



ATCO LTD. MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (ATCO, our, we, us, or the Company) during the three months ended March 31, 2017.

This MD&A was prepared as of April 25, 2017, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2017. Additional information, including the Company's previous MD&A (2016 MD&A), Annual Information Form (2016 AIF), and audited consolidated financial statements for the year ended December 31, 2016, is available on SEDAR at www.sedar.com. Information contained in the 2016 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (52.8 per cent ownership) and in ATCO Structures & Logistics Ltd. (75.5 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

Terms used throughout this MD&A are defined in the Glossary at the end of this document.

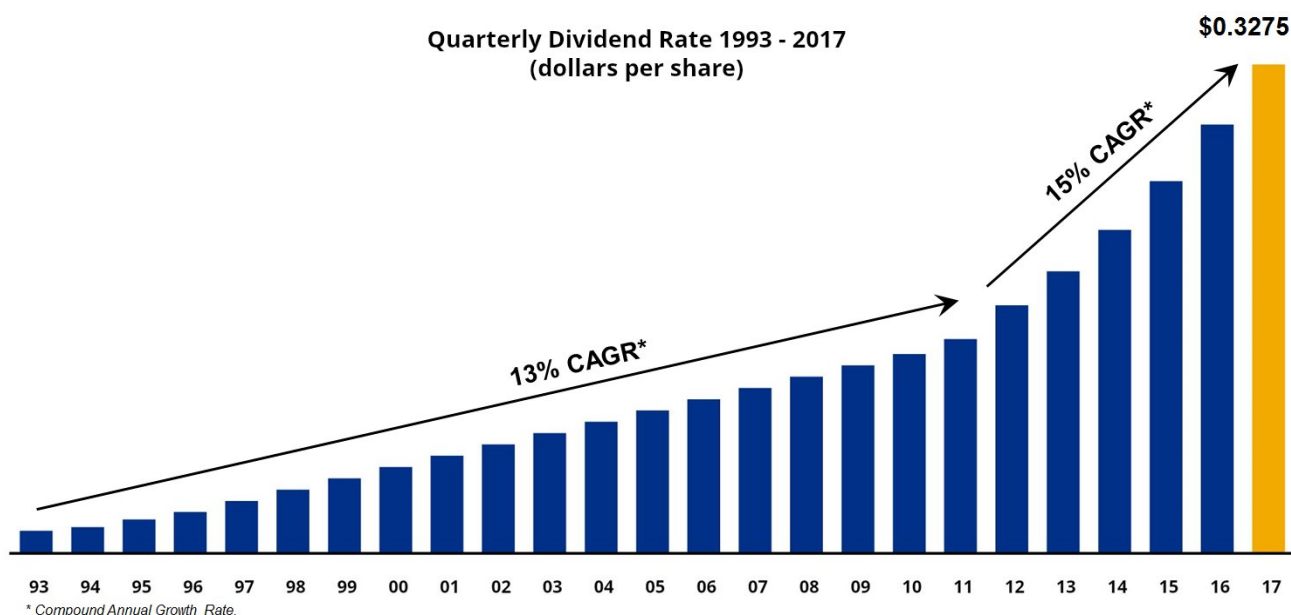
TABLE OF CONTENTS

	Page
ATCO: What Sets Us Apart	2
Organizational Structure	3
Performance Overview	4
Global Business Unit Performance	7
Structures & Logistics	7
Electricity	9
Pipelines & Liquids	12
Corporate & Other	13
Regulatory Developments	14
Sustainability, Climate Change and the Environment.....	15
Other Expenses and Income	16
Liquidity and Capital Resources.....	17
Share Capital	19
Quarterly Information	20
Non-GAAP and Additional GAAP Measures.....	23
Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares	24
Reconciliation of Funds Generated by Operations to Cash Flows from Operating Activities	27
Other Financial Information	28
Glossary	29

ATCO: WHAT SETS US APART

TRACK RECORD OF DIVIDEND GROWTH

We have increased our common share dividend every year for the past 24 years, a track record we are very proud of. On April 6, 2017, we declared a second quarter dividend of 32.75 cents per share or \$1.31 per share on an annualized basis, a 15 per cent increase over the 2016 dividend.



GROWING A HIGH QUALITY EARNINGS BASE

Over the past five years, we have invested nearly \$10 billion in Regulated Utility and long-term contracted operations. The Regulated Utility portion of our total adjusted earnings has grown from 39 per cent in 2011 to 81 per cent in 2016. Our highly contracted and regulated earnings base provides the foundation for continued dividend growth.

FUTURE CAPITAL INVESTMENT

We will continue to grow our business in the years ahead. In the period 2017 to 2019, we expect to invest \$5 billion in Regulated Utility and long-term contracted assets, which will continue to strengthen our high quality earnings base. Of the \$5 billion planned spend, \$3.8 billion is on Regulated Utilities, and \$1.2 billion is on long-term contracted assets.

FINANCIAL STRENGTH

Financial strength is fundamental to our current and future success. It ensures we have the financial capacity to fund our existing and future capital investment. We are committed to maintaining our strong, investment grade credit ratings, which allow us to access capital at attractive rates.

