



**2003
ANNUAL
INFORMATION
FORM**

February 26, 2004

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DOCUMENT INCORPORATED BY REFERENCE

The Corporation's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2003, is incorporated by reference into and forms an integral part of this Annual Information Form.

DEFINITIONS OF CERTAIN TERMS

Certain terms used in this Annual Information Form are defined below:

"AESO" means the Alberta Electric System Operator, formerly the Alberta Power Pool and the Transmission Administrator;

"AEUB" means the Alberta Energy and Utilities Board;

"AGP" means ATCO Gas and Pipelines Ltd.;

"Alberta Power (2000)" means Alberta Power (2000) Ltd.;

"ASHCOR Technologies" means ASHCOR Technologies Ltd.;

"ATCO" means ATCO Ltd.;

“ATCO Electric” means ATCO Electric Ltd.;

“ATCO Frontec” means ATCO Frontec Corp.;

“ATCO Gas” means the natural gas distribution division of AGP;

“ATCO I-Tek” means ATCO I-Tek Inc. Prior to January 1, 2004, ATCO I-Tek was a division of CU;

“ATCO I-Tek Business Services” means ATCO I-Tek Business Services Ltd.;

“ATCO Investments” means ATCO Investments Ltd.;

“ATCO Midstream” means ATCO Midstream Ltd.;

“ATCO Noise Management” means ATCO Noise Management Ltd.;

“ATCO Pipelines” means the natural gas transportation division of AGP;

“ATCO Power” means ATCO Power Ltd. together with its subsidiaries;

“ATCO Resources” means ATCO Resources Ltd.;

“ATCO Structures” means ATCO Structures Inc. together with its subsidiaries;

“ATCO Travel” means ATCO Travel Ltd.;

“ATCO Utility Services” means ATCO Utility Services Ltd.;

“BPL” means Barking Power Limited;

“Canadian Utilities” means Canadian Utilities Limited together with all its subsidiaries;

“Class I Shares” means the Class I Non-Voting Shares of the Corporation;

“Class II Shares” means the Class II Voting Shares of the Corporation;

“Corporation” means ATCO Ltd. and, unless the context otherwise requires, includes its subsidiaries;

“CU” means Canadian Utilities Limited;

“CU Water” means CU Water Limited;

“EEEEP” means the Edmonton Ethane Extraction Plant;

“EUA” means the Electric Utilities Act (Alberta);

“Genics” means Genics Inc.;

“km” means kilometre;

“Mmcf” means one million cubic feet and “Bcf” means one billion cubic feet;

“negotiated settlement” means an agreement related to a revenue requirement and/or customer rates for a specific period of time resulting from direct negotiations between a utility and its customers. A negotiated settlement avoids the need for a general rate application for the duration of the agreement. All negotiated settlements must be approved by the AEUB;

“NLD” means Northland Utilities (NWT) Limited;

“NUY” means Northland Utilities (Yellowknife) Limited;

“petajoule” means a unit of energy equal to approximately 948.2 billion British thermal units, “terajoule” means a unit of energy equal to approximately 948.2 million British thermal units and “gigajoule” means a unit of energy equal to approximately 948.2 thousand British thermal units;

“PPA’s” mean power purchase arrangements that became effective on January 1, 2001, as part of the process of restructuring the electric utility business in Alberta. The PPA’s are legislatively mandated and approved by the AEUB;

“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;

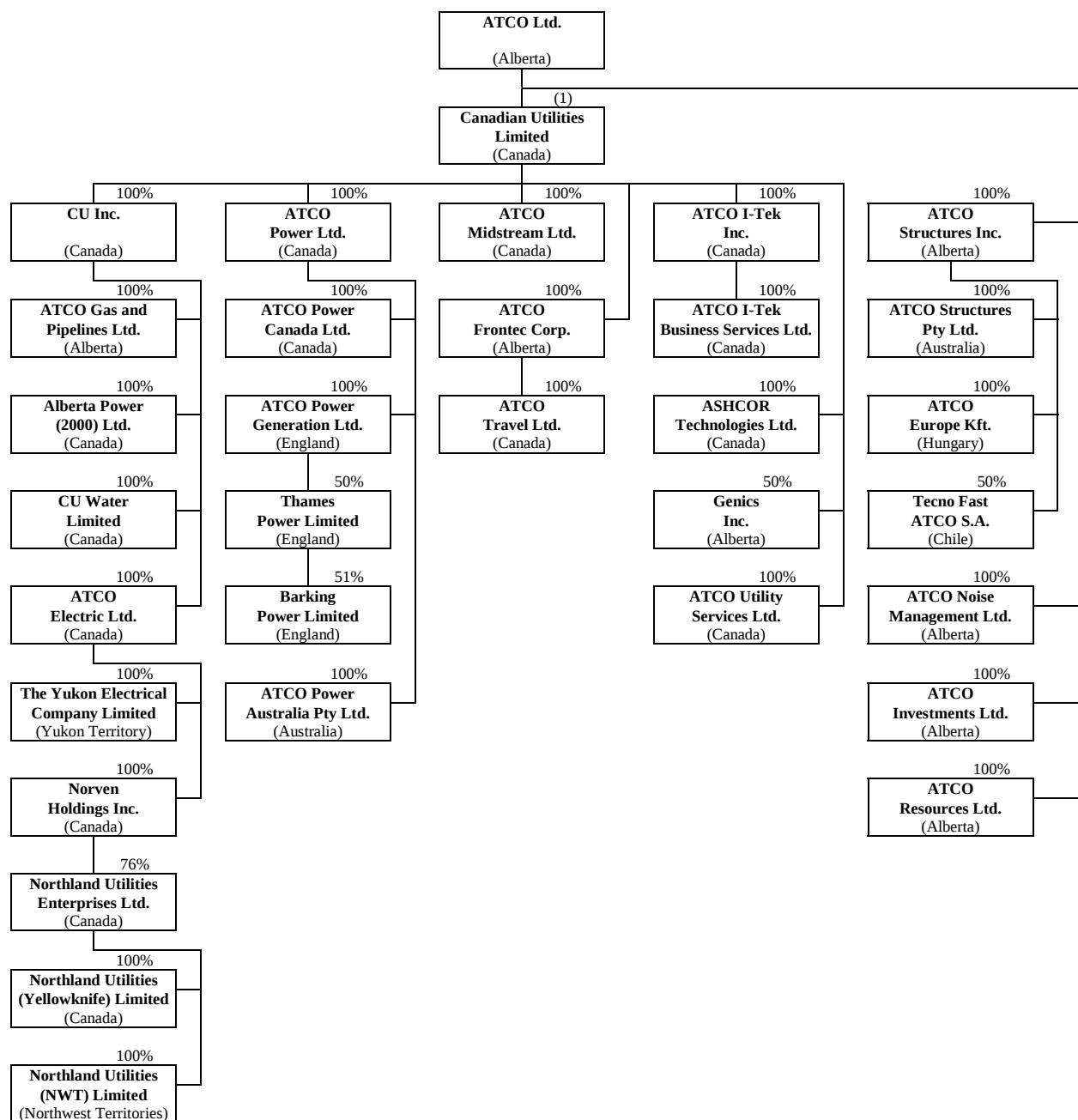
“Thames Power” means Thames Power Limited;

“YECL” means The Yukon Electrical Company Limited.

ATCO LTD.

The Corporation is the successor to the business commenced in 1947 by the late S.D. Southern and R.D. Southern and was incorporated under The Companies Act (Alberta) by Certificate of Incorporation dated August 31, 1962. The Corporation was continued under the Business Corporations Act (Alberta) on March 13, 1984. The address of the principal and registered office of the Corporation is 1600 ATCO Centre, 909 – 11th Avenue S.W., Calgary, Alberta T2R 1N6.

The following chart includes the names of the operating subsidiaries of the Corporation, the jurisdictions under the laws of which they are organized and the percentages of their voting shares beneficially owned or over which control or direction is exercised by the Corporation.



Notes:

- (1) At December 31, 2003, all of the non-voting shares of each of the above corporations were directly or indirectly owned by the Corporation, with the exception of Canadian Utilities Limited. 73.4% of the Class B common shares, being the only voting securities outstanding, and 40.2% of the Class A non-voting shares of Canadian Utilities Limited are held by ATCO Ltd.

