016, selling electricity and natural gas to residential and commercial customers through flexible plans offering real savings and exceptional customer service.

The ATCO Blue Flame Kitchen (BFK) was integrated with ATCOenergy in 2016. BFK is a cherished Alberta brand, trusted by Albertans for more than eight decades. Bringing the two teams together creates a compelling retail offering beyond the commodity.

ATCO MEXICO BUSINESS DEVELOPMENT

With an office in Mexico City, the Company has established a presence in Mexico to evaluate and pursue business opportunities in Mexico's energy market. The Mexican government has embarked on a program of reforming the country's 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 and also pursuing Structures & Logistics opportunities in Mexico.

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⁾	2017		2016	
	(\$ millions)	%	(\$ millions)	%
Electricity	2,341	58	1,877	55
Pipelines & Liquids	1,630	41	1,496	44
Corporate & Other and Eliminations	56	1	26	1
Total	4,027	100	3,399	100

Adjusted Earnings ⁽¹⁾⁽²⁾	2017		2016	
	(\$ millions)	%	(\$ millions)	%
Electricity	397	66	402	68
Pipelines & Liquids	273	45	255	43
Corporate & Other and Eliminations	(68)	(11)	(67)	(11)
Total	602	100	590	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, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward commodity contracts. 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 2017, revenues of \$4,027 million were \$628 million higher when compared to 2016. These increases were mainly due to revenue recorded for Alberta PowerLine (APL), higher flow-through revenues in natural gas distribution, rate base growth in our Regulated Utilities, and higher revenues from a growing customer portfolio in retail energy.

ADJUSTED EARNINGS

Adjusted earnings in the Electricity Global Business Unit were \$5 million lower in 2017 compared to 2016. Lower earnings were primarily due to lower contributions from forward sales, increased business development expenses and a planned major outage at the Sheerness Thermal PPA plant, partially offset by continued capital investment and growth in rate base within Regulated Electricity.

Adjusted earnings in the Pipelines & Liquids Global Business Unit were \$18 million higher in 2017 compared to 2016. Higher adjusted earnings were mainly due to continued capital investment and growth in rate base within Regulated Pipelines & Liquids.

Corporate & Other adjusted earnings in 2017 were comparable to 2016.

COMPARISON OF SEGMENTED CAPITAL INVESTMENTS

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

	2017 ⁽¹⁾		2016 ⁽¹⁾	
	(\$ millions)	%	(\$ millions)	%
Electricity	918	54	647	45
Pipelines & Liquids	782	46	790	55
Corporate & Other and Eliminations	3	–	5	–
Total ⁽²⁾⁽³⁾	1,703	100	1,442	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 \$17 million (2016 - \$18 million) of interest capitalized during construction for the year ended December 31, 2017.

(3) Includes capital expenditures in joint ventures, \$13 million (2016 - \$62 million) for the year ended December 31, 2017.

Total capital investments of \$1,703 million in 2017 were \$261 million higher than the \$1,442 million reported in 2016. Of the \$918 million invested by the Electricity Global Business Unit, \$438 million, or 48 per cent, was in regulated businesses and \$456 million or 50 per cent, was in Alberta PowerLine. Of the \$782 million invested by the Pipelines & Liquids Global Business Unit, \$761 million, or 97 per cent, pertained to regulated businesses. The rise in capital investments was mainly due to increased spending in Alberta PowerLine, the replacement of aging infrastructure, system upgrades, and growth projects for new customers.

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.

ELECTRICITY GLOBAL BUSINESS UNIT

CAPITAL INVESTMENT

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

(\$ millions)	Total	Year Ended December 31		
		2017	2016	2015
ATCO Electric Distribution	849	227	267	355
ATCO Electric Transmission	885	211	203	471
ATCO Power ⁽¹⁾	217	24	108	85
Alberta PowerLine	549	456	69	24
Total	2,500	918	647	935

(1) Includes ATCO Power Australia's capital expenditures in joint ventures of nil (2016 - \$6 million) for the year ended December 31, 2017.

Electricity's total capital investment over the last three years amounted to \$2.5 billion. The largest single project is Alberta PowerLine's Fort McMurray West 500-kV Project.

The Fort McMurray West 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 invested in Alberta PowerLine under this service concession arrangement is included in capital investments for Electricity.

PERFORMANCE OVERVIEW

ATCO Electric

In addition to the continued investment in utility infrastructure in Alberta, the financial results of ATCO Electric have been influenced by several regulatory decisions. The regulatory decisions are described in the Regulatory Developments section of this AIF and in the Regulatory Developments 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 in the last three years were affected by forward sales, power pool prices, price volatility, natural gas prices and power generating plant availability.

The Company achieved lower earnings in 2017 compared to 2016 mainly due to a planned major outage at the Sheerness Thermal PPA plant, lower contributions from forward sales and increased business development expenses.

The Company achieved higher earnings in 2016 compared to 2015, primarily due to higher earnings from ATCO Power's forward sales as well as lower general and administrative expenses due to cost-savings initiatives. This was partially offset by negative earnings impacts due to lower Alberta Power Pool prices and reduced price volatility. Average Alberta Power Pool prices were 45 per cent lower in 2016 compared to 2015.

Plant Availability

Plant availability can also have an impact on financial results. Plant availability during 2017 remained high across the Company's fleet of generation units. Availability of the independent power plants was higher in 2017 compared to 2016 due to fewer outages in 2017. Availability of the Thermal PPA plants was lower in 2017 compared to 2016 primarily due to a planned major outage at the Sheerness plant.