15%

dividend CAGR
2012 - 2017

81%

regulated
earnings

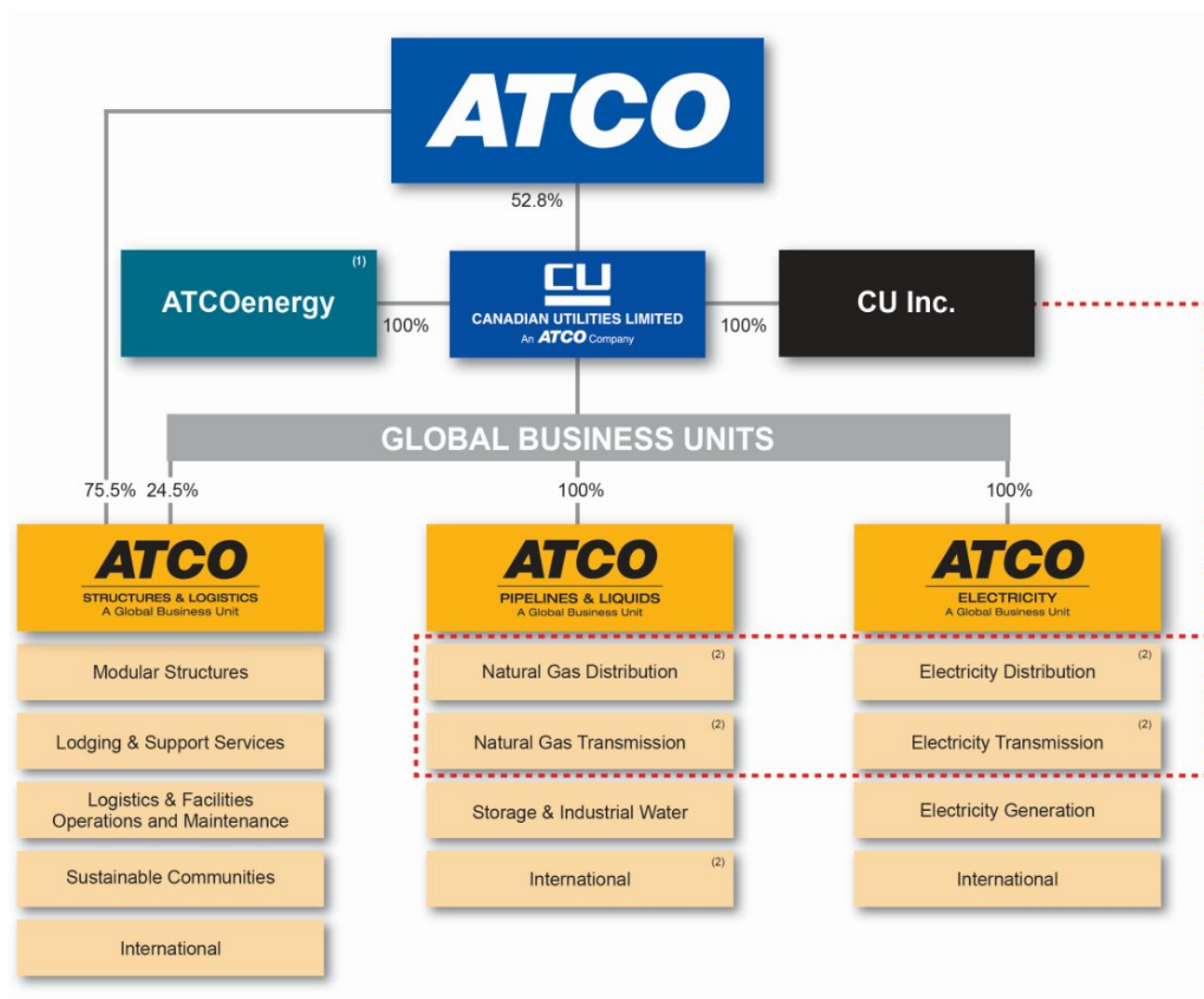
\$5B

3 year capital
investment

A

credit
rating

ORGANIZATIONAL STRUCTURE



(1) ATCOenergy was launched in January 2016 to provide retail, commercial and industrial electricity and natural gas service in Alberta.

(2) Regulated operations include ATCO Gas, ATCO Pipelines, ATCO Gas Australia, ATCO Electric Distribution, and ATCO Electric Transmission.

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd., including a proportionate share of joint venture investments. Principal subsidiaries are Canadian Utilities Limited (Canadian Utilities), of which ATCO Ltd. owns 52.8 per cent (38.9 per cent of the Class A non-voting shares and 89.3 per cent of the Class B common shares), and ATCO Structures & Logistics Ltd., of which ATCO Ltd. owns 75.5 per cent of the Common Shares.

The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting currency is the Canadian dollar. Certain comparative figures throughout this MD&A have been reclassified to conform to the current presentation.

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

PERFORMANCE OVERVIEW

FINANCIAL METRICS

The following chart summarizes key financial metrics associated with our financial performance.

	Three Months Ended March 31		
(\$ millions, except per share data and outstanding shares)	2017	2016	Change
Key Financial Metrics			
Adjusted earnings ⁽¹⁾	117	121	(4)
Structures & Logistics	–	12	(12)
Electricity	63	54	9
Pipelines & Liquids	59	56	3
Corporate & Other	(5)	(2)	(3)
Intersegment Eliminations	–	1	(1)
Earnings attributable to Class I and Class II Shares	101	109	(8)
Revenues	1,115	1,058	57
Total assets	20,027	19,103	924
Cash dividends declared per Class I and Class II Share (<i>cents per share</i>)	32.75	28.50	4.25
Funds generated by operations ⁽¹⁾	525	484	41
Capital investment ⁽¹⁾	298	364	(66)
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding (<i>thousands</i>):			
Basic	114,352	114,673	(321)
Diluted	114,804	115,098	(294)

(1) Additional information regarding these measures is provided in the Non-GAAP and Additional GAAP Measures section of this MD&A.

ADJUSTED EARNINGS

Our adjusted earnings for the first quarter of 2017 were \$117 million, a decrease of \$4 million compared to the same period in 2016. The primary drivers of earnings results were as follows:

- Structures & Logistics - Adjusted earnings in the first quarter of 2017 were lower than the same period in 2016, mainly due to lower Modular Structures major project activity.
- Electricity - Higher adjusted earnings in the first quarter of 2017 were mainly due to continued capital investment, growth in rate base within Regulated Electricity and lower operating costs.
- Pipelines & Liquids - Higher adjusted earnings in the first quarter of 2017 were mainly due to continued capital investment and growth in rate base within Regulated Pipelines & Liquids.
- Corporate & Other - Lower adjusted earnings in the first quarter of 2017 were mainly due to higher amounts recorded for share-based incentives.

Additional details on the financial performance of our Global Business Units is discussed in the Global Business Unit Performance section of this MD&A.

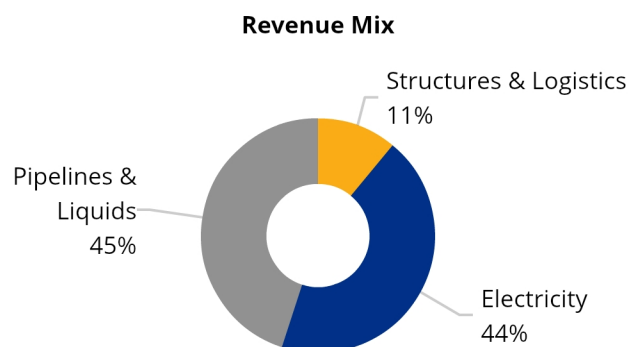
EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares were \$101 million in the first quarter of 2017, \$8 million lower than the same period in 2016. Earnings attributable to Class I and Class II Shares includes timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward commodity contracts that are not included in adjusted earnings.

More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares section of this MD&A.

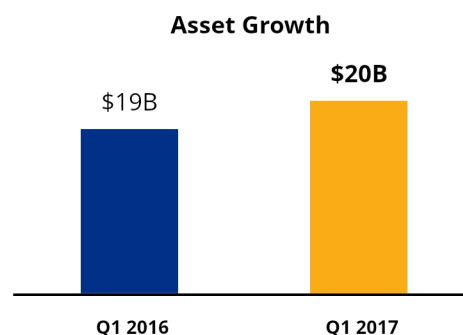
REVENUES

In the first quarter of 2017, revenues of \$1,115 million were \$57 million higher than the same period in 2016, mainly due to revenue recorded for Alberta PowerLine (APL) and rate base growth in our Regulated Utilities.