CONSOLIDATED THREE YEAR FINANCIAL SUMMARY

	Year Ended December 31		
	2003	2002	2001
	(\$ Millions except per share data)		
Revenues.....	3,929.7	3,196.3	3,767.8
Earnings attributable to Class I and Class II Shares (1) (2)	131.2	163.0	124.4
Earnings per Class I and Class II Share (1)	4.40	5.47	4.18
Diluted earnings per Class I and Class II Share (1)	4.35	5.39	4.12
Total assets.....	6,591.2	6,403.3	5,845.4
Long term debt.....	1,841.6	1,936.0	1,883.0
Non-recourse long term debt	948.2	956.4	770.4
Equity preferred shares	150.0	150.0	150.0
Class I and Class II share owners' equity	1,133.6	1,044.8	911.6
Cash dividends declared per share:			
5.75% Cumulative Redeemable Preferred Shares, Series 3 (3)	1.44	1.44	0.57
Class I Shares.....	1.28	1.16	1.04
Class II Shares	1.28	1.16	1.04

Notes:

- (1) There were no discontinued operations or extraordinary items during these periods.
- (2) The 2002 results include earnings of \$34.9 million on the sale of the Viking-Kinsella natural gas producing property.
- (3) Issued July 10, 2001.

BUSINESS OF THE CORPORATION

The Corporation is a holding company. Its principal operating subsidiaries are engaged in regulated natural gas and electric energy operations, primarily in Alberta, and in related non-regulated operations. Regulated operations are conducted by ATCO Electric, ATCO Gas, ATCO Pipelines and CU Water. Included in regulated operations are the generating plants of Alberta Power (2000), which were regulated by the AEUB until December 31, 2000, but are now governed by legislatively mandated PPA's that were approved by the AEUB. These plants are included in regulated operations primarily because the PPA's are designed to allow the owners of generating plants constructed before January 1, 1996, to recover their forecast fixed and variable costs and to earn a return at the rate specified in the PPA's. The plants will become deregulated upon the expiry of the PPA's. Each PPA is to remain in effect until the earlier of the last day of the life of the related generating plant and December 31, 2020.

The Corporation has five Business Groups: Utilities, Power Generation, Logistics and Energy Services, Industrials and Technologies. For the purposes of financial disclosure, the Technologies Business Group is included in Technologies and Other Businesses. Corporate results, which include administrative expenses, earnings from corporate investments and financing charges, are accounted for as Corporate.

The Utilities Business Group includes the regulated distribution of natural gas by ATCO Gas, the regulated distribution and transmission of electric energy by ATCO Electric and its subsidiaries,

NLD, NUY and YECL, the regulated transmission and distribution of water by CU Water, and the provision of non-regulated engineering, procurement and construction services for customers in the utility, energy and telecommunications sectors by ATCO Utility Services.

The Power Generation Business Group includes the non-regulated supply of electricity and cogeneration steam by ATCO Power and ATCO Resources and the regulated supply of electricity by Alberta Power (2000).

The Logistics and Energy Services Business Group includes the regulated transportation of natural gas by ATCO Pipelines, the non-regulated gathering, processing, storage, purchase and sale of natural gas by ATCO Midstream, and the provision of project management and technical services for customers in the industrial, defence and transportation sectors by ATCO Frontec.

The Industrials Business Group includes the manufacture, sale and lease of transportable workforce shelter and space rentals products by ATCO Structures and the design and construction of buildings to reduce noise emissions from industrial facilities by ATCO Noise Management.

The Technologies Business Group and Other Businesses includes the development, operation and support of information systems and technologies by ATCO I-Tek, the provision of billing services, payment processing, credit, collection and call centre services by ATCO I-Tek Business Services, the sale of fly ash and other combustion byproducts produced in coal-fired electrical generating plants by ASHCOR Technologies, the manufacture of wood preservation products by Genics, and the sale of travel services to both business and consumer sectors by ATCO Travel. In addition, ATCO Investments owns commercial real estate in Calgary, Alberta and Canadian Utilities owns commercial real estate in Fort McMurray, Alberta.

Utilities

Natural Gas Operations

ATCO Gas is primarily engaged in the business of distributing natural gas throughout Alberta and in the Lloydminster area of Saskatchewan. In addition, ATCO Gas stores and purchases natural gas. Although ATCO Gas is the major natural gas distributor in Alberta, certain areas are served by other natural gas utilities.

ATCO Gas' principal markets for the sale of natural gas are in the communities of Edmonton, Calgary, Airdrie, Camrose, Fort McMurray, Grande Prairie, Lethbridge, Lloydminster, Red Deer, St. Albert and Sherwood Park, which have a combined population of approximately 1,988,000. Also served are 280 smaller communities as well as rural areas having a combined population of approximately 553,000, located on or in the vicinity of ATCO Pipelines' transportation systems or the natural gas transportation pipelines of other companies. ATCO Gas serves approximately 888,000 customers with natural gas, of whom approximately 75% are located in the 11 communities named above.

The number of customers served by ATCO Gas as at the end of each of the last two years was as follows:

	2003			2002		
	Sales Service	Transportation Service	Total	Sales Service	Transportation Service	Total
Residential	760,508	49,413	809,921	751,373	34,037	785,410
Commercial.....	72,707	4,729	77,436	72,052	4,101	76,153
Industrial.....	260	107	367	250	109	359
Other	16	-	16	1	-	1
Affiliates	27	-	27	29	-	29
Total.....	<u>833,518</u>	<u>54,249</u>	<u>887,767</u>	<u>823,705</u>	<u>38,247</u>	<u>861,952</u>

ATCO Gas owns and operates approximately 34,200 km of distribution mains. In addition, ATCO Gas owns modern service and maintenance facilities in major centres.

Sales and earnings of ATCO Gas are affected by temperature and consequently winter weather can have a significant impact. Usually, more than 50% of the earnings of ATCO Gas are generated during the months of January, February, November and December.

The amounts of natural gas sold and distributed by ATCO Gas for each of the last two years were as follows:

	2003			2002		
	Sales Service	Transportation Service	Total	Sales Service	Transportation Service	Total
	(petajoules)					
Residential	103.6	5.7	109.3	105.5	4.6	110.1
Commercial.....	84.5	15.6	100.1	86.7	15.5	102.2
Industrial.....	4.1	10.5	14.6	4.2	10.8	15.0
Other	5.8	-	5.8	4.4	-	4.4
Affiliates	0.2	-	0.2	0.2	-	0.2
Total.....	<u>198.2</u>	<u>31.8</u>	<u>230.0</u>	<u>201.0</u>	<u>30.9</u>	<u>231.9</u>

Natural Gas Supply

ATCO Gas purchases the major portion (approximately 84%) of its supplies of natural gas under contracts with terms of less than one year. The prices for these purchases are determined through a tender/bid process or a negotiation process and are generally referenced to indices related to other Alberta natural gas purchase contracts.

Additional natural gas requirements are provided under longer term contracts. The prices for these purchases are based on price indices related to prices paid under other third party natural gas purchase contracts in Alberta. As ATCO Gas' long term natural gas purchase contracts expire, ATCO Gas replaces them with contracts for one year or less. These shorter term contracts provide the flexibility needed to ensure that customers who choose to purchase their

natural gas from other suppliers can be accommodated while still maintaining the supply security stipulated by legislation.

ATCO Gas also owns natural gas field storage facilities at Carbon, Alberta.

In the opinion of the management of ATCO Gas, the foregoing arrangements provide sufficient supplies of natural gas to meet the requirements of sales customers.

CU Water

CU Water is engaged in the transmission and distribution of water. CU Water owns and operates a distribution system to supply water to rural customers and small towns east of Edmonton. At the end of 2003, approximately 856 customers were being served directly by CU Water and, in addition, bulk water sales were being made to the town of Tofield and to approximately 192 commercial water haulers. The operations of CU Water are subject to regulation by the AEUB.

Electric Operations

ATCO Electric is engaged in the business of distributing and transmitting electric energy to 246 communities as well as rural areas in east-central and northern Alberta. Included 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. Electric utility service is also provided to one community in British Columbia and to two communities in Saskatchewan. YECL serves 19 communities in the Yukon Territory, including the capital city of Whitehorse, and NUY and NLD serve nine communities in the Northwest Territories, including the capital city of Yellowknife.

Electricity distributed to the various classes of customers for each of the last two years was as follows:

	2003		2002	
	Millions of Kilowatt Hours	%	Millions of Kilowatt Hours	%
Industrial.....	6,502	67	7,143	70
Commercial.....	1,729	18	1,655	16
Residential	982	10	963	9
Rural, REAs and other	555	5	463	5
Total.....	<u>9,768</u>	<u>100</u>	<u>10,224</u>	<u>100</u>

The aggregate population of the areas provided with electric utility service by ATCO Electric, NUY, NLD and YECL is approximately 438,000 and service is provided to approximately 202,000 customers. ATCO Electric has been assigned approximately 65% of the designated service area within Alberta which contains approximately 15% of the existing provincial electrical load and 12% of the existing population.