ATCO Power Australia

Earnings at ATCO Power Australia in 2017 were slightly higher compared to 2016 due to the impact of the major outage at our Osborne facility in 2016. Earnings in 2016 were modestly lower than 2015 due to the closure of the Bulwer Island Power Plant.

Closure of Bulwer Island Power Plant

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 was awarded a 35-year, \$1.6 billion contract by the AESO to design, build, own, and operate the Fort McMurray West 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 design and planning phases of the approximately 500 km, Fort McMurray West 500-kV Project have been completed and construction commenced in August 2017, keeping the target energization of June 2019 on track.

On October 2, 2017, APL closed the issuance of an aggregate of \$1.4 billion of bonds with maturities from June 2032 to March 2054. This represents the largest public-private partnership debt financing ever completed in Canada. As a result, APL has been awarded the P3 Deal of the Year for the Americas by Project Finance International.

On November 30, 2017, APL submitted a tariff application as owner of the project. On January 23, 2018, the AUC approved the application.

PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

CAPITAL INVESTMENT

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

		Year Ended December 31		
(\$ millions)	Total	2017	2016	2015
ATCO Gas	1,039	372	336	331
ATCO Pipelines	806	297	252	257
ATCO Gas Australia	262	92	90	80
Non-Regulated Capital Investment ⁽¹⁾	340	21	112	207
Total	2,447	782	790	875

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

Pipelines & Liquids' total capital investment over the last three years amounted to \$2.4 billion. 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

The Urban Pipelines Replacement (UPR) project is replacing and relocating aging, high-pressure natural gas pipelines in densely populated areas of Calgary and Edmonton to address safety, reliability and future growth. Construction is expected to be complete in 2020 and the total cost of the UPR project is estimated to be \$850 million. Natural gas distribution and natural gas transmission invested \$205 million in the UPR project in 2017 and \$653 million since the program's inception.

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 km 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. Natural gas distribution replaced 286 km of plastic pipe in 2017 and 1,727 km since the program's inception.

Steel Mains Replacement Program

ATCO Gas has 9,000 km 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. Natural gas distribution replaced 57 km of steel pipe in 2017 and 288 km since the program's inception.

PERFORMANCE OVERVIEW

ATCO Gas

ATCO Gas' financial results in the last three years were impacted by capital investment, growth in rate base, and regulatory decisions. The Company achieved higher earnings in 2017 compared to 2016 and 2015. Higher earnings were mainly the result of growth in rate base and customers.

Regulatory decisions are described in the Regulatory Developments section of this AIF and in the Regulatory Developments 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.

ATCO Pipelines

ATCO Pipelines' financial results in the last three years were affected by capital investment, growth in rate base, and regulatory decisions. The Company achieved higher earnings in 2017 compared to 2016 and 2015. Higher earnings were mainly the result of growth in rate base.

Regulatory decisions are described in the Regulatory Developments section of this AIF and in the Regulatory Developments 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.

International

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, impacts from the true-up of actual inflation and forecast inflation rates, savings due to cost reduction initiatives, and favourable Access Arrangement Appeal decisions.

Earnings in 2017 were higher than 2016 and 2015. Higher earnings were achieved mainly due to continued growth in rate base, partially offset by warmer weather than in 2016 and the favourable impact of a regulatory appeal decision in 2016.

Earnings in 2016 were higher compared to 2015, primarily due to the retroactive impact of the Access Arrangement decision received in second quarter of 2015 and the favourable Access Arrangement Appeal decision received in the second quarter of 2016.

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 Solutions' financial results in the last three years were affected mainly by natural gas storage differentials, the sale of excess natural gas, and cost savings due to the sale of under-performing assets.

Lower natural gas storage volumes and differentials in 2015 resulted in lower earnings. This impact was partially offset by higher earnings realized from the sale of excess natural gas in 2015 and 2016. Higher earnings were realized in 2016 and 2017 due to higher demand and prices for storage services.

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 2017, 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

Together with our partner, we are 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. We are the facility operator and have a 60 per cent partnership interest.

The first two caverns are in service with earnings starting in the fourth quarter of 2016. The two remaining caverns are expected to be completed in the first quarter of 2018.

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 2017, we entered into a long-term commercial agreement with Inter Pipeline Ltd. to provide water services to Inter Pipeline's newly authorized integrated propane dehydrogenation and polypropylene plant to be known as the Heartland Petrochemical Complex. The water services contract will commence by 2021 with final determination of timing subject to customer notice, which is expected in the first quarter of 2018.

CORPORATE & OTHER

RETAIL ENERGY

As part of the Company's continued growth strategy, ATCOenergy was launched in early 2016, selling electricity and natural gas to residential and commercial customers through flexible plans offering real savings and exceptional customer service. The ATCO Blue Flame Kitchen (BFK) 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, the United States and Mexico and the transfer of current contracts and employees. Proceeds of the sale totaled \$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

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

In January 2017, we sold our 100 per cent investment in ATCO Real Estate Holdings Ltd. to ATCO Ltd. for cash proceeds of \$47 million. On December 31, 2017, Canadian Utilities transferred its 24.5 per cent ownership interest in ATCO Structures & Logistics to its parent company, ATCO Ltd., for cash proceeds of \$140 million. The proceeds from the sale were redeployed to finance the Company's future growth initiatives.