ASSETS

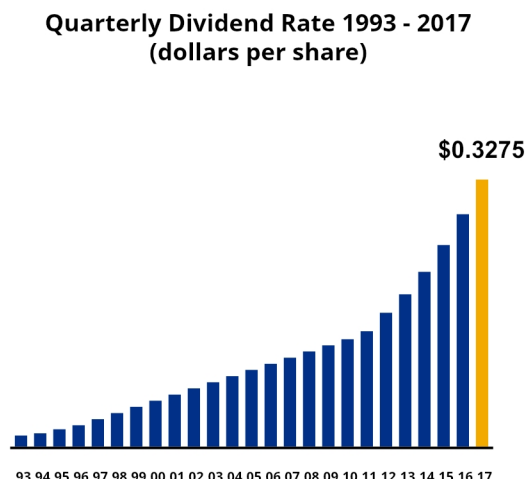
Our total assets grew from \$19 billion in the first quarter of 2016 to \$20 billion in the first quarter of 2017. Growth occurred mainly in our Alberta Utilities as a result of continued capital investment.



COMMON SHARE DIVIDENDS

On April 6, 2017, the Board of Directors declared a second quarter dividend of 32.75 cents per share. This represents a 15 per cent increase over the quarterly dividends declared in 2016. Dividends paid to Class I and Class II Share owners totaled \$38 million in the first quarter of 2017.

We have increased our common share dividend each year since 1993. In each of the last six years, we have increased our quarterly dividend by 15 per cent.

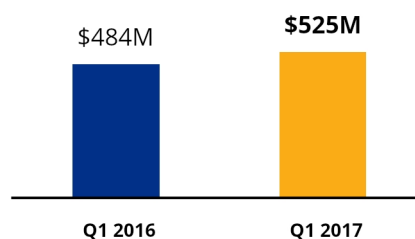


FUNDS GENERATED BY OPERATIONS

Funds generated by operations were \$525 million in the first quarter of 2017, compared to \$484 million in the same period of 2016.

Continued capital investment and rate base growth in our Regulated Utilities led to higher funds generated by operations.

Funds Generated by Operations

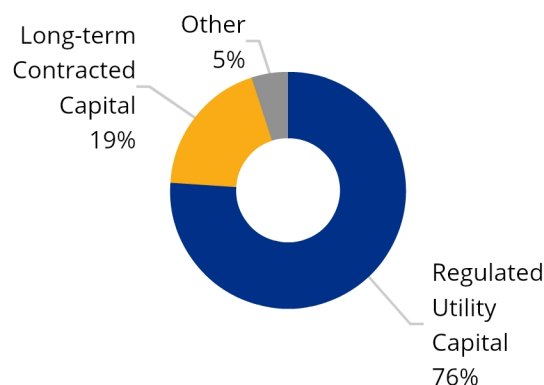


CAPITAL INVESTMENT

Capital investment includes additions to property, plant and equipment, intangibles, capital expenditures in joint ventures and service concession arrangements. Total capital investment in the first quarter of 2017 was \$298 million.

Capital spending in our Regulated Utilities and on long-term contracted capital assets accounted for \$284 million of capital spending in the first quarter of 2017. These investments either earn a return under a regulatory business model or are under commercially secured long-term contracts.

Regulated Utility & Contracted Capital Investment



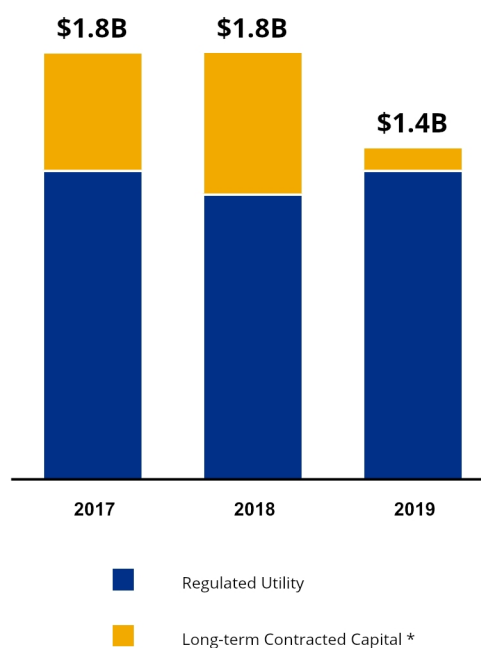
FUTURE CAPITAL INVESTMENT PLANS

In the period 2017 to 2019, we expect to invest an additional \$5 billion in Regulated Utility and commercially secured capital growth projects. This capital investment is expected to contribute significant earnings and cash flow and create long-term value for share owners.

This three year plan includes \$3.8 billion of planned capital investment in our Regulated Utilities. Our electricity distribution and transmission businesses are planning to invest \$1.8 billion, and our natural gas distribution and transmission businesses are planning to invest \$2 billion.

In addition to capital investment in our Regulated Utilities, we intend to invest a further \$1.2 billion in long-term contracted capital from 2017 to 2019 in the APL Fort McMurray 500 kV Project, contracted hydrocarbon storage and distributed generation. We also continue to pursue various business development opportunities with long-term potential, such as the Tula cogeneration power plant in Mexico and the Strathcona cogeneration power plant in Alberta, which are not included in these capital growth investment estimates.

Future Regulated Utility & Contracted Capital Investment



* Includes the Company's proportionate share of investment in partnership interests and cash used for service concession arrangements.

GLOBAL BUSINESS UNIT PERFORMANCE



REVENUES

In the first quarter of 2017, revenues in Structures & Logistics of \$119 million were \$88 million lower than the same period in 2016, mainly due to decreased Modular Structures major project activity.

ADJUSTED EARNINGS

	Three Months Ended March 31		
(\$ millions)	2017	2016	Change
Modular Structures	2	13	(11)
Logistics and Facility O&M Services	2	2	–
Lodging & Support Services	1	2	(1)
Other ⁽¹⁾	(5)	(5)	–
Total Structures & Logistics Adjusted Earnings	–	12	(12)

(1) Other includes financial results for Sustainable Communities and Structures & Logistics' corporate office.

In the first quarter of 2017, Structures & Logistics' adjusted earnings were \$12 million lower than the same period in 2016. Lower adjusted earnings were primarily due to lower Modular Structures major project activity.

Detailed information about the activities and financial results of Structures & Logistics' businesses is provided in the following sections.

MODULAR STRUCTURES

Modular Structures manufactures, sells and leases transportable workforce housing and space rental products. Space Rentals sells and leases mobile office trailers in various sizes and floor plans to suit our customers' needs. Workforce Housing delivers modular workforce housing worldwide, including short-term and permanent modular camps, pre-fabricated and relocatable modular buildings.

Adjusted earnings achieved for the first quarter of 2017 were \$11 million lower than the same period in 2016. Lower adjusted earnings were primarily attributable to lower major project activity resulting primarily from the completion of the Wheatstone and BC Hydro Site C projects in the first and third quarters of 2016, partially offset by increased workforce rental earnings relating to the LNG Modular Structures project which commenced in the first quarter of 2016.