The number of customers served by ATCO Electric, NUY, NLD and YECL as at the end of each of the last two years was as follows:

	2003		2002	
	Number	%	Number	%
Industrial.....	10,484	5	10,623	5
Commercial.....	27,386	14	27,448	14
Residential	135,263	67	131,143	66
Rural, REAs and other	29,135	14	28,632	15
Total.....	<u>202,268</u>	<u>100</u>	<u>197,846</u>	<u>100</u>

ATCO Electric, NUY, NLD and YECL own and operate extensive electric transmission and distribution systems. The systems consist of approximately 9,000 km of main transmission lines and 58,000 km of distribution lines. In addition, ATCO Electric delivers power to and operates approximately 12,300 km of REA-owned distribution lines.

ATCO Electric, NUY, NLD and YECL own and operate 36 diesel, natural gas turbine and hydro generating plants having an aggregate nameplate capacity of 62 megawatts in Alberta and in the Yukon and Northwest Territories. The maximum peak load demand for these plants during the year ended December 31, 2003, was 33 megawatts.

Electricity Supply

ATCO Electric is required to supply energy to certain customers in one of three ways: through the regulated rate tariff, as the default retailer or as the default supplier (formerly “supplier of last resort”).

ATCO Electric is obligated to supply energy under the regulated rate option to the residential, farm and small commercial customers in its designated service area who do not choose an unregulated retailer. ATCO Electric purchases electricity from the AESO at spot prices to supply the regulated rate option customers, the costs for which are collected from customers at rates approved by the AEUB. In November 2003, the government of Alberta revised its regulations, effective January 1, 2004, and as a result, ATCO Electric will now be at risk for electric energy supply and will no longer be able to flow through the AESO price to customers. A further revision to the regulations in November permitted the AEUB to extend the period for implementation to July 1, 2004 upon application. In December 2003, the AEUB issued a decision approving ATCO Electric’s application to extend the implementation date to July 1, 2004. Under the revised regulations, ATCO Electric is obligated to provide a fixed price regulated rate option to customers until July 1, 2006, and a regulated rate option based on actual spot prices thereafter.

ATCO Electric is also obligated to assign a default retailer for its customers who are not eligible for the regulated rate tariff and did not choose an unregulated retailer prior to 2001. ATCO Electric appointed itself as the default retailer and purchases electricity from the AESO at the spot price to supply these customers, the costs for which are passed on to customers on a dollar for dollar basis.

ATCO Electric has appointed itself as the default supplier (formerly “supplier of last resort”) for its customers who are not eligible for its regulated rate tariff and who are unable to obtain service from a retailer. The energy procurement price for these customers is the spot price of the AESO, the costs for which are passed on to customers on a dollar for dollar basis.

Sale of Retail Operations

In December 2002, Direct Energy Marketing Limited (“Direct Energy”) agreed to purchase the retail energy businesses of ATCO Gas and ATCO Electric, subject to the satisfaction of certain conditions, including the receipt of required regulatory approvals and the government of Alberta amending certain natural gas and electricity legislation. In December 2003, the AEUB issued decisions approving the transfer of the retail operations of ATCO Gas and ATCO Electric to Direct Energy, appointing Direct Energy provider of the natural gas Default Rate Tariff and electricity Regulated Rate Tariff in the ATCO Gas and ATCO Electric service territories and approving the tariff rate structure of Direct Energy Regulated Services, ATCO Gas and ATCO Electric. The City of Calgary has filed leave to appeal the AEUB decision approving the transfer of the retail operations. The Corporation is reviewing the AEUB decisions and certain other conditions which must be satisfied in order to close the sale of its retail business to Direct Energy.

If the sale does close on the anticipated terms, ATCO Gas and ATCO Electric will no longer be involved in arranging for the supply and sale of natural gas and electricity to customers, but will continue to provide transportation and distribution services under AEUB approved rates that provide for a recovery of costs of service and fair return. The sale does not include any of the distribution and transmission facilities used to deliver natural gas and electricity to customers.

In addition, ATCO I-Tek Business Services Ltd., which currently provides billing and customer care services to ATCO Gas and ATCO Electric, has entered into a contract to provide similar services to Direct Energy in the event the sale closes as anticipated (see “Technologies – ATCO I-Tek Business Services Ltd.”).

Power Generation

Power generation operations are conducted by Alberta Power (2000), ATCO Power and ATCO Resources.

Regulated

Alberta Power (2000) is engaged in the regulated supply of electricity in Alberta. Alberta Power (2000)’s assets are operated by ATCO Power pursuant to management agreements. The generating plants of Alberta Power (2000) were regulated by the AEUB until December 31, 2000, but are now governed by legislatively mandated PPA’s that were approved by the AEUB. These plants are included in regulated operations primarily because the PPA’s are designed to allow the owners of generating plants constructed before January 1, 1996, to recover their forecast fixed and variable costs and to earn a return at the rate specified in the PPA’s. The

plants will become deregulated upon the expiry of the PPA's. Each PPA is to remain in effect until the earlier of the last day of the life of the related generating plant and December 31, 2020.

Substantially all of the electricity generated by Alberta Power (2000) is sold pursuant to PPA's with EPCOR Utilities Inc. (Battle River generating plant); Duke Energy Inc. (Rainbow generating plant); and the Alberta Balancing Pool (Sheerness generating plant). Under the PPA's, Alberta Power (2000) is required to make the generating capacity for each generating unit available to the purchaser of the PPA for that unit. In return, Alberta Power (2000) is entitled to recover its forecast fixed and variable costs for that unit from the PPA purchaser, including a return on common equity equal to the long term Canada bond rate plus 4.5% based on a deemed common equity ratio of 45%. Many of the forecast costs will be determined by indices, formulae or other means for the entire period of the PPA. Alberta Power (2000)'s actual results will vary and depend on performance compared to the forecasts on which the PPA's are based.

The name plate capacity ratings of Alberta Power (2000)'s generating plants are listed below.

<u>Plant</u>	<u>Type of Generating Plant</u>	<u>Name Plate Capacity Rating</u> (megawatts)
Battle River	coal-fired steam turbine	679
Sheerness	coal-fired steam turbine	375 (1)
H.R. Milner	coal-fired steam turbine	150 (2)
Rainbow	natural gas turbine	90
Sturgeon	natural gas turbine	18
		<u>1,312</u>

Notes:

(1) Alberta Power (2000)'s ownership of the 750 megawatt name plate capacity.

(2) Alberta Power (2000) operated H.R. Milner to the closing date of its sale on January 29, 2004.

Alberta Power (2000) manages the Sheerness generating plant under long term agreements with TransAlta Cogeneration L.P. for the equal sharing of ownership and cost of electric capacity.

Alberta Power (2000) owns or has committed under long term contracts sufficient coal supplies for the anticipated lives of its Battle River and Sheerness generating plants.

In 2001, Alberta Power (2000) and the Alberta Balancing Pool entered into an agreement which gave the Alberta Balancing Pool control of the H.R. Milner generating plant effective January 1, 2001 and the right to sell it until September 30, 2003, failing which the rights to control the generating plant would revert to Alberta Power (2000). In return, Alberta Power (2000) was paid \$63.5 million, the net book value of the generating plant and coal inventory. Alberta Power (2000) operated the generating plant under a cost of service contract with the Alberta Balancing Pool. On August 6, 2003, the Alberta Balancing Pool announced that it had entered into an agreement for the sale of plant. Alberta Power (2000) extended its cost of service contract until January 29, 2004, when the plant was sold by the Alberta Balancing Pool to a third party. As part of the sale, Alberta Power (2000) was relieved of all decommissioning risk, including any

environmental liabilities incurred while Alberta Power (2000) was operating the generating plant.

As a result of unprecedented drought conditions, the water level in the cooling pond used by the Battle River plant in its production of electricity had fallen to an all-time low in early 2003, and the Corporation made a force majeure claim in respect of short term curtailed plant production which was experienced during the first quarter of 2003. Water levels continue to be below normal levels, however sufficient water is currently available to permit the plant to produce electricity according to its PPA contractual requirements. The Corporation is preparing submissions for the arbitration hearings scheduled to commence May 3, 2004, in respect of the force majeure claim.