REGULATORY DEVELOPMENTS

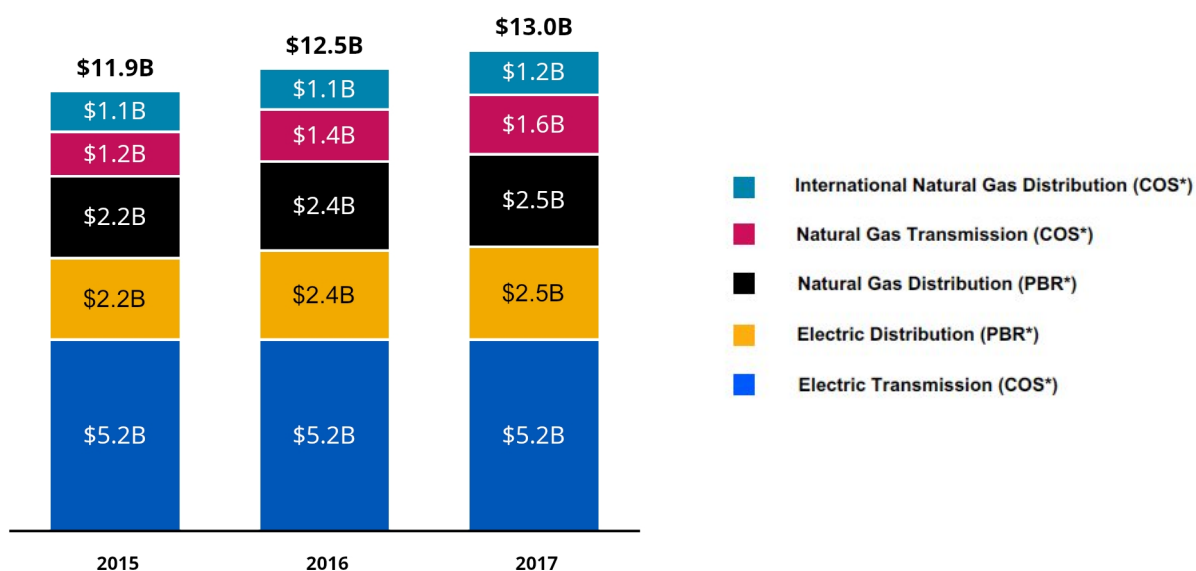
REGULATED BUSINESS MODELS

The business operations of electric distribution, electric transmission, natural gas distribution and natural gas transmission are regulated mainly by the AUC. The AUC administers acts and regulations covering such matters as rates, financing and service area.

Natural gas transmission and electric transmission operate under a cost of service regulation. Under this model, the regulator establishes the revenues to provide for a fair return on utility investment using mid-year calculations of the total investment less depreciation, otherwise known as Mid-Year Rate Base. Growth in Mid-Year Rate Base is a leading indicator of the business' earnings trend, depending on the equity ratio of the Mid-Year Rate Base and the Rate of Return on Common Equity.

Natural gas distribution and electric distribution operate under performance based regulation (PBR). Under PBR, revenue is determined by a formula that adjusts customer rates for inflation and expected productivity improvements. The AUC reviews the utilities' results annually to ensure the rate of return on common equity is within certain upper and lower boundaries. To do these calculations, the AUC reviews Mid-Year Rate Base. For this reason, growth in Mid-Year Rate Base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs based mainly on the formula that adjusts rates for inflation and productivity improvements.

International natural gas distribution is regulated mainly by the Economic Regulation Authority (ERA) of Western Australia. International natural gas distribution operates under cost of service regulation under which the ERA establishes the revenues for each year to recover a return on projected rate base, including income taxes, depreciation on the projected rate base, and projected operating costs. For this reason, growth in rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs within approved limits along with several other annual adjustments.



* COS means Cost of Service Regulation; PBR means Performance Based Regulation

GENERIC COST OF CAPITAL (GCOC)

On July 5, 2017, the AUC established a full proceeding schedule for a 2018, 2019 and 2020 GCOC proceeding. Submissions were filed October 31, 2017 with a hearing set for March 2018. The AUC has indicated its intention to issue a decision prior to the end of 2018.

The following table contains the ROE and deemed common equity ratios resulting from the most recent GCOC decisions. The information reflects the most recent amending or varying orders issued after the original decision date. The table also contains the mid-year rate base for each Alberta utility.

	Year	AUC Decision	Rate of Return on Common Equity (%) ⁽¹⁾	Common Equity Ratio (%) ⁽²⁾	Mid-Year Rate Base (\$ millions)
Electric Distribution	2017	2016 GCOC⁽³⁾	8.50	37.0	2,476⁽⁴⁾
	2016	2016 GCOC ⁽³⁾	8.30	37.0	2,361 ⁽⁵⁾
	2015	2013 GCOC ⁽⁶⁾	8.30	38.0	2,228 ⁽⁵⁾
Electric Transmission	2017	2016 GCOC⁽³⁾	8.50⁽⁷⁾	37.0	5,227⁽⁸⁾
	2016	2016 GCOC ⁽³⁾	8.30 ⁽⁷⁾	37.0	5,236 ⁽⁵⁾
	2015	2013 GCOC ⁽⁶⁾	8.30	36.0	5,198 ⁽⁵⁾
Natural Gas Distribution	2017	2016 GCOC⁽³⁾	8.50	37.0	2,537⁽⁴⁾
	2016	2016 GCOC ⁽³⁾	8.30	37.0	2,369 ⁽⁵⁾
	2015	2013 GCOC ⁽⁶⁾	8.30	38.0	2,189 ⁽⁵⁾
Natural Gas Transmission	2017	2016 GCOC⁽³⁾	8.50	37.0	1,633⁽⁹⁾
	2016	2016 GCOC ⁽³⁾	8.30	37.0	1,407 ⁽⁵⁾
	2015	2013 GCOC ⁽⁶⁾	8.30	37.0	1,206 ⁽⁵⁾

(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 mid-year rate base for 2017 is based on the 2018 to 2022 PBR Rebasing Application filed on August 16, 2017 and includes estimated mid-year work in progress of \$86 million for Electric Distribution and \$73 million for Natural Gas Distribution.