Project Updates

Structures & Logistics has recently been awarded several Modular Structures projects and contracts for education, health and correctional facilities. These new projects and contracts are expected to contribute to adjusted earnings beginning in the second quarter of 2017.

Rental Fleet Statistics

The following table compares Structures & Logistics' manufacturing hours and rental fleet for the quarters ended March 31, 2017 and 2016.

	Three Months Ended March 31		
	2017	2016	Change
North America			
Manufacturing hours (<i>thousands</i>)	27	293	(91%)
Global Space Rentals			
Number of units	13,499	13,101	3%
Average utilization (%)	66	63	3%
Average rental rate (\$ <i>per month</i>)	467	531	(12%)
Global Workforce Housing			
Number of units	4,664	3,463	35%
Average utilization (%)	33	31	2%
Average rental rate (\$ <i>per month</i>)	2,065	2,153	(4%)

Decreased manufacturing hours in the first quarter of 2017 were mainly attributable to the completion of major project activity at the BC Hydro Site C project.

The increase in the Space Rental units and Space Rental utilization was primarily due to additions from our investment in ATCO-Sabinco S.A. for a 50 per cent ownership interest, partially offset by increased sales of Space Rental units in Canada and Australia. The decrease in Space Rental rates was mainly due to the impact of the downturn in the commodity driven markets within Canada and Australia.

The increase in the Workforce Housing units is mainly due to the LNG Modular Structures project, additions to the Australian rental fleet and additions from our investment in ATCO-Sabinco S.A.

LOGISTICS AND FACILITY O&M SERVICES

The Logistics and Facility O&M Services division delivers facilities operations and maintenance services, including end-to-end supply chain management, to our clients in the resources, defense and telecommunications sectors.

Adjusted earnings for the first quarter of 2017 were comparable to the same period in 2016. We continue to pursue and bid on project opportunities to provide Logistics and Facility O&M Services.

LODGING & SUPPORT SERVICES

The Lodging & Support Services division provides lodging, catering, waste management, and maintenance services to meet the demands of major, remote resource projects.

Adjusted earnings for the first quarter of 2017 were comparable to the same period in 2016.



REVENUES

Electricity revenues of \$487 million in the first quarter of 2017 were \$39 million higher than the same period in 2016, mainly due to revenue recorded for planning and design activities at Alberta PowerLine.

ADJUSTED EARNINGS

	Three Months Ended March 31		
(\$ millions)	2017	2016	Change
Regulated Electricity			
Electricity Distribution	22	20	2
Electricity Transmission	29	27	2
Total Regulated Electricity Adjusted Earnings	51	47	4
Non-regulated Electricity			
Independent Power Plants	3	–	3
Thermal PPA Plants	4	3	1
International Power Generation	4	4	–
Alberta PowerLine	1	–	1
Total Non-regulated Electricity Adjusted Earnings	12	7	5
Total Electricity Adjusted Earnings	63	54	9

Our Electricity business earned \$63 million in the first quarter of 2017, \$9 million higher than the same period in 2016. Higher earnings were primarily due to continued capital investment, growth in rate base within Regulated Electricity and lower operating costs.

Detailed information about the activities and financial results of Electricity's businesses is provided in the following sections.

REGULATED ELECTRICITY

Our Regulated Electricity activities are conducted by ATCO Electric Distribution and ATCO Electric Transmission and their subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife). These businesses provide regulated electricity distribution, transmission and distributed generation mainly in northern and central east Alberta, the Yukon and the Northwest Territories.

Electricity Distribution

Our electricity distribution business earned \$22 million in the first quarter of 2017, \$2 million higher than the same period in 2016. Higher earnings resulted primarily from growth in rate base and lower operating costs.

Electricity Transmission

Our electricity transmission business earned \$29 million in the first quarter of 2017, \$2 million higher than the same period in 2016. Higher earnings resulted primarily from the impact of the 2015 to 2017 General Tariff Application (GTA) Review and Variance decision received on March 16, 2017. The impact of this decision was an increase to first quarter 2017 adjusted earnings of \$2 million, most of which related to prior years.

NON-REGULATED ELECTRICITY

Our non-regulated electricity activities are conducted by ATCO Power, ATCO Power Australia and Alberta PowerLine. These businesses supply electricity from natural gas, coal-fired and hydroelectric generating plants in western Canada, Ontario, Australia and Mexico and non-regulated electricity transmission in Alberta.

Generating Plant Availability

Our generating availability for the first quarter of 2017 and 2016 is shown in the table below. Generating plant capacity fluctuates with the timing and duration of outages.

Thermal PPA Plant availability was higher in the first quarter of 2017 compared to the same period in 2016, primarily due to a planned outage at Sheerness in the first quarter of 2016, and no planned outages in the first quarter of 2017.

	Three Months Ended March 31		
	2017	2016	Change
Independent Power Plants	95%	96%	(1%)
Thermal PPA Plants	95%	89%	6%
International Power Generation	100%	98%	2%

Independent Power Plants

First quarter 2017 adjusted earnings were \$3 million. Effective first quarter 2017, adjusted earnings do not include unrealized gains or losses on mark-to-market forward commodity contracts. First quarter 2017 unrealized losses were \$3 million. More information on this change to our definition of adjusted earnings is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares section of this MD&A.

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the first quarter of 2017 and 2016 are shown in the table below.

	Three Months Ended March 31		
	2017	2016	Change
Average Alberta Power Pool electricity price (\$/MWh)	22.39	18.11	24%
Average natural gas price (\$/GJ)	2.55	1.74	47%
Average spark spread (\$/MWh)	3.27	5.06	(35%)

The average Alberta Power Pool electricity price was higher in the first quarter of 2017 when compared to the same period in 2016. This was primarily attributable to increased carbon prices and higher natural gas prices which have affected overall variable price offers in the market.

Thermal PPA Plants

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

In the first quarter of 2017, adjusted earnings from our Thermal PPA Plants were \$1 million higher than the same period in 2016. Higher earnings were primarily due to lower operating and maintenance costs and compensation for the early retirement of coal-fired generation.

International Power Generation

Our international power generation activities are conducted by ATCO Power Australia and ATCO Mexico. These businesses supply electricity from two natural gas-fired generation plants in Adelaide, South Australia, and Karratha, Western Australia and distributed generation facilities in San Luis Potosi, Mexico.

Our international power generation business earned \$4 million in the first quarter of 2017, comparable to the same period in 2016.

Alberta PowerLine

APL's adjusted earnings were \$1 million in the first quarter of 2017. The increase in earnings was due to planning and design activities which are accounted for as a service concession arrangement under IFRS. Under a service concession arrangement, earnings during the design, planning and construction phases are recorded on a percentage of completion basis.



REVENUES

Pipelines & Liquids revenues of \$498 million in the first quarter of 2017 were \$98 million higher than the same period in 2016, mainly due to continued capital investment and growth in rate base, and colder weather causing higher demand in our natural gas distribution business.