Non-Regulated

ATCO Power is engaged in the non-regulated supply of electricity and cogeneration steam in Canada, the United Kingdom and Australia. ATCO Power also manages Alberta Power (2000)'s assets. ATCO Power continues to focus its development efforts on independent power production projects in Canada, Australia and the United Kingdom.

ATCO Power's and ATCO Resources' non-regulated independent cogeneration plants and generating plants, with their respective commissioning dates and name plate capacity ratings, are shown below.

<u>Location</u>	<u>Commissioning Date</u>	<u>Name Plate Capacity Rating</u> (megawatts)	<u>Ownership</u>	<u>Net Ownership</u> (megawatts)
<i>Canada:</i>				
<u>Operating Units:</u>				
McMahon, B.C.	1993	120	50.0%	60
Primrose, Alberta	1998	85	50.0%	43
Poplar Hill, Alberta	1998	43	100.0%	43
Rainbow Lake, Alberta	1999	89	50.0%	45
Joffre, Alberta	2000	480	40.0%	192
Valleyview, Alberta	2001	46	100.0%	46
Muskeg River, Alberta	2003	170	70.0%	119
Cory, Saskatchewan	2003	260	50.0%	130
Oldman River, Alberta	2003	32	100.0%	32
Scotford, Alberta	2003	170	100.0%	170
<u>Units Under Construction:</u>				
Brighton Beach, Ontario	2004	580	50.0%	290
<i>United Kingdom:</i>				
<u>Operating Units:</u>				
Barking, London	1995	1,000	25.5%	255
Heathrow Airport	1995	14	50.0%	7
<i>Australia:</i>				
<u>Operating Units:</u>				
Osborne, South Australia	1998	180	50.0%	90
Bulwer Island, Queensland	2001	33	50.0%	17
Total		<u>3,302</u>		<u>1,539</u>

Canada

ATCO Power has a 50% interest in a joint venture with McMahon Power Holdings L.P. The joint venture owns and operates the 120 megawatt McMahon cogeneration plant at Taylor, British Columbia. All of the electricity generated is sold to British Columbia Hydro and Power Authority ("BC Hydro") pursuant to an electricity purchase agreement expiring in 2013. In addition to generating electricity, the plant sells steam to Westcoast Energy Inc.'s adjacent natural gas processing plant.

A joint venture, owned by ATCO Power, Canadian Natural Resources Limited ("CNRL") and ATCO Resources, operates an 85 megawatt cogeneration power plant (the "Primrose Steam Enhancement Plant") near Bonnyville, Alberta. The joint venture sells electricity and steam to CNRL for use in its heavy oil recovery process. Any excess electricity generated is sold to the AESO or to specific customers. ATCO Power owns a 40% interest in the project, ATCO Resources owns 10% and CNRL owns 50%.

ATCO Power operates a 43 megawatt natural gas-fired generating plant at Poplar Hill near Grande Prairie, Alberta. Revenues are derived from power sold to the AESO and from transmission deferral credits contracted with the AESO. ATCO Power owns an 80% interest in the project and ATCO Resources owns 20%.

ATCO Power operates an 89 megawatt natural gas-fired generating plant at Rainbow Lake, Alberta which sells steam and electricity to Husky Energy Inc. (“Husky”). Surplus electricity is sold to the AESO. ATCO Power owns a 40% interest in the project, ATCO Resources owns 10% and Husky owns 50%.

ATCO Power, EPCOR Power Development Corporation (“EPCOR”) and NOVA Chemicals Corporation (“NOVA”) are participants in a joint venture which operates a 480 megawatt natural gas-fired cogeneration plant near Joffre, Alberta. ATCO Power is the operator of the facility. NOVA purchases all of the steam and approximately 25% of the electricity produced for use in NOVA’s Joffre petrochemical site under an energy purchase agreement expiring in 2020. The balance of the output is sold to the AESO or to specific customers. ATCO Power owns a 32% interest in the project, ATCO Resources owns 8%, EPCOR owns 40% and NOVA owns 20%.

ATCO Power operates a 46 megawatt natural gas-fired generating plant near Valleyview, Alberta. All of the electricity produced by the plant is sold to the AESO. ATCO Power owns an 80% interest in the project and ATCO Resources owns 20%.

ATCO Power and SaskPower International Inc. (“SPI”) are participants in a joint venture which operates a 170 megawatt natural gas-fired cogeneration plant and related facilities at the Athabasca Oil Sands Project (“AOSP”) Muskeg River mine near Fort McMurray, Alberta. Approximately one-half of the electricity and all of the steam produced by the plant are supplied to AOSP for use in its Muskeg River mine. The balance of the electricity generated is sold to the AESO. Construction of the plant has been completed and commercial operation commenced on January 1, 2003. ATCO Power owns a 56% interest in the project, ATCO Resources owns 14% and SPI owns 30%.

ATCO Power and SPI are participants in a joint venture which operates a 260 megawatt natural gas-fired cogeneration plant at Potash Corporation of Saskatchewan Inc.’s Cory Mine, located near Saskatoon, Saskatchewan. ATCO Power is the operator of the facility. Saskatchewan Power Corporation purchases all of the electricity generated by the plant for 25 years. Construction of the plant has been completed and commercial operation commenced on January 15, 2003. ATCO Power owns a 40% interest in the project, ATCO Resources owns 10% and SPI owns 50%.

ATCO Power operates a 32 megawatt hydroelectric generating plant at the Oldman River dam near Pincher Creek, Alberta. All of the electricity produced by the plant is sold to the AESO. The project was commissioned on September 30, 2003. ATCO Power owns an 80% interest in the project and ATCO Resources owns 20%. The Piikani Nation of Brockett, Alberta has an option which expires May 31, 2005, to purchase a 25% interest in the project.

ATCO Power operates a 170 megawatt natural gas-fired cogeneration plant at the AOSP upgrader at Scotford, Alberta. Approximately 80% of the electricity and all the thermal energy produced by the plant is supplied to AOSP for use in the upgrader and the balance of the electricity is sold to the AESO. Construction of the plant has been completed and commercial operation commenced on December 1, 2003. ATCO Power owns an 80% interest in the project and ATCO Resources owns 20%.

A partnership formed by ATCO Power and Ontario Power Generation (“OPG”) is constructing and will operate the Brighton Beach power plant, a 580 megawatt natural gas-fired combined cycle generating plant at the site of the former J.C. Keith Generating Station, near Windsor, Ontario. Coral Energy Canada Inc. has agreed to supply and pay for the natural gas to be used at the plant and will own, market and trade all the electricity produced. Construction is progressing with commercial operation scheduled for the summer of 2004. ATCO Power owns a 40% interest in the project, ATCO Resources owns 10% and OPG owns 50%. The estimated costs to complete the generating plant have increased from original estimates by approximately 19% to \$562 million due to higher supply and assembly costs for the heat recovery steam generator, higher costs for civil works and changes in engineering scope. In addition, ATCO Power has provided a contingency of \$10 million for unforeseen commissioning costs. ATCO Power’s and ATCO Resources’ share is \$286 million.

On September 8, 2003, SPI announced that it had selected ATCO Power as its joint venture partner to potentially develop up to 150 megawatts of wind generation power in Saskatchewan.

United Kingdom

ATCO Power and Balfour Beatty plc (formerly BICC plc), a United Kingdom construction group, each own a 50% equity interest in Thames Power, a London, England based company. Thames Power has a 51% interest in BPL which owns a 1,000 megawatt natural gas-fired combined cycle generating plant at Dagenham in London, England (the “Barking power plant”). EDF Energy (Energy Branch) plc (formerly London Power Company plc), SSE Energy Supply Limited (formerly Scottish and Southern Energy Limited), and TXU Europe Power Limited (the “Regional Electricity Companies”) own the remaining 49% interest in BPL. The Regional Electricity Companies have entered into long term agreements expiring in 2010 to purchase all of the electricity produced at the plant. The Barking power plant is operated by ATCO Power.

On November 19, 2002, an administration order was issued by a United Kingdom court for TXU Europe Energy Trading Ltd. (“TXU Europe”), which had a long term offtake agreement for 27.5% of the power produced by the Barking power plant. An administration order is similar to a Chapter 11 bankruptcy filing in the United States. BPL has filed a claim with the Administrator and is working with the Administrator and Creditors’ Committees on liquidation of TXU Europe and settlement of claims. The Barking power plant will continue to supply 725 megawatts of power under long term contracts. The 275 megawatts of power previously supplied to TXU Europe is being sold under short term bilateral agreements.