(5) The mid-year rate base for 2015 and 2016 is based on the Rule 005 Actuals Package and includes mid-year work in progress.

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

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

(8) The mid-year rate base for 2017 is based on the 2018 to 2019 GTA application filed on June 16, 2017 and includes mid-year work in progress.

(9) The mid-year rate base for 2017 is based on the 2017 to 2018 General Rate Application filed on October 2, 2017 and includes mid-year work in progress.

International Natural Gas Distribution Access Arrangement Decision

International natural gas distribution's current Access Arrangement period (AA4) is in place from July 2014 to December 2019.

The following table contains the ROE and deemed common equity ratios from the current Access Arrangement. The table also contains the mid-year rate base for ATCO Gas Australia.

	Year	ERA Decision	Rate of Return on Common Equity (%) ⁽¹⁾	Common Equity Ratio (%) ⁽²⁾	Mid-Year Rate Base (\$ millions)
International Natural Gas Distribution	2017	2016 AA4⁽³⁾	7.21	40.0	1,177
	2016	2016 AA4 ⁽³⁾	7.21	40.0	1,111
	2015	2016 AA4 ⁽³⁾	7.21	40.0	1,083

(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.

NEXT GENERATION OF PERFORMANCE BASED REGULATION

On December 16, 2016, the AUC released its decision on the second generation 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. On February 5, 2018, the AUC released a regulatory decision that provides determinations for the going-in rates and incremental capital funding for the second generation of PBR.

The following table compares the key aspects of the PBR First Generation with the PBR Second Generation based on the AUC's February 5, 2018 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	Inflation indexes (AWE and CPI) adjusted annually
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 inflation, growth and productivity to 2017 dollars; inflated by I-X thereafter over the PBR term
Treatment of Capital Costs	<ul style="list-style-type: none"> Recovered through going-in rates inflated by I-X Significant capital costs not fully recovered by the I-X formula and meeting certain criteria recovered through a K Factor 	<ul style="list-style-type: none"> Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2013-2016. The K Bar is calculated annually and adjusted for the actual WACC Significant capital costs 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	+/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year
ROE Used for Reopener Calculation	2013 to 2016: 8.3% 2017: 8.5%	8.5% Placeholder At approved ROE pending future GCOC

ALBERTA UTILITIES REGULATORY DEVELOPMENTS

Utility Asset Disposition

On October 11, 2017, the Alberta Department of Energy commenced its Utility Asset Disposition Stakeholder Engagement process to review the allocation of gains and losses associated with utility assets that are no longer used or useful for utility service. This includes assets that are sold to third parties, transferred to non-utility use, or stranded by unforeseen events or obsolescence. Following the engagement process, a policy recommendation will be made to the Government of Alberta with any legislative changes expected to be made in the spring of 2018.

ELECTRIC TRANSMISSION REGULATORY DEVELOPMENTS

ATCO Electric Transmission 2013 to 2014 Deferral Accounts Application

On September 20, 2017, the AUC issued a decision on Electric Transmission's 2013 to 2014 Deferral Accounts Application. The application included \$824 million of capital expenditures for the 35 direct-assigned AESO projects that went into service in 2013 and 2014. While the decision approved the inclusion of the vast majority of the capital expenditures into rate base, it resulted in a decrease to third quarter 2017 adjusted earnings of \$7 million, mainly due to lower taxes that will be refunded to customers, all of which related to years prior to 2017.

ATCO Electric Transmission 2015 to 2017 General Tariff Application (GTA)

Review and Variance

On March 16, 2017, the AUC issued a decision on the Review and Variance Application relating to the 2015 to 2017 GTA. The application requested that the AUC review and vary the 2015 to 2017 GTA decision findings for severance costs, line insurance, head office allocations, 2015 capital maintenance costs and 2013-2014 tax deductions. While the decision denied the review and vary request for the tax deductions, line insurance and head office allocations, the AUC agreed with our positions on 2015 capital maintenance costs and a variety of calculation errors. The impact of this decision was an increase to first quarter 2017 adjusted earnings of \$3 million, most of which related to prior years.

Compliance Filing

On June 19, 2017, the AUC issued a decision on Electric Transmission's Compliance Filing relating to its 2015 to 2017 GTA. The decision adjusted Electric Transmission's 2016 and 2017 forecast allocation of labour costs between operating and maintenance expense and capital, which resulted in a decrease to second quarter 2017 adjusted earnings of \$7 million, of which \$6 million related to prior years.

ATCO Electric Transmission 2018 to 2019 General Tariff Application (GTA)

On June 16, 2017, Electric Transmission filed a GTA for its operations for 2018 and 2019. The application requests, among other things, additional revenues to recover higher depreciation, operating costs and financing associated with increased rate base in Alberta. The application also requests approval to refund amounts collected from 2013-2016 for Construction Work in Progress (CWIP), which will result in a reduction in applied-for revenues for 2018 and 2019 as compared to 2017. This request, if approved, will also result in an increase to 2018 and 2019 rate base of approximately \$130 million per year. On December 18, 2017, the AUC issued its decision on the interim tariff for 2018 which set an interim tariff based on a continuation of the 2017 revenue requirement. The proposed CWIP in rate-base refund will be addressed with the final approved tariff. This decision is expected in the fourth quarter of 2018.