ADJUSTED EARNINGS

	Three Months Ended March 31		
(\$ millions)	2017	2016	Change
Regulated Pipelines & Liquids			
Natural Gas Distribution	43	41	2
Natural Gas Transmission	9	8	1
International Natural Gas Distribution	6	4	2
Total Regulated Pipelines & Liquids Adjusted Earnings	58	53	5
Non-regulated Pipelines & Liquids			
Storage & Industrial Water	1	3	(2)
Total Pipelines & Liquids Adjusted Earnings	59	56	3

Our Pipelines & Liquids' business earned \$59 million in the first quarter of 2017, \$3 million higher than the same period in 2016. Higher adjusted earnings were primarily due to continued capital investment and growth in rate base within Regulated Pipelines & Liquids.

Detailed information about the activities and financial results of Pipelines & Liquid's businesses is provided in the following sections.

REGULATED PIPELINES & LIQUIDS

Natural Gas Distribution

Our natural gas distribution activities throughout Alberta and in the Lloydminster area of Saskatchewan are conducted by ATCO Gas. It services municipal, residential, business and industrial customers.

Our natural gas distribution business earned \$43 million in the first quarter of 2017, \$2 million higher than the same period in 2016, primarily due to growth in both rate base and customers.

Natural Gas Transmission

Our natural gas transmission activities in Alberta are conducted by ATCO Pipelines. This business receives natural gas on its pipeline system at various gas processing plants as well as from other natural gas transmission systems and transports it to end users within the province or to other pipeline systems, primarily for export out of the province.

Our natural gas transmission business earned \$9 million in the first quarter of 2017, \$1 million higher than the same period in 2016. Higher earnings were primarily due to growth in rate base.

International Natural Gas Distribution

ATCO Gas Australia is part of our international natural gas distribution activities. It is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions.

Our international natural gas distribution business earned \$6 million in the first quarter of 2017, \$2 million higher than the same period in 2016. Higher earnings were mainly due to an adjustment recorded in the first quarter of 2017 related to the difference between 2016 actual inflation and the forecast inflation included in 2016 rates. Adjustments are made annually for the impact of changes between the forecasted inflation rate and the actual inflation rate. Our adjusted earnings were also positively impacted by higher seasonal demand from colder weather and continued rate base growth.

NON-REGULATED PIPELINES & LIQUIDS

Storage & Industrial Water

Our industrial water services and non-regulated natural gas and hydrocarbon storage, processing and transmission activities are conducted by ATCO Energy Solutions.

Earnings in our storage & industrial water business were \$2 million lower compared to the same period in 2016. The variance is mainly due to lower costs in the first quarter of 2016 due to the sale of under-performing assets in late 2015 and early 2016.

Corporate & Other

Our Corporate & Other segment includes the 2016 launch of retail energy through ATCOenergy to provide retail electricity and natural gas services in Alberta, and the commercial real estate we own in Alberta. Corporate & Other also includes our global corporate head office in Calgary, Canada and our Australia corporate head office in Perth, Western Australia.

In the first quarter of 2017, earnings from our Corporate & Other segment were lower than the same period in 2016, mainly due to higher amounts recorded for share-based incentives.

REGULATORY DEVELOPMENTS

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. Regulatory applications to determine going-in rates were filed on April 21, 2017. This decision does not apply to the transmission operations of ATCO Electric and ATCO Pipelines; these continue to be regulated under Cost of Service regulation.

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 AUC also identified the need for and set a process for a second stage review of \$4 million of previously disallowed severance costs. The impact of this decision was an increase to first quarter 2017 adjusted earnings of \$2 million, most of which was related to prior years.

SUSTAINABILITY, CLIMATE CHANGE AND THE ENVIRONMENT

We believe that reducing our environmental impact is integral to the pursuit of operational excellence and long-term sustainable growth. Our success depends on our ability to operate in a responsible and sustainable manner, today and in the future.

SUSTAINABILITY REPORTING

Our 2016 Sustainability Report, expected to be released in May 2017, will be focused on key material topics including: Environmental Stewardship (climate change and energy use, and environmental compliance), Energy Stewardship (access and affordability, security and reliability, and customer satisfaction), Safety (employee health and safety, public safety, and emergency preparedness), and Community and Indigenous Relations.

CLIMATE CHANGE AND THE ENVIRONMENT

Government of Alberta's Provincial Climate Leadership Plan

As part of its Climate Leadership Plan, the Government of Alberta has published a firm target that 30 per cent of electricity used in Alberta will come from renewable sources such as wind, hydro and solar by 2030. The Government will support 5,000 MW of additional renewable energy capacity. Support will be provided to projects that are based in Alberta, are new or expanded, are greater than five MW in size, and meet the definition of renewable sources as defined by Natural Resources Canada.

On March 31, 2017 the AESO opened a Request for Expressions of Interest (REOI) for 400 MW of renewable electricity capacity for delivery in 2019 for a proposed 20 year period. An REOI information session was held on April 18, 2017 with successful proponent(s) selection scheduled for December 2017. We will participate in the REOI process for renewable electricity capacity.

ATCO is an active participant in Alberta's electricity transformation. In October 2016, we announced the energization of Western Canada's largest off-grid solar project, located at the Saddle Hills Telecommunication Site northwest of Grande Prairie. In November 2016, we entered into an agreement with the Government of Alberta on the elimination of coal-fired emissions from the Sheerness Generating Station on or before December 31, 2030. We are also working with the Government of Alberta on the conversion of coal-fired generation to natural gas, the exploration of hydro generation, and the development of Alberta's new capacity market.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the three months ended March 31, 2017 and 2016 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended March 31		
(\$ millions)	2017	2016	Change
Operating costs	541	550	(9)
Service concession arrangement costs	49	–	49
Gain on sale of joint operation	–	18	(18)
Earnings from investment in joint ventures	8	4	4
Depreciation and amortization	159	151	8
Net finance costs	97	94	3
Income taxes	71	75	(4)

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation and amortization, decreased by \$9 million in the first quarter of 2017 when compared to the same period in 2016. Decreased costs were mainly due to lower raw material costs resulting from lower manufacturing activity in Structures & Logistics.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs increased in the first quarter of 2017 when compared to the same period in 2016. The increase is attributable to costs Alberta PowerLine has recorded on design and planning activities for the Fort McMurray 500 kV Project.

GAIN ON SALE OF JOINT OPERATION

Gain on sale of operations decreased by \$18 million in the first quarter of 2017 when compared to the first quarter in 2016. In the first quarter of 2016, we sold our 51.3 per cent ownership interest in the Edmonton Ethane Extraction Plant.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of our ownership position in several power generation plants, the Strathcona Storage Limited Partnership, ATCO-Sabinco S.A., and certain lodge assets in Structures & Logistics. Earnings from investment in joint ventures increased in the first quarter of 2017, mainly due to higher earnings contributions from our Brighton Beach power generation plant and the Strathcona Storage Limited Partnership's hydrocarbon storage facility.