ATCO Power has a 50% interest in a joint venture with a subsidiary of EDF Energy plc (formerly London Electricity plc). The joint venture owns and operates a facility consisting of a

14 megawatt natural gas turbine, 40 megawatts of boiler capacity and an associated heat distribution system at London's Heathrow Airport. The joint venture has a 15 year energy services contract, expiring in 2010, with BAA plc, owner of the Heathrow Airport, for all of the electric energy and hot water produced by the facility.

Australia

ATCO Power has a 50% interest in a joint venture with Origin Energy Limited ("Origin"). The joint venture owns and operates a 180 megawatt cogeneration plant in Osborne, South Australia. This joint venture supplies electricity to Flinders Osborne Trading Pty Ltd ("FOT") under a 20 year electricity purchase agreement expiring in 2018. In addition to generating electricity, the plant provides steam under a 20 year agreement, expiring in 2018, to Penrice Soda Products Pty Ltd.

In December 2002, the joint venture was advised that FOT's parent corporation would no longer provide financial support to FOT. FOT continues to meet its obligations under its agreements with the joint venture. The government of South Australia has guaranteed the obligations of FOT under these agreements.

ATCO Power has a 50% interest in a consortium with Origin. The consortium owns and operates a 33 megawatt natural gas-fired cogeneration plant and other utility infrastructure at BP Amoco plc's ("BP") Bulwer Island refinery, near Brisbane, Queensland. All of the power and steam produced by the plant is sold to BP under a 20 year agreement expiring in 2021.

Logistics and Energy Services

Regulated Natural Gas Transportation

ATCO Pipelines is engaged in the business of transporting natural gas throughout Alberta.

ATCO Pipelines owns and operates extensive natural gas transportation systems. The systems consist of approximately 8,310 km of pipelines, 21 compressor sites and a salt cavern peaking facility. The systems have 203 producer receipt points, 77 interconnections with TransCanada Pipelines Limited, two interconnections with Alliance Pipeline and one interconnection with Many Islands Pipelines.

ATCO Pipelines' revenues are based primarily on contractual arrangements for access to its transmission systems. Contract demand for access, and interruptible (IT), overrun (OR) and variable volumes for each of the last two years was as follows:

	<u>2003</u>	<u>2002</u>
	(terajoules/day)	
Contract Demand:		
Producer	1,314	1,463
Industrial	1,075	1,131
Distribution	39	39
Affiliates	2,171	2,257
Total	<u>4,599</u>	<u>4,890</u>
IT/OR/Variable Volumes:		
Producer	209	156
Industrial	231	135
Distribution	18	18
Total	<u>458</u>	<u>309</u>
Total Contract Demand and IT/OR/Variable Volumes	<u><u>5,057</u></u>	<u><u>5,199</u></u>

In addition, ATCO Pipelines provides sales service to certain customers. ATCO Pipelines obtains natural gas for these customers from ATCO Gas.

Non-Regulated Natural Gas Gathering, Processing and Storage Operations

ATCO Midstream owns and operates non-regulated gathering and processing facilities in Alberta. ATCO Midstream also provides management services for ATCO Gas' storage field at Carbon, Alberta and natural gas procurement services for ATCO Gas and other subsidiaries of the Corporation.

ATCO Midstream owns a 51.3% interest in EEEP. Located in south Edmonton, EEEP is a natural gas processing plant which extracts ethane and other natural gas liquids from natural gas flowing into the Edmonton market area. Ethane is sold to an Alberta ethylene producer under a long term contract that expires in December 2012 and other natural gas liquids are sold under annual contracts that are renewable every March 31.

ATCO Midstream owns or has a joint venture interest in 12 natural gas processing plants, eight of which it operates, three compression facilities, all of which it operates, and approximately 1,000 km of field gathering lines. Natural gas production from the producing properties connected to ATCO Midstream's natural gas gathering systems is processed by ATCO Midstream and either transported for a fee or purchased and sold under contracts with third parties.

ATCO Midstream has agreements for natural gas storage capacity with various facilities in Alberta. ATCO Midstream utilizes this capacity to provide storage services to third parties.

Technical Facilities Management

ATCO Frontec, through its own operations and through a number of joint ventures, provides project management and technical services for customers in the industrial, defence, telecommunications and transportation sectors. Activities include the operation and maintenance of the Alaska Radar System, the Solid State Phased Array Radar System, the Automatic Data Processing systems for the NATO Stabilization Force Headquarters in Sarajevo, and various remote sites for Northwestel Inc. in northern Canada. ATCO Frontec also provides airport operation and maintenance, security, facilities management, bulk fuel storage and distribution and a wide variety of services and business activities in various locations throughout Canada.

ATCO Frontec and Pan Arctic Inuit Logistics Corporation (“Pan Arctic”) have a contract with the Government of Canada to operate and maintain the North Warning System until September 30, 2006. Nasittuq Corporation, a corporation jointly owned by ATCO Frontec and Pan Arctic, operates as agent for the purposes of the contract.

Industrials

ATCO Structures

ATCO Structures is engaged in the manufacture, sale and lease of transportable shelters and related products. ATCO Structures has marketed and installed its manufactured products in over 105 countries around the world since 1947 and has established a reputation as a leader in the international supply of relocatable shelter products. Products sold are manufactured in Canada, the U.S., Australia, Hungary and Chile and under subcontract in other jurisdictions.

Workforce Housing

ATCO Structures’ workforce housing products include prefabricated standardized or custom units that are designed to be assembled into self contained camps complete with sleeping accommodation, kitchen, dining and recreation facilities. The units are designed to be used in all weather conditions and are fully transportable. Workforce housing products are used primarily by companies in the oil and gas, forestry products and mining industries and by governments.

The workforce housing lease fleet of 1,868 units (1,097 units in Canada) includes sleeping accommodation, kitchens, diners, recreation facilities and washcars which can accommodate up to 6,700 persons. The fleet is maintained to meet the latest standards set by the building industry and trade unions and is refurbished and upgraded as required. ATCO Structures also purchases used workforce housing units from customers which are then retrofitted as required and made available for resale or lease in the workforce housing market.

ATCO Structures also sells and leases Fold-A-Way metal buildings domestically and internationally. These prefabricated steel buildings have a modular design which enables them to be erected in hours and easily dismantled and relocated. Fold-A-Way metal buildings have been used by a broad range of industries and government agencies with many varied applications such as equipment storage, maintenance facilities, factories, gymnasiums, sewage treatment

plants, aircraft hangers and emergency shelters. The buildings are manufactured by subcontractors to designs and specifications developed by ATCO Structures.

Demand for workforce housing products is directly related to the capital spending cycle and the level of development activity in natural resource industries. During 2003, the utilization rate for ATCO Structures' work force housing fleet averaged 47%, down from 52% in 2002.

Space Rentals

In Canada, Australia, the United Kingdom and Chile, ATCO Structures' space rentals business involves the lease and sale of relocatable modular offices, classrooms and other community structures. In the United States, ATCO Structures sells its space rentals products to leasing companies. ATCO Structures' space rentals fleet of 5,170 units consists of on-site structures such as site offices, lunchrooms, storage facilities, lavatories, first-aid units and locker rooms, and modular commercial and community structures such as office complexes and classrooms. On-site structures are used primarily by construction companies on urban and rural construction sites. Commercial and community structures, although relocatable, are generally used as more permanent facilities by a wide range of private and public sector customers.

Space rentals products are generally offered to customers under lease packages which may include options to purchase. The terms of leases generally vary from one month to five years. Customers with longer term requirements typically purchase rather than lease. Sales from the fleet assist ATCO Structures in maintaining a modern inventory of space rentals units.

The number of units in ATCO Structures' lease fleets as at the end of each of the last two years was as follows:

	2003		2002	
	<u>Work Force Housing</u>	<u>Space Rentals</u>	<u>Work Force Housing</u>	<u>Space Rentals</u>
Canada	1,097	1,054	1,173	873
Australia.....	462	3,850	396	3,350
Other	309	266	249	202
Total.....	<u>1,868</u>	<u>5,170</u>	<u>1,818</u>	<u>4,425</u>

Manufacturing

Canada

ATCO Structures' principal manufacturing facilities are located on a 72 acre leased site in Calgary known as the ATCO Industrial Park, with approximately 275,000 square feet of production and office space. ATCO Structures employs a staff of engineers and designers whose expertise in designing modular buildings, complemented by technicians experienced in selection of materials and modular construction methods, results in the manufacturing of products for use anywhere in the world ranging from sophisticated custom-designed projects to basic construction camp facilities and modular housing.