Electric Transmission Asset Utilization Proceeding

On June 20, 2017, the AUC publicly announced its intention to commence a proceeding to consider the issue of asset utilization for electric transmission infrastructure, and how the corporate and property law principles referenced in the 2013 Utility Asset Disposition decision may relate. The AUC has not yet commenced this proceeding.

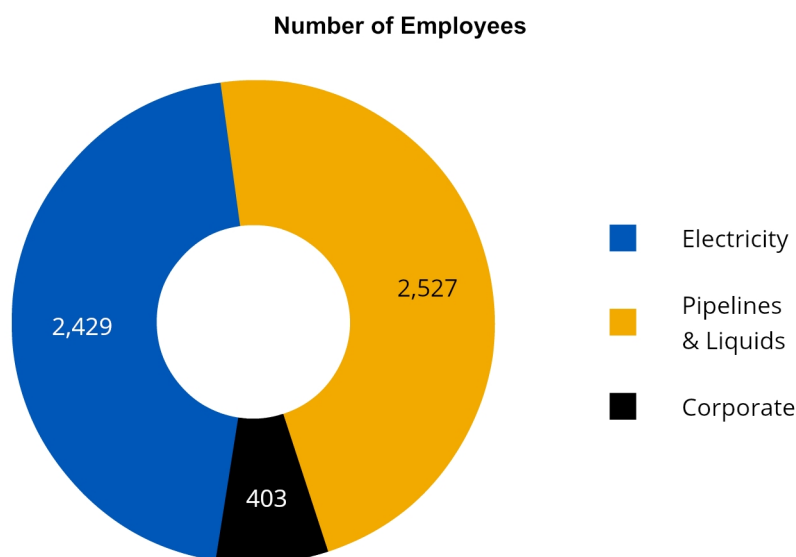
NATURAL GAS TRANSMISSION REGULATORY DEVELOPMENTS

ATCO Pipelines 2017 to 2018 General Rate Application (GRA)

On August 29, 2017, ATCO Pipelines received a decision from the AUC regarding its 2017 to 2018 GRA. The decision largely approved the application as filed, with the exception of some changes to property, plant and equipment depreciation rates. ATCO Pipelines rates are in place on a prospective basis until the end of 2018.

EMPLOYEE INFORMATION

At December 31, 2017, the Company had 5,359 employees. The accompanying chart represents the employee numbers in each segment. The chart does not include 24 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 is 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.

<i>(Canadian dollars per share)</i>	Date of Issue	2017	2016	2015
Series Second Preferred Shares				
Series V ⁽¹⁾	Oct 3, 1997	1.0000	1.0000	1.0000
Series Y ⁽²⁾	Sep 21, 2011	0.9254	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	1.3125	0.4171
Series FF	Sep 24, 2015	1.1250	1.1250	0.2096
Class A and Class B Shares		1.4300	1.3000	1.1800

(1) On October 3, 2017, the annual dividend rate for the Series V Preferred Shares was reset to 4.60 per cent for the next five years. The first payment at the new dividend rate was made on January 3, 2018. Prior to October 3, 2017, the annual dividend rate was 4.00 per cent.

(2) Effective June 1, 2017, the annual dividend rate for the Series Y Preferred Shares was reset to 3.403 per cent for the next five years. Prior to June 1, 2017, the annual dividend rate was 4.00 per cent.

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 11, 2018, the Board of Directors declared a first quarter dividend of 39.33 cents per share, a 10 per cent increase over the dividend paid in each of the previous four quarters. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and 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, 2017, Canadian Utilities issued 2,388,770 Class A shares under its DRIP in lieu of cash dividend payments of \$90 million.

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.

CAPITAL STRUCTURE

SHARE CAPITAL

The share capital of the Company at February 20, 2018 is as shown below.

<u>Share Description</u>	<u>Authorized</u>	<u>Outstanding</u>
Series Preferred Shares	150,000	–
Series Second Preferred Shares	Unlimited	60,400,000
Class A Shares	Unlimited	197,026,672
Class B Shares	Unlimited	74,075,383

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			
4.60% Series V	\$25.00	4,400,000	110
Cumulative Redeemable Second Preferred Shares			
3.403% 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

On October 3, 2017, the annual dividend rate for the Series V Preferred Shares was reset from 4.00 per cent to 4.60 per cent. The annual dividend rate for the Series V preferred shares is fixed until October 3, 2022, 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

On June 1, 2017, the annual dividend rate for the Series Y Preferred Shares was reset from 4.00 per cent to 3.403 per cent. The Series Y Preferred Shares became redeemable by the Company on June 1, 2017, and are redeemable 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, 2022, 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, 2027, 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. In 2017, the Company has not redeemed any of the Series AA or Series BB Preferred Shares.

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 exchanged 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, 5,250,850 Class A shares were available for issuance at December 31, 2017. 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.

The following table shows the current credit ratings assigned to Canadian Utilities Limited, CU Inc., and ATCO Gas Australia Limited Partnership.

	DBRS	S&P
Canadian Utilities Limited		
Issuer	A	A-
Senior unsecured debt	A	BBB+
Commercial paper	R-1 (low)	A-1 (low)
Preferred shares	PFD-2 (high)	P-2
CU Inc.		
Issuer and senior unsecured debt	A (high)	A-
Commercial paper	R-1 (low)	A-1 (low)
Preferred shares	PFD-2 (high)	P-2
ATCO Gas Australia Limited Partnership ⁽¹⁾		
Issuer and senior unsecured debt	N/A	BBB+

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

DBRS Limited

In July 2017, DBRS Limited (DBRS) affirmed its 'A (high)' issuer rating and stable trend on Canadian Utilities Limited subsidiary CU Inc. In August 2017, DBRS affirmed its 'A' issuer rating and stable trend on Canadian Utilities Limited.