DEPRECIATION AND AMORTIZATION

In the first quarter of 2017, depreciation and amortization expense increased by \$8 million when compared to the same period in 2016. The increased expense was mainly due to the ongoing capital investment program in our Regulated Utilities.

NET FINANCE COSTS

Net finance costs increased in the first quarter of 2017 when compared to the same period in 2016, mainly as a result of incremental debt issued to fund the ongoing capital investment program in our Regulated Utilities.

INCOME TAXES

Income taxes decreased in the first quarter of 2017 when compared to the same period in 2016, mainly due to lower earnings in the first quarter of 2017.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Regulated Utility and long-term contracted operations. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and the debt and preferred share capital markets. An additional source of capital is the Class A non-voting shares Canadian Utilities issues under its Dividend Reinvestment Plan (DRIP).

We consider it prudent to maintain enough liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

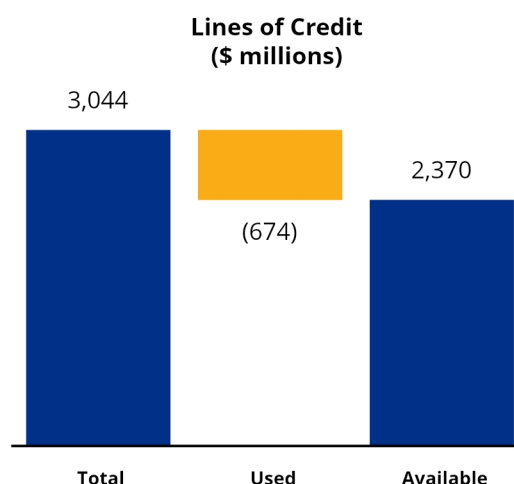
LINES OF CREDIT

At March 31, 2017, ATCO and its subsidiaries had the following lines of credit.

(\$ millions)	Total	Used	Available
Long-term committed	2,723	516	2,207
Uncommitted	321	158	163
Total	3,044	674	2,370

Of the \$3,044 million in total credit lines, \$321 million was in the form of uncommitted credit facilities with no set maturity date. The other \$2,723 million in credit lines were committed, with \$765 million maturing in 2018. The remaining credit lines mature between 2019 and 2020 and may be extended at the option of the lenders.

The majority of the \$674 million credit line usage was associated with ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. Credit lines for ATCO Gas Australia are provided by Australian banks, with the majority of all other credit lines provided by Canadian banks.



Funds Generated by Operations

Funds generated by operations were \$525 million in the first quarter of 2017, compared to \$484 million in the same period in 2016. The increase was mainly as a result of continued capital investment and rate base growth in our Regulated Utilities.

Cash Used for Capital Investment

Cash used for capital investment was \$298 million in the first quarter of 2017, compared to \$364 million in the first quarter of 2016. Capital investment in the first quarter of 2016 included our purchase of the remaining 49 per cent interest in Barking Power Limited.

Capital investment for the three months ended March 31, 2017 and 2016 is shown in the table below.

	Three Months Ended March 31		
(\$ millions)	2017	2016	Change
Electricity			
Electricity Distribution	56	56	–
Electricity Transmission	40	49	(9)
Power Generation	4	66	(62)
Alberta PowerLine	49	11	38
Total Electricity	149	182	(33)
Pipelines & Liquids			
Natural Gas Distribution	53	60	(7)
Natural Gas Transmission	57	41	16
International Natural Gas Distribution	20	17	3
International Natural Gas Transmission and Storage & Industrial Water	5	42	(37)
Total Pipelines & Liquids	135	160	(25)
Structures & Logistics	4	5	(1)
Corporate & Other	10	17	(7)
Total ^{(1) (2)}	298	364	(66)

(1) Includes capital expenditures in joint ventures of \$1 million (2016 - \$19 million) for the quarter ended March 31, 2017.

(2) Includes additions to property, plant and equipment, intangibles and \$4 million (2016 - \$4 million) of interest capitalized during construction for the quarter ended March 31, 2017.

Base Shelf Prospectuses

CU Inc. Debentures

On May 16, 2016, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of \$1.5 billion of debentures over the 25-month life of the prospectus. As of April 24, 2017, aggregate issuances of debentures were \$375 million.

Canadian Utilities Debt Securities and Preferred Shares

On April 12, 2016, Canadian Utilities filed a base shelf prospectus that permits it to issue up to an aggregate of \$2 billion of debt securities and preferred shares over the 25-month life of the prospectus. No debt securities or preferred shares have been issued to date under this base shelf prospectus.

Dividends and Common Shares

We have increased our common share dividend each year since 1993. In each of the last six years, we have increased our quarterly dividend by 15 per cent. Dividends paid to Class I and Class II Share owners in the first quarter of 2017 totaled \$38 million.

On April 6, 2017, the Board of Directors declared a second quarter dividend of 32.75 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

**15% increase in
quarterly dividend
for the sixth
consecutive year**

Normal Course Issuer Bid

We believe that, from time to time, the market price of our Class I Shares may not fully reflect the value of our business, and that purchasing our own Class I Shares represents an attractive investment opportunity and desirable use of available funds.

On March 1, 2016 we commenced a normal course issuer bid to purchase up to 3,043,884 outstanding Class I Shares. The bid expired on February 28, 2017. During this period, 460,000 shares were purchased for \$18 million.

On March 8, 2017, we commenced a new normal course issuer bid to purchase up to 3,037,065 outstanding Class I Shares. This bid will expire on March 7, 2018. From March 8, 2017 to April 24, 2017, no shares were purchased.

Canadian Utilities Dividend Reinvestment Plan

In the first quarter of 2017, Canadian Utilities issued 866,019 Class A non-voting shares under its DRIP in lieu of cash dividend payments of \$31 million.

SHARE CAPITAL

ATCO's equity securities consist of Class I Shares and Class II Shares.

At April 24, 2017, we had outstanding 101,269,723 Class I Shares, 13,395,105 Class II Shares, and options to purchase 760,000 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

Each Class II Share may be converted into one Class I Share at any time at the share owner's option. If an offer to purchase all Class II Shares is made, and such offer is accepted and taken up by the owners of a majority of the Class II Shares, and, if at the same time, an offer is not made to the Class I Share owners on the same terms and conditions, then the Class I Shares will be entitled to the same voting rights as the Class II Shares. The two share classes rank equally in all other respects.

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 2,632,500 Class I Shares were available for issuance at March 31, 2017. Options may be granted to our officers and key employees 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.