ATCO Structures' Spruce Grove manufacturing facility is located 15 km west of Edmonton, Alberta. This 90,000 square foot facility was originally used for service and maintenance work, but has been used as an overflow manufacturing facility and for service and maintenance since 1995 to meet incremental demand for modular products that cannot be met from facilities in Calgary.

International

ATCO Structures operates a leased 90,000 square foot manufacturing facility in Diboll, Texas. This plant manufactures relocatable modular products and serves the local domestic market and international markets.

ATCO Structures operates a leased 50,000 square foot manufacturing facility in Budapest, Hungary. This plant manufactures workforce housing products, predominantly for use by western energy and resource companies operating in eastern Europe and northern Africa.

ATCO Structures has a 50% interest in a joint venture with Tecno Fast S.A., a modular manufacturing company based in Santiago, Chile. Tecno Fast owns and operates a 70,000 square foot manufacturing facility.

ATCO Structures owns and operates a 15,000 square foot manufacturing facility on a three acre site in Brisbane, Queensland, Australia and a 15,000 square foot manufacturing facility on a two acre site in Townsville, Queensland.

Although ATCO Structures' international competitors generally serve regional markets and often are not able to offer the same capabilities and experience as ATCO Structures, the international market is nevertheless very competitive and price is often the determining factor in securing contracts.

Noise Management

ATCO Noise Management provides guaranteed "one – stop" turnkey solutions for industrial noise that may include acoustic enclosures, buildings, barriers, ventilation systems, combustion air intake and exhaust silencers and other noise abatement components. Registered to the ISO 9001-2000 quality assurance standard, it offers its clients a full range of services, including noise surveys, regulatory review, engineering design, procurement, construction and post-construction testing.

The growing awareness of noise as a pollutant has resulted in a more rigorous enforcement of noise abatement by the National Energy Board in Canada, the Federal Energy Regulatory Commission in the United States, the European Union Commission as well as local government bodies.

ATCO Noise Management's clients are predominantly from the energy and manufacturing sectors. Typical projects are acoustic buildings for new compressor stations, retrofitting of

existing industrial plants, acoustic buildings, barriers, and enclosures for power generation facilities, and acoustic buildings for gas separation plants.

Major accomplishments for 2003 included the completion of 25 acoustical consulting projects in Canada, the United States, Mexico and Brazil, along with the supply and installation of three 43 metre silenced exhaust stacks for Gilbert Southern Corp. at the Fluvanna Generating Station in Virginia.

ATCO Noise Management will continue to concentrate on its worldwide business through an emphasis on the energy and petrochemical industries.

Technologies

ATCO I-Tek

ATCO I-Tek is engaged in the development, operation and support of information systems and technologies.

ATCO I-Tek Business Services

ATCO I-Tek Business Services provides billing services, payment processing, credit, collection and call centre services. ATCO I-Tek Business Services provides contract utility billing and related services to the City of Red Deer pursuant to a five year contract which expired, and was not renewed, on December 31, 2003. Utility billing and related services are supplied to ATCO Gas and ATCO Electric pursuant to contracts expiring on January 1, 2007.

On December 12, 2002, ATCO I-Tek Business Services announced that it had entered into a 10 year contract with Direct Energy to provide billing and customer care services to nearly one million Alberta customers. Commencement of the contract is conditional upon the closing of the sale of ATCO Gas' and ATCO Electric's retail operations to Direct Energy (see "Business of the Corporation – Utilities – Sale of Retail Operations").

ASHCOR Technologies

ASHCOR Technologies is engaged in the sale of fly ash and other combustion byproducts produced in coal-fired electrical generating plants.

ATCO Travel

ATCO Travel is engaged in the provision of travel services to corporate clients, the general public and the Corporation. ATCO Travel is one of the largest independent travel agencies in western Canada.

Genics

The Corporation owns a 50% interest in the shares of Genics, a manufacturer of wood preservation products.

Real Estate Operations

ATCO Investments Ltd. owns ATCO Centre Phase II at 919 – 11 Avenue S.W., Calgary, containing 125,000 square feet of net rentable area, of which 100% was occupied as at February 26, 2004.

ATCO Investments Ltd. also has a 67% interest in a 56,000 square foot prime land assembly in downtown Calgary.

FRANCHISES

AGP, ATCO Electric, YECL, NUY and NLD distribute natural gas and electricity in incorporated communities under the authority of franchises or by-laws and in rural areas under approvals, permits or orders issued pursuant to applicable statutes.

In Edmonton, distribution of natural gas is carried on under the authority of an exclusive franchise. AGP has entered into an agreement with the City of Edmonton for a 10 year renewal of the franchise to November 15, 2005. The franchise renewal is subject to the right of the City of Edmonton, at the end of the renewal period, to purchase all of AGP's assets within the city and its assets outside the city used in supplying natural gas to the city. The purchase price would be the amount of the actual value thereof as a going concern plus 10% of such value. Although the franchise agreement gives the City certain rights of purchase, since 1935 the City has granted renewals for 10 year periods.

In Calgary, distribution of natural gas is carried on under the authority of a municipal by-law. The rights of AGP under this by-law, while not exclusive, are unrestricted as to time. The by-law does not confer any right on the City of Calgary to acquire the facilities used in providing the service.

The franchises under which service is provided in other incorporated communities in Alberta and in the Northwest Territories have been granted for periods of up to 20 years. These franchises are exclusive to AGP, ATCO Electric, NUY or NLD and are renewable by agreement for further periods not exceeding 20 years each in the case of AGP and 10 years in the case of ATCO Electric, NUY and NLD. If any franchise is not renewed, it remains in effect until such time as either party, with the approval of the prevailing regulatory authority, terminates it on six months written notice. Upon termination of a franchise the municipality may purchase the facilities used in connection with that franchise at a price to be agreed upon or, failing agreement, to be fixed by the prevailing 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.

GOVERNMENT REGULATION

Under Alberta legislation, owners of public, electric or gas utilities are required to obtain AEUB approval prior to issuing securities. The Corporation is not subject to, and CU and CU Inc. have obtained from the AEUB orders which exempt them from, this requirement.

The utility operations of the Corporation in Alberta (ATCO Gas, ATCO Electric, ATCO Pipelines and CU Water) are subject to the jurisdiction of the AEUB which, among other things, is vested with broad general powers of supervision with respect to the construction and operation of electric energy and natural gas facilities within the Province and broad powers of regulation in respect of rates charged for electric energy, natural gas and water.

The AEUB approves customer rates based on anticipated energy sales as well as the revenue required to recover estimated costs of service, including a fair return on rate base, estimated operating expenses, depreciation and taxes, all in respect of a future test period. Energy sales are based on a forecast of economic and business conditions and, in the case of natural gas utility operations, normal temperature which is defined as the average temperature for the previous 20 years.

Rate base consists of the depreciated cost of utility assets and an allowance for working capital. Return on rate base is designed to meet the cost of interest on long term debt and dividends on preferred shares and to provide the common shareholders with a reasonable opportunity to earn a fair return on their investment. The determination of a fair return to the common shareholders involves an assessment by the AEUB of many factors, including returns on alternative investment opportunities of comparable risk and the level of return which will enable a utility to attract the necessary capital to fund its operations.

The EUA and the Gas Utilities Act grant the AEUB specific authority to approve customer rates that provide incentives for efficiencies that result in cost savings or other benefits that can be shared in an equitable manner between a utility and its customers. Final determination of such customer rates requires the approval of the AEUB.

The regulated operations of the Corporation in the Yukon Territory (YECL) and the Northwest Territories (NUY and NLD) are subject to regulation similar to that in effect in Alberta by regulatory authorities in those jurisdictions.