Standard & Poor's

In July 2017, Standard & Poor's (S&P) revised its issuer rating from 'A' with a negative outlook to 'A-' with a stable outlook on Canadian Utilities Limited and subsidiary CU Inc.

In September 2017, S&P revised its rating on Canadian Utilities Limited's senior unsecured debt from 'A-' to 'BBB+'. In the associated publication, S&P clarified that "This rating action stems solely from the application of our revised issue rating criteria and does not reflect any change in our assessment of the 'A-' corporate credit rating on CUL."

In July 2017, S&P revised its issuer rating from 'A-' to 'BBB+' with a stable outlook for Canadian Utilities Limited subsidiary ATCO Gas Australia Limited Partnership as a result of the above noted rating criteria change.

Alberta PowerLine Limited Partnership

In September 2017, Alberta PowerLine Limited Partnership's senior secured bonds received an 'A (low)' rating with a stable trend from DBRS and an 'A2' rating with a stable outlook from Moody's Investors Service (Moody's).

ISSUER CREDIT RATINGS AND LONG-TERM DEBT

An "A" issuer rating by DBRS is the third highest of 10 categories. An issuer 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 issuers 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" issuer rating by S&P is the third highest of 12 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.

A "BBB" issuer rating by S&P is the fourth highest of 12 categories. An obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. 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.

An "A" issuer rating by Moody's is the third highest of 9 categories. An obligation rated "A" by Moody's is considered upper-medium-grade and is subject to low credit risk. Ratings from "Aa" to "Caa" are modified by the addition of a 1, 2, or 3 numerical modifier to show relative standing within the generic 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 (Low)" rating by S&P is the third highest of eight categories in its Canadian commercial paper ratings scale. A short-term obligation rated "A-1 (Low)" is slightly more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

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 weaken the obligor's capacity to meet its financial commitments 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 2017.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

2017	Class A Shares			Class B Shares		
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume
January	37.73	35.89	3,275,639	37.50	35.95	10,994
February	37.07	35.70	3,877,284	36.98	35.68	23,574
March	39.40	35.58	8,951,471	39.15	35.65	224,524
April	39.43	38.50	4,531,558	39.25	38.57	16,756
May	41.12	39.16	5,133,387	41.00	39.12	12,272
June	42.44	40.35	7,376,527	42.20	40.40	11,319
July	41.90	39.35	3,674,576	41.75	39.38	26,732
August	40.04	38.53	4,355,860	39.99	38.51	11,190
September	39.31	37.73	5,115,754	39.25	37.85	16,742
October	39.88	38.52	3,667,254	39.83	38.50	21,396
November	39.29	37.56	3,890,977	39.83	37.59	19,404
December	39.73	36.89	3,577,847	39.19	36.88	26,001

CUMULATIVE REDEEMABLE SECOND PREFERRED SHARES

2017	Series Y			Series AA			Series BB		
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume
January	21.83	20.80	113,796	24.36	23.27	146,123	24.44	23.23	62,578
February	22.45	21.01	204,289	24.27	23.70	100,241	24.17	23.50	90,351
March	22.33	21.51	320,297	24.37	23.65	297,473	24.24	23.73	36,530
April	23.07	22.15	97,619	24.93	24.20	115,375	24.78	24.12	32,217
May	22.42	20.58	194,894	25.00	24.55	66,640	24.85	24.39	48,554
June	22.56	20.54	450,765	24.90	24.32	49,561	24.75	24.38	101,292
July	22.68	21.95	449,846	24.45	23.80	49,768	24.38	23.69	28,349
August	22.10	21.40	125,810	24.05	23.50	28,511	23.90	23.36	21,439
September	22.08	21.33	195,570	23.69	23.06	33,221	23.50	23.00	114,583
October	22.50	21.53	61,908	24.71	23.31	96,572	24.70	23.08	109,324
November	22.38	22.04	66,415	24.80	24.35	37,102	24.80	24.28	162,620
December	22.35	21.47	119,373	24.51	24.15	77,314	24.98	24.04	35,318

2017	Series CC			Series DD		
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume
January	22.47	21.38	47,710	22.38	21.31	125,599
February	22.28	21.83	55,033	22.24	21.72	99,211
March	22.33	21.80	83,743	22.29	21.95	79,807
April	22.86	22.20	40,994	22.95	22.21	94,698
May	22.99	22.41	50,637	23.11	22.30	113,955
June	22.82	22.32	146,781	23.03	22.36	106,872
July	22.73	21.67	40,072	22.50	21.67	98,752
August	21.90	21.45	30,729	21.88	21.41	125,460
September	21.65	21.02	62,373	21.68	21.00	77,892
October	22.67	21.27	108,470	22.35	21.27	81,042
November	22.50	21.81	69,616	22.48	21.90	65,685
December	22.37	21.90	34,445	22.30	21.85	36,275