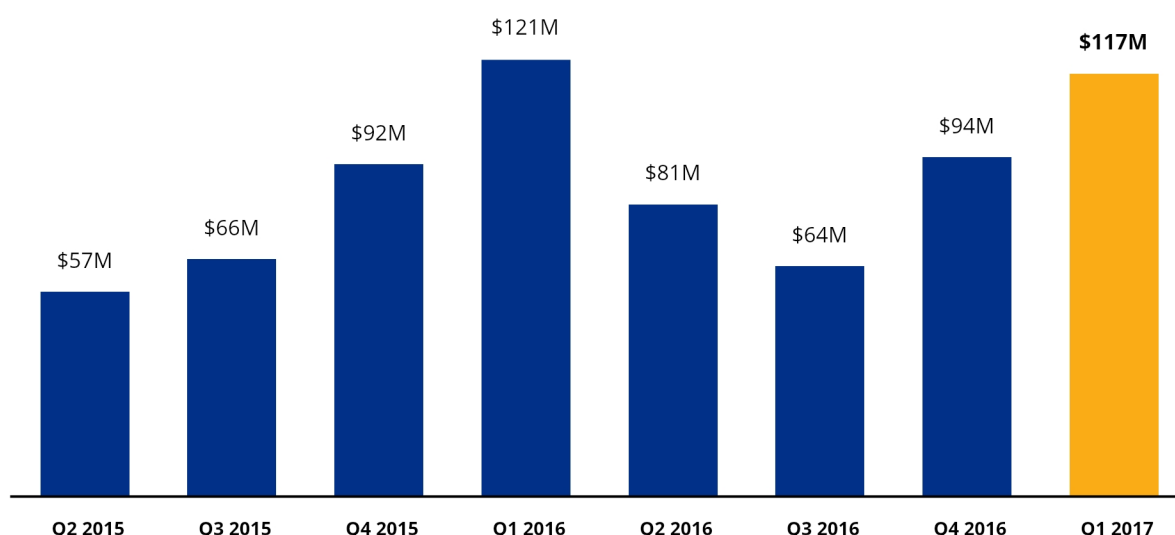
QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2015 through March 31, 2017.

(\$ millions except for per share data)	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Revenues	932	923	1,132	1,115
Earnings attributable to Class I and Class II Shares	61	70	100	101
Earnings per Class I and Class II Share (\$)	0.53	0.61	0.88	0.88
Diluted earnings per Class I and Class II Share (\$)	0.53	0.61	0.87	0.87
Adjusted earnings				
Structures & Logistics	13	12	6	–
Electricity	55	46	58	63
Pipelines & Liquids	22	14	44	59
Corporate & Other and Intersegment Eliminations	(9)	(8)	(14)	(5)
Total adjusted earnings	81	64	94	117
(\$ millions except for per share data)	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Revenues	947	985	1,127	1,058
Earnings attributable to Class I and Class II Shares	8	53	(1)	109
Earnings per Class I and Class II Share (\$)	0.07	0.46	(0.01)	0.95
Diluted earnings per Class I and Class II Share (\$)	0.06	0.46	(0.01)	0.95
Adjusted earnings				
Structures & Logistics	(2)	11	13	12
Electricity	53	51	33	54
Pipelines & Liquids	6	8	45	56
Corporate & Other and Intersegment Eliminations	–	(4)	1	(1)
Total adjusted earnings	57	66	92	121

Adjusted Earnings

Our financial results for the previous eight quarters reflect continued growth in our Regulated Utility operations as well as fluctuating commodity prices in electricity generation and sales, and natural gas gathering, processing, storage and liquids extraction operations. In addition, interim results will vary due to the seasonal nature of demand for electricity and natural gas, the timing of utility regulatory decisions and the cyclical demand for workforce housing and space rental products and services. Financial results in 2016 and 2017 are reflective of improved earnings from business-wide cost reduction initiatives.



Structures & Logistics

Structures & Logistics' adjusted earnings are reflective of the cyclical nature of large natural resource project activity.

In 2015, earnings were lower in the second quarter due to reduced lodging occupancy levels and room rates along with lower manufacturing activity and profit margins. Earnings improved in the second half of 2015 due to increased Modular Structures manufacturing activity and higher occupancy levels in the Lodging business.

In 2016, higher earnings in the first nine months were due to increased Modular Structures manufacturing activity, higher occupancy levels in the Lodging business and business-wide cost reduction initiatives. Lower fourth quarter earnings were mainly due to the completion of major Modular Structures projects during 2016.

In 2017, lower first quarter earnings were primarily due to lower Modular Structures major project activity.

Electricity

Electricity's adjusted earnings reflect the large capital investment made by Regulated Electricity in the previous eight quarters. These investments, which earn a return under a regulated business model, drive growth in adjusted earnings. Adjusted earnings have also been affected by the timing of certain major regulatory decisions, and Alberta Power Pool pricing and spark spreads.

In 2015, fourth quarter earnings were lower mainly due to regulatory lag which required an update to the forecast costs as compared to prospective costs originally filed in electricity transmission's 2015 to 2017 GTA.

In 2016, higher earnings were primarily due to continued capital investment and rate base growth and business-wide cost reduction initiatives. Lower earnings in the third quarter were due to the financial impact of electricity transmission's GTA regulatory decision.

In 2017, higher first quarter earnings were primarily due to continued capital investment and rate base growth within Regulated Electricity and lower operating costs.

Pipelines & Liquids

Pipelines & Liquids' adjusted earnings reflect the large capital investment made by Regulated Pipelines & Liquids in the previous eight quarters. These investments, which earn a return under a regulated business model, drive growth in adjusted earnings. Adjusted earnings have also been affected by the timing of certain major regulatory decisions, seasonality, and commodity prices.

In 2015, second quarter earnings were lower due to the impact of the Access Arrangement decision on ATCO Gas Australia, and lower frac spreads and storage fees in our storage & industrial water business. Higher operations and maintenance costs and lower seasonal demand in our natural gas distribution business are reflected in lower third quarter earnings. Higher earnings in the fourth quarter were primarily attributable to continued capital investment, growth in rate base and customers, and business-wide cost reduction initiatives.

In 2016, higher earnings were due to continued capital investment and rate base growth, and business-wide cost reduction initiatives.

In 2017, higher earnings were mainly due to continued capital investment and rate base growth within Regulated Pipelines & Liquids.