Particulars of the most recent final decisions made by the AEUB respecting general rate applications or negotiated settlements filed by the principal regulated subsidiaries of the Corporation are as follows:

	<u>Year</u>	<u>Date of Decision (1)</u>	<u>Mid-Year Rate Base</u> (\$ Millions)	<u>Rate of Return</u>	
				<u>Rate Base</u> (%)	<u>Common Equity (2)</u> (%)
ATCO Electric					
Transmission	2003	Oct. 02/03	672.0 (3)	8.03 (3)	9.40
	2004	Oct. 02/03	474.8 (4)	(4)	(4)
Distribution	2003	Oct. 02/03	558.5 (5)	7.93 (5)	9.40
	2004	Oct. 02/03	584.5 (4)	(4)	(4)
ATCO Pipelines North.....	2003	Dec. 02/03	(6)	(6)	9.50
	2004	Dec. 02/03	(4)	(4)	(4)
ATCO Pipelines South.....	2003	Dec. 02/03	(6)	(6)	9.50
	2004	Dec. 02/03	(4)	(4)	(4)
ATCO Gas North.....	2003	Oct. 01/03	(7)	(7)	9.50
	2004	Oct. 01/03	(7)	(7)	9.50
ATCO Gas South.....	2003	Oct. 01/03	(7)	(7)	9.50
	2004	Oct. 01/03	(7)	(7)	9.50

Notes:

- (1) The information shown reflects the most recent amending or varying orders issued subsequent to the original date of decision.
- (2) Common equity rate of return is the rate of return on the portion of rate base considered to be financed by common equity.
- (3) Based on a common equity ratio of 32%. ATCO Electric, as directed by the AEUB, has refiled the 2003 and 2004 revenue requirements, incorporating the findings in the decision. The AEUB issued its final determination of the revenue requirements for the 2003 and 2004 test years on February 17, 2004.
- (4) The 2004 rate of return on common equity and the common equity ratios for the ATCO Electric's transmission and distribution operations and ATCO Pipelines operations will be determined as part of the generic cost of capital hearing.
- (5) Based on a common equity ratio of 35%. ATCO Electric, as directed by the AEUB, has refiled the 2003 and 2004 revenue requirements, incorporating the findings in the decision. The AEUB issued its final determination of the revenue requirements for the 2003 and 2004 test years on February 17, 2004.
- (6) Based on a common equity ratio of 43.5%. ATCO Pipelines, as directed by the AEUB, has refiled the 2003 and 2004 revenue requirements, incorporating the findings in the decision. The AEUB has not yet issued its final determination of the revenue requirements and rate base for the 2003 and 2004 test years.
- (7) Based on a common equity ratio of 37%. ATCO Gas, as directed by the AEUB, has refiled the 2003 and 2004 revenue requirements, incorporating the findings in the decision. The AEUB has not yet issued its final determination of the revenue requirements and rate base for the 2003 and 2004 test years.

Gas Utilities Act

Under the Gas Utilities Act, customers in Alberta have the choice of purchasing their natural gas supplies from their local natural gas utility or directly from retailers, subject to certain conditions.

Customers purchasing natural gas from ATCO Gas do so at rates that are approved by the AEUB. ATCO Gas receives no profit or benefit from increases in natural gas prices. The cost of the natural gas it purchases for sale to its customers is passed on directly to its customers following scrutiny in a public process under the authority of the AEUB. In October 2001, the AEUB approved the implementation on April 1, 2002, of a monthly method of adjusting customer rates to recover the cost of natural gas purchased for customers of ATCO Gas. The new methodology replaces the previous method under which rates were adjusted twice a year. The new methodology is intended to provide greater price transparency for customers.

In August 2002, the Government of Alberta announced changes to utility legislation designed to improve the environment for retail competition in the Province. Amendments to the Electric Utilities Act and Gas Utilities Act received Royal Assent in March 2003 and were proclaimed in force in June 2003. These changes were designed to bring customer choice for both gas and electricity into closer alignment, as well as to move towards consistent regulatory treatment of investor-owned and municipally-owned utilities.

In July 2003, ATCO Gas filed its compliance application in accordance with the new legislation.

In December 2003, the AEUB issued a decision approving the implementation of the "One Bill Model" no later than April 1, 2004. The One Bill Model will ensure that customers who choose to purchase their natural gas requirements from a retailer will receive only one bill for natural gas service. Previously, customers would receive a bill from the retailer for the purchase of the commodity and a separate bill from ATCO Gas for the delivery service.

Electric Utilities Act

The EUA provides the framework for a new structure in Alberta's electric utility industry and introduces competition into the electric utility business. As of January 1, 2001, new generation was completely deregulated and retail competition was introduced. In August 2002, the Government of Alberta announced further changes to utility legislation in order to improve the environment for retail competition in the Province. Amendments to the Electric Utilities Act and Gas Utilities Act received Royal Assent in March 2003 and were proclaimed in force in June 2003. These changes were designed to bring customer choice for both gas and electricity into closer alignment, as well as to move towards consistent regulatory treatment of investor-owned and municipally-owned utilities.

It is anticipated that ATCO Electric's transmission and distribution activities will continue to be regulated by the AEUB and Alberta Power (2000)'s generation activities will continue to be regulated via legislatively mandated PPA's approved by the AEUB.

New Generation

Under the EUA, generation assets constructed after December 31, 1995 are not considered part of utility operations and rates are not regulated by the AEUB. All owners of new and existing generating units must sell their surplus electric energy through the AESO.

Existing Generation

The EUA provided for the equalization of costs of “existing generation” that was in service at December 31, 1995. On January 1, 2001, existing generation became subject to legislatively mandated PPA’s approved by the AEUB. The PPA’s are designed to allow the owners of generating plants constructed before January 1, 1996 to recover their forecast fixed and variable costs and to earn a return at the rate specified in the PPA’s. The plants will become deregulated upon the expiry of the PPA’s. Each PPA is to remain in effect until the earlier of the last day of the life of the related generating plant and December 31, 2020.

Transmission

Under the EUA, separate wholesale tariffs for transmission must be approved by the AEUB. The transmission tariffs allow any owner of a generating unit to have access to the transmission system in Alberta 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.

The equalization of transmission costs is achieved by having each owner of transmission facilities charge its costs to the AESO. The AESO then aggregates these costs and charges a common transmission rate to all who use the transmission system.

Certain transmission expansion projects were to be procured by the AESO through a competitive bid process. The project costs were to be charged to the AESO through contracts between the winning bidder and the AESO. Following consultation with interested parties, the Alberta Department of Energy suspended this competitive bid process for awarding transmission expansion and subsequently eliminated the process in its recent transmission policy paper. The projects previously awarded under this process have been assigned to regulated entities at the direction of the Government of Alberta.

Distribution

Under the EUA, separate retail rates for distribution must be approved by the AEUB. Costs of distribution are not equalized. The distribution utility provides the transportation and distribution services for all customers under AEUB approved tariffs which provide for the recovery of the cost of service, including a fair return on rate base.

Retail

On January 1, 2001, all customers had a choice as to the supplier of their electric energy. Industrial and large commercial customers were required to select a retailer effective January 1, 2001. Other customers may continue to purchase electricity from their current distribution utility under a regulated rate option. This option was originally to be available for five years (2001 – 2005) for residential and farm customers and for three years (2001 – 2003) for small commercial and small industrial customers. In November 2003, the government of Alberta revised its

regulations to require distribution utilities to provide the fixed regulated rate option to July 1, 2006 for all eligible regulated rate option customers. After July 1, 2006, the distribution utilities are required to provide the regulated rate option to customers based on actual spot prices.

ATCO Electric is obligated to supply energy under the regulated rate option to the residential, farm and small commercial customers in its designated service area who do not choose an unregulated retailer. ATCO Electric purchases electricity from the AESO at spot prices to supply the regulated rate option customers, the costs for which are collected from customers at rates approved by the AEUB. In November 2003, the government of Alberta revised its regulations, effective January 1, 2004, and as a result, ATCO Electric will now be at risk for electric energy supply and will no longer be able to flow through the AESO price to customers. A further revision to the regulations in November permitted the AEUB to extend the period for implementation to July 1, 2004 upon application. In December 2003, the AEUB issued a decision approving ATCO Electric's application to extend the implementation date to July 1, 2004. Under the revised regulations, ATCO Electric is obligated to provide a fixed price regulated rate option to customers until July 1, 2006, and a regulated rate option based on actual spot prices thereafter.

Environmental Protection

The Corporation's operating subsidiaries and the industries in which they operate are subject to extensive federal, provincial and local environmental protection laws concerning emissions to the air, discharges to surface and subsurface waters, land use activities and the handling, manufacturing, processing, use, emission and disposal of materials and waste products. In Alberta, protection of the environment is generally governed by the Alberta Environmental Protection and Enhancement Act. The operating subsidiaries have obtained or are obtaining all permits and licenses required by law to carry on their operations.

The Corporation's operating subsidiaries are committed to preserving and protecting the environment and minimizing the discharge of harmful materials into the environment in accordance with environmental protection laws and regulations. Nevertheless, some risk of unintentional violation of environmental protection laws and the resulting liability to the Corporation's operating subsidiaries is inherent in particular operations of these subsidiaries, as it is with other companies engaged in similar businesses. There can be no assurance that material costs and liabilities will not be incurred. To mitigate these costs, the Corporation carries insurance for the operating subsidiaries against third party claims for bodily injury and property damage arising from a sudden and accidental event or occurrence resulting from an unexpected release of pollutants or contaminants.