2017	Series EE			Series FF		
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume
January	25.54	24.60	286,587	27.55	26.18	152,772
February	25.72	25.10	108,098	27.33	26.29	60,148
March	25.80	25.42	41,698	26.93	26.20	88,217
April	26.22	25.71	46,061	26.81	26.25	172,091
May	26.09	25.42	29,093	26.85	26.01	30,778
June	25.79	25.45	48,072	27.03	25.88	137,080
July	25.55	25.08	43,254	27.00	26.24	25,629
August	25.40	24.90	25,385	26.40	25.27	131,134
September	25.05	24.70	28,950	26.19	25.79	35,752
October	26.00	24.98	24,530	26.55	26.14	58,684
November	25.88	25.41	19,190	26.51	25.81	65,226
December	25.69	25.25	12,179	26.38	25.41	41,380

DIRECTORS AND OFFICERS

DIRECTORS ⁽¹⁾



MATTHIAS F. BICHSEL, PhD

Primary residence Luzern, Switzerland

Director since 2014

Age 63

Independent

Dr. Bichsel is an energy and technology consultant and corporate director. From 2009 until his retirement in 2014, he was a member of the Executive Management Board of Royal Dutch Shell plc and ran one of its four global businesses, where his responsibilities included upstream and downstream capital projects, technology and R&D, engineering, supply chain management and procurement as well as drilling. Dr. Bichsel was also accountable for the safety and environmental performance of Shell. Dr. Bichsel was further responsible at Shell 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 is an Honorary Professor at the Chinese University of Petroleum, Beijing, China.



LORAIN M. CHARLTON ⁽²⁾⁽³⁾

Primary residence Calgary, Alberta, Canada

Director since 2006

Age 61

Independent

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. During her career, Ms. Charlton has held various positions involving responsibility for directing overall management, including financial reporting, banking, debt and treasury management, investor relations, risk management, human resources, operations and strategy.

Ms. Charlton is also a director 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

Primary residence Foothills, Alberta, Canada

Director since 2012

Age 63

Independent

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⁾

Primary residence Edmonton, Alberta, Canada

Director since 2008

Age 71

Independent

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 ⁽⁴⁾

Primary residence Mexico City, Mexico

Director since 2014

Age 70

Independent

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

Primary residence Wynn Vale, Australia

Director since 2014

Age 56

Independent

Ms. Reed is the Chair of ERIC Alpha Holdings Pty Ltd and its subsidiaries, which owns 49 per cent of Ausgrid, an electricity distribution business in Australia. In addition, Ms. Reed is a director of Ausgrid. Ms. Reed is also the 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. Effective February 1, 2018, Ms. Reed was appointed to the board of the Clean Energy Finance Corporation, the federal government corporation (Australia) which assists with the funding of clean energy projects.

Ms. Reed was the Chief Executive Officer/Managing Director of Spark Infrastructure 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, a gas distribution company, in a number of senior financial roles including Chief Financial Officer.

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



JAMES W. SIMPSON ⁽²⁾⁽³⁾

Primary residence	Calgary, Alberta, Canada
Director since	2004
Age	73
Independent	

Mr. Simpson is Lead Director for the Board of Canadian Utilities. Until April 2017, Mr. Simpson was Chair and Director of Suncor Energy Inc. ("Suncor"), having served on its board since 2009. He was a director of Petro Canada from 2004 through to 2009 when it merged with Suncor. A Former President of Chevron Canada Resources, he retired after a 30 year career with Chevron Corporation. While President of Chevron Canada, he 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.



NANCY C. SOUTHERN

Primary residence	Calgary, Alberta, Canada
Director since	1990
Age	61
Not Independent	Ms. Southern is not independent because she has a material relationship with CU. She is CU's Chair & Chief Executive Officer.

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 and reports 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, and the Rideau Hall Foundation Board of Directors.



LINDA A. SOUTHERN-HEATHCOTT ⁽⁴⁾

Primary residence Calgary, Alberta, Canada

Director since 2000

Age 54

Not Independent Ms. Southern-Heathcott is not independent because she has a material relationship with CU. She is an immediate family member of the Chair & Chief Executive Officer.

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 & 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.



CHARLES W. WILSON ⁽²⁾

Primary residence Boulder, Colorado, United States

Director since 2000

Age 78

Independent

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 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.J. Black Alberta, Canada	Vice President, Corporate Services Canadian Utilities Limited
L.L. Brewster Alberta, Canada	Vice President, Indigenous Community Relations & Development Canadian Utilities Limited
D.A. DeChamplain Alberta, Canada	Senior Vice President & Chief Financial Officer Canadian Utilities Limited and ATCO Ltd.
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.
D.M. Girard Alberta, Canada	Vice President, People Development Canadian Utilities Limited and ATCO Ltd.
E.M. Kiefer ⁽¹⁾ 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.
K.J. Patrick Alberta, Canada	Vice President, Finance & Risk Canadian Utilities Limited and ATCO Ltd.
S.F. Policicchio Alberta, Canada	Managing Director, Customer 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.
P.C. Tait Alberta, Canada	Vice President, Real Estate Strategies Canadian Utilities Limited and ATCO Ltd.

(1) Effective January 31, 2018, E.M. Kiefer retired from his role as Senior Vice President & Chief Administration Officer of ATCO Ltd. and Canadian Utilities.

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 Mrs. Girard, Ms. Patrick and Mr. Tait. Mrs. Girard has held several senior management roles specializing in human resources, including recent positions as Director, Human Resources at ATCO Structures & Logistics, Manager, Recruitment at Nexen Inc., and Director, Human Resources at Bell Canada. Ms. Patrick has held several senior management roles specializing in strategy and finance, including her recent positions as Senior Director, Mergers & Acquisitions and Strategic Development at ATCO Group, Director, Mergers & Acquisitions and Senior Manager and Economist, Corporate Strategy and Development, at Bunge Limited. 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).