Earnings attributable to Class I and Class II Shares

Earnings attributable to Class I and Class II Shares includes timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward commodity contracts. They also include one-time gains and losses, significant impairments, restructuring charges and other items that are not in the normal course of business or a result of day-to-day operations recorded at various times over the past eight quarters. These items are excluded from adjusted earnings and are highlighted below:

- in the fourth quarter of 2016, the Company adjusted the deferred tax asset which was recognized as a result of the Tula Pipeline Project impairment. The adjustment of \$5 million was due to a difference between the tax base currency, which is Mexican pesos, and the U.S. dollar functional currency;
- in the first quarter of 2016, we recorded a gain on sale of joint operations of \$7 million for the sale of our 51.3 per cent interest in the Edmonton Ethane Extraction Plant;
- in the fourth quarter of 2015, we recorded gains on sales of operations and a gain on a revaluation of a joint venture of \$28 million for the sale of the Emissions Management business, the sale of certain non-core natural gas gathering and processing assets, and the revaluation of our Barking investment;
- in the fourth quarter of 2015, impairment charges of \$91 million were recorded relating to Structures & Logistics' workforce housing assets, the Battle River units 3 and 4 power generation assets, the Mexico Tula Pipeline, as well as certain gas gathering and processing facilities;
- in the fourth quarter of 2015, the Company recorded a restructuring charge of \$44 million. These costs were primarily related to staff reductions and associated severance costs;
- in the third quarter of 2015, the Company recognized a restructuring charge of \$3 million;
- in the second quarter of 2015, the Company recognized a restructuring charge of \$3 million and an impairment of Structures & Logistics open lodge assets of \$13 million; and
- in the second quarter of 2015, the Company made an adjustment of \$37 million to current and deferred income taxes associated with the Government of Alberta corporate income tax rate increase from 10 per cent to 12 per cent. \$34 million of this adjustment related to deferred income taxes recorded by the Alberta Utilities that were excluded from adjusted earnings.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital and change in receivable under service concession arrangement. In management's opinion, funds generated by operations is a significant performance indicator of the Company's ability to generate cash during a period to fund capital expenditures. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies. A reconciliation of funds generated by operations to cash flows from operating activities is presented in this MD&A.

Adjusted earnings are defined as earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities 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 I and Class II Shares is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the 2017 unaudited interim consolidated financial statements.

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

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities 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 are a key measure of segment earnings that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings.

						Three Months Ended March 31
(\$ millions)						
2017	Structures & Logistics	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
2016						
Revenues	119	487	498	52	(41)	1,115
	207	448	400	22	(19)	1,058
Adjusted earnings	–	63	59	(5)	–	117
	12	54	56	(2)	1	121
Gain on sale of joint operation	–	–	–	–	–	–
	–	–	7	–	–	7
Unrealized gains/(losses) on mark-to-market forward commodity contracts	–	(3)	–	–	–	(3)
	–	–	–	–	–	–
Rate-regulated activities	–	(20)	6	–	1	(13)
	–	(4)	(16)	–	1	(19)
Earnings attributable to Class I and Class II Shares	–	40	65	(5)	1	101
	12	50	47	(2)	2	109

UNREALIZED GAINS/(LOSSES) ON MARK-TO-MARKET FORWARD COMMODITY CONTRACTS

In order to optimize the available merchant capacity and manage exposure to electricity market price movements for our Independent Power Plants, we enter into forward contracts. The MW capacity limits on forward commodity contracts were increased which heightens the potential for higher unrealized gains or losses in advance of the settlement of the contract. Removal of the unrealized gains or losses on mark-to-market forward commodity contracts provides a better representation of the operating results of the Independent Power Plants and more closely aligns us with our power and utility company peer disclosure. Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

RATE-REGULATED ACTIVITIES

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. In the absence of this guidance, the utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

As a result, the Company uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles to account for rate-regulated activities in its internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM believes that earnings presented in accordance with the FASB standards are a better representation of the operating results of the Company's rate-regulated activities. Therefore, the Company presents adjusted earnings as part of its segmented disclosures on this basis. Rate-regulated accounting (RRA) standards impact the timing of how certain revenues and expenses are recognized when compared to non-rate regulated activities, to appropriately reflect the economic impact of a regulators' decisions on revenues.

Earnings adjustments to reflect rate-regulated accounting are shown in the following table.

	Three Months Ended March 31		
(\$ millions)	2017	2016	Change
Additional revenues billed in current period			
Future removal and site restoration costs ⁽¹⁾	10	9	1
Revenues to be billed in future periods			
Deferred income taxes ⁽²⁾	(16)	(15)	(1)
Impact of warmer temperatures ⁽³⁾	–	(9)	9
Settlement of regulatory decisions and other items	(7)	(4)	(3)
	(13)	(19)	6

(1) Removal and site restoration costs are billed to customers over the estimated useful life of the related assets based on forecast costs to be incurred in future periods.

(2) Income taxes are billed to customers when paid by the Company.

(3) ATCO Gas' customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below the normal in the current period are refunded to or recovered from customers in future periods.

Rate-regulated accounting differs from IFRS in the following ways:

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
Additional revenues billed in current period	Future removal and site restoration costs.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
Revenues to be billed in future periods	Deferred income taxes and impact of warmer temperatures.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
Regulatory decisions received	For further details on regulatory decisions that caused a timing adjustment financial impact, refer to the Regulatory Developments section in this MD&A as well as the Segmented Information presented in Note 3 of the 2017 unaudited interim consolidated financial statements.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

For further details on additional revenues billed in the current period, revenues to be billed in future periods, and settlement of regulatory decisions and other items, refer to the Segmented Information presented in Note 3 of the 2017 unaudited interim consolidated financial statements.

RECONCILIATION OF FUNDS GENERATED BY OPERATIONS TO CASH FLOWS FROM OPERATING ACTIVITIES

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital and change in receivable under service concession arrangement. In management's opinion, funds generated by operations is a significant performance indicator of the Company's ability to generate cash during a period to fund capital expenditures. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies.

(\$ millions)

2017	Three Months Ended March 31
2016	
Funds generated by operations	525
	484
Changes in non-cash working capital	96
	(59)
Change in receivable under service concession arrangement	(54)
	-
Cash flows from operating activities	567
	425

OTHER FINANCIAL INFORMATION

ACCOUNTING CHANGES

There were no new or amended standards issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) in the first quarter of 2017 that the Company anticipates will have a material effect on the unaudited interim consolidated financial statements or note disclosures.

CONTROLS AND PROCEDURES

Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2017, and ended on March 31, 2017, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD LOOKING INFORMATION

Certain statements contained in this MD&A 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.

The Company's actual results could differ materially from those anticipated in any forward-looking information contained in this MD&A as a result of regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions, and other factors, many of which are beyond the control of the Company.

Any forward-looking information contained in this MD&A represents the Company's expectations as of the date hereof, and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

ADDITIONAL INFORMATION

ATCO has published its audited consolidated financial statements and its MD&A for the year ended December 31, 2016. Copies of these documents may be obtained upon request from Investor Relations at 1500, 909 -11th Avenue S.W., Calgary, Alberta, T2R 1N6, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

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

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

AUC means the Alberta Utilities Commission.

Availability is a measure of time, expressed as a percentage of continuous operation, that a generating unit is capable of producing electricity, regardless of whether the unit is actually generating electricity.

Class I Shares means Class I Non-Voting Shares of the Company.

Class II Shares means Class II Voting Shares of the Company.

CODM means Chief Operating Decision Maker, and is comprised of the Chair, President and Chief Executive Officer, and five other senior executives.

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

DRIP means the dividend reinvestment plan of Canadian Utilities (refer to the Canadian Utilities Dividend Reinvestment Plan section of this MD&A).

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

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

GAAP means Canadian