The Corporation's operating subsidiaries do not expect that environmental protection laws and regulations will affect them differently from other companies in the industries in which they operate. Specifically identifiable expenditures for pollution abatement and control were approximately \$18.1 million in 2003 and are estimated to be \$14.8 million in 2004. Costs of compliance with existing laws and regulations are not expected to have a material impact on the earnings of the Corporation or the competitive position of the operating subsidiaries.

DIRECTORS AND OFFICERS

Set out below is information with respect to the directors and officers of the Corporation.

Name and Municipality of Residence	Position	Principal Occupation	Period Served as a Director of the Corporation
B.M. Andrews Calgary, Alberta	Vice President	Vice President, Finance, ATCO I-Tek Inc.	
C.R. Armour Fullarton, South Australia	Managing Director, ATCO Group, Australia/Asia/Pacific	Managing Director, ATCO Group, Australia/Asia/Pacific, ATCO Ltd.	
W.L. Britton, Q.C. (2) (5) Calgary, Alberta	Director and Vice Chairman of the Board	Partner, Bennett Jones LLP (barristers and solicitors)	1975 to date
J.A. Campbell (5) Calgary, Alberta	Senior Vice President, Finance and Chief Financial Officer	Senior Vice President, Finance and Chief Financial Officer, ATCO Ltd. and Canadian Utilities Limited	
D.R. Cawsey (5) Calgary, Alberta	Vice President, Human Resources and Corporate Secretary	Vice President, Human Resources and Corporate Secretary, ATCO Ltd. and Canadian Utilities Limited	
B.P. Collomb Paris, France	Director	Chairman, Lafarge S.A. (building materials company)	1999 to date
D.T. Davis Calgary, Alberta	Vice President, Internal Audit	Vice President, Internal Audit, ATCO Ltd. and Canadian Utilities Limited	
B.P. Drummond (2) (3) (4) Montreal, Quebec	Director	Corporate Director	1968 to date
B.K. French (2) (3) (4) (5) Calgary, Alberta	Director	President, Karusel Management Ltd. (property management and management consultants)	1982 to date
H.E. Joudrie Toronto, Ontario	Director	Corporate Director	1999 to date
S.W. Kiefer Calgary, Alberta	Vice President, Information Technology and Chief Information Officer	Vice President, Information Technology and Chief Information Officer and Managing Director, Technologies Business Group, ATCO Ltd. and Canadian Utilities Limited	

Name and Municipality of Residence	Position	Principal Occupation	Period Served as a Director of the Corporation
Rt. Hon. D.F. Mazankowski, P.C., O.C., A.O.E., D.Eng., LL.D. Vegreville, Alberta	Director	Business Consultant and Corporate Director	1999 to date
C.S. McConnell Calgary, Alberta	Treasurer	Treasurer, ATCO Ltd. and Canadian Utilities Limited	
H.M. Neldner (3) (4) Westerose, Alberta	Director	Corporate Director	1997 to date
N.C. Southern Calgary, Alberta	Director, President and Chief Executive Officer	President and Chief Executive Officer, ATCO Ltd. and Canadian Utilities Limited	1989 to date
R. D. Southern, C.B.E., O.C., LL.D. Calgary, Alberta	Director and Chairman of the Board	Chairman of the Board, ATCO Ltd. and Canadian Utilities Limited	1963 to date
P. Spruin Calgary, Alberta	Assistant Corporate Secretary and Manager, Corporate Secretarial	Assistant Corporate Secretary and Manager, Corporate Secretarial, ATCO Ltd. and Canadian Utilities Limited	
L.C. van Wachem, K.B.E., The Hague, The Netherlands	Director	Chairman of the Board, Zurich Financial Services (insurance based financial services company)	1993 to date
L.J. Vegh, Calgary, Alberta	Vice President, Insurance	Vice President, Insurance, ATCO Ltd. and Canadian Utilities Limited	
K.M. Watson Calgary, Alberta	Vice President, Finance and Controller	Vice President, Finance and Controller, ATCO Ltd. and Canadian Utilities Limited	
S.R. Werth (5) Calgary, Alberta	Senior Vice President and Chief Administration Officer	Senior Vice President and Chief Administration Officer, ATCO Ltd. and Canadian Utilities Limited	

Name and Municipality of Residence	Position	Principal Occupation	Period Served as a Director of the Corporation
C.W. Wilson (3) (4) Evergreen, Colorado	Director	Corporate Director	2002 to date

Notes:

- (1) Each director holds office until the close of the annual meeting of shareholders of the Corporation.
- (2) Member of the Corporate Governance – Nomination, Succession and Compensation Committee.
- (3) Member of the Audit Committee.
- (4) Member of the Risk Review Committee.
- (5) Member of the Crisis Management Committee.

All of the directors and 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 affiliates or predecessors thereof, with the exception of Mr. H.E. Joudrie, who was Chairman of the Board, Gulf Canada Resources Limited; Ms. P. Spruin, who was a corporate consultant and prior thereto was Corporate Secretary, IPEC Ltd.; Mr. L.C. van Wachem who was Chairman of the Supervisory Board, Royal Dutch Petroleum Company and Mr. C.W. Wilson, who was Director, President and Chief Executive Officer of Shell Canada Ltd. Mr. Joudrie was Chairman of the Board of Algoma Steel Inc. (“Algoma”) during 2001 when Algoma obtained protection under the Companies’ Creditors Arrangement Act, emerging from protection on January 29, 2002. Mr. Joudrie ceased being a director of Algoma in January 2002.

SHAREHOLDINGS OF DIRECTORS AND SENIOR OFFICERS

At December 31, 2003, the directors and officers of the Corporation, as a group, beneficially owned, directly or indirectly (via corporate holdings or otherwise), or exercised control or direction over approximately 82.3% of the issued and outstanding Class II Voting Shares of the Corporation. In addition, all the directors and senior officers of the Corporation, as a group, beneficially owned, directly or indirectly (via corporate holdings or otherwise), or exercised control or direction over approximately 73.8% of the issued and outstanding Class B common shares of Canadian Utilities Limited.

MARKETS FOR THE SECURITIES OF THE CORPORATION

The Corporation’s Class I Non-Voting Shares, Class II Voting Shares and 5.75% Cumulative Redeemable Preferred Shares, Series 3 are listed on the Toronto Stock Exchange.

EMPLOYEE RELATIONS

At December 31, 2003, the Corporation and its joint ventures had the following number of employees:

	<u>Number</u>
Utilities	2,863
Logistics and Energy Services	978
Power Generation	463
Industrials	776
Other	712
Sub Total	<u>5,792</u>
Joint Ventures – Logistics and Energy Services	970
Joint Ventures – Power Generation	263
Joint Ventures - Industrials	100
Total	<u>7,125</u>

Approximately 3,800 employees are members of seven employee associations and 18 unions and are covered by 32 collective agreements. Seven of these agreements have expired and are under re-negotiation and the remaining 25 agreements expire over the period September 30, 2004 to December 31, 2008.

ADDITIONAL INFORMATION

Additional information, including executive compensation and principal holders of the Corporation's securities, is contained in the Corporation's Management Proxy Circular dated March 12, 2003. Additional financial information is provided in the Corporation's comparative financial statements for the financial year ended December 31, 2003.

The Corporation will provide to any person, upon request to the Vice President, Human Resources and Corporate Secretary of the Corporation at 1400 ATCO Centre, 909-11th Avenue S.W., Calgary, Alberta T2R 1N6 (telephone (403)292-7500 or fax (403) 292-7623):

- (a) when the securities of the Corporation are in the course of a distribution under a preliminary short form prospectus or a short form prospectus,
 - (i) one copy of this Annual Information Form together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form,
 - (ii) one copy of the comparative financial statements of the Corporation for the financial year ended December 31, 2003 together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the Corporation that have been filed, if any, for any period after the end of its financial year ended December 31, 2003,

- (iii) one copy of the Corporation's Management Proxy Circular dated March 12, 2003, and
 - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any of the documents referred to in (i) to (iii) above, provided the Corporation may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

Information relating to Canadian Utilities Limited or CU Inc. may be obtained upon request from the Vice President, Human Resources and Corporate Secretary of the respective corporation at 1400 ATCO Centre, 909 – 11th Avenue S.W., Calgary, Alberta T2R 1N6 (telephone (403) 292-7500 or fax (403) 292-7623). Corporate information is also available on the Corporation's website: www.atco.com. Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.