DIRECTORS' AND OFFICERS' INTEREST IN THE COMPANY

At December 31, 2017, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), 66,604,518 (89.9 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, 2017, 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 February 20, 2018, there were 74,075,383 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 89.5% 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, Ms. Linda Southern-Heathcott and Mrs. Margaret E. Southern 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 10 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 10 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 procedures 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 AST Trust Company (Canada) 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 34 of our audited consolidated financial statements for the year ended December 31, 2017

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, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward commodity contracts. 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 2017 Consolidated Financial Statements.

Capital investment 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 March 7, 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 3rd Floor, West Building, 5302 Forand Street SW, Calgary, Alberta, T3E 8B4, 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 Electric Distribution (ATCO Electric Distribution), Electric Transmission (ATCO Electric Transmission), Natural Gas Distribution (ATCO Gas) and Natural Gas Transmission (ATCO Pipelines).

APL means Alberta PowerLine.

ATCO means ATCO Ltd. and its subsidiaries.

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 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.

Board means Canadian Utilities' Board of Directors.

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.

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

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

EUA means the Electric Utilities Act (Alberta).

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.

LNG means liquefied natural gas.

MD&A means the Company's Management's Discussion and Analysis for the year ended December 31, 2017.

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 electricity 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.

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. PPAs 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 Electric Distribution (ATCO Electric Distribution), Electric Transmission (ATCO Electric Transmission), Natural Gas Distribution (ATCO Gas), Natural Gas Transmission (ATCO Pipelines) and International Natural Gas Distribution (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.

APPENDIX 1

DETAILS OF GENERATING PLANTS

DOMESTIC 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	-	Balancing Pool	2020
Sheerness 1, 2 Hanna, AB	Coal-Fired Thermal	1986 & 1990	790	50	395	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	54	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	2034
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	-	Cardinal Energy Ltd.	2026
Distributed Generation Karr, AB	Gas-Fired	2016	3	100	3	3	-	Various	2026
Total (A)			3,610		2,300	1,569			

INTERNATIONAL 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
AUSTRALIA									
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 - Australia			266		176	176			
MEXICO									
Distributed Generation San Luis Potosi	Gas-Fired	2016	11	50	6	6	Grupo Ranman	Various	2026
Electricidad del Golfo Veracruz ⁽⁴⁾	Hydroelectric	2014	35	100	35	-	-	Various	-
Total - Mexico			46		41	6			
Total (B)			312		217	182			
Total (A + B)			3,922		2,517	1,751			

(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
- Grupo Ranman means RANMAN Energy Inc.
- 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
- 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.

(4) In December 2017, Canadian Utilities Limited announced the acquisition of a long-term contracted 35 MW hydroelectric generation asset in Veracruz, Mexico. The \$114 million transaction closed on February 20, 2018.

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 Corporation by assisting the Board of Directors of the Corporation ("Board") in fulfilling its oversight of:

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

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 Corporation'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 Corporation 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 Corporation and its subsidiary entities with the officers, employees and internal and external auditors of the Corporation and its subsidiary entities. All employees are directed to cooperate with the Committee's requests;
- meet with the Corporation'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 Corporation'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 Corporation;
- 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 Corporation 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 Corporation 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 Corporation'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 Corporation'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 Corporation.
- Review analyses 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 analyses 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 Corporation's annual and interim financial statements, MD&A and earnings press releases and the AIF before the Corporation 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 Corporation publicly discloses this information.
- Recommend to the Board the approval of the Corporation's annual financial statements, AIF and annual MD&A.
- Be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of these procedures.
- Be satisfied that the Corporation 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 Corporation; 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 Corporation, 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 Corporation or its subsidiaries by the external auditor of the Corporation ("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 practices and procedures for the engagement of Non-audit Services 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 Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

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 Corporation; review and consider with management the Corporation's risk taking philosophy; review and discuss with management the Corporation'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 Corporation'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 the Corporation's insurance programs for adequacy annually.

Other

- Ensure that the Corporation has appropriate procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.
- Provide a means for confidential and anonymous submission by employees of the Corporation 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 Corporation 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 Corporation shall report directly to the Committee. The Committee is expected to maintain free and open communication with the Corporation'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 Corporation's Audit & Risk Committee, all of whom are independent and financially literate:

- L.M. Charlton - 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 23 year career at Investors' Petroleum Consultants Ltd. Ms. Charlton serves on the Audit Committees of three publicly traded corporations and is Audit Chair for one of them. Ms. Charlton has a Bachelor of Commerce degree in Finance, holds the Corporate Director Designation (ICD.D) from the Institute of Corporate Directors, and participates in ongoing financial and accounting continuing education.
- R.J. Normand - Over the past 30 years, Mr. Normand held senior executive roles in the financial and banking sectors, culminating in the role of President and Chief Executive Officer of Alberta Treasury Branches until his retirement in 2008. 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. 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.
- 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 PROCEDURES

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

The engagement of the external auditor for a range of services defined in the procedure has been pre-approved by the Audit & Risk 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 & Risk Committee has delegated the authority to grant such pre-approval to the Chairman of the Audit & Risk Committee.

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

EXTERNAL AUDITOR SERVICE FEES

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

(\$ Millions)	2017	2016
Audit fees ⁽¹⁾	3.2	2.8
Audit-related fees ⁽²⁾	0.1	-
Tax fees ⁽³⁾	0.3	0.1
Total	3.6	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) Audit related fees are the aggregate fees paid to the external auditor for services related to special purpose audits and audit services including consultations regarding IFRS.

(3) 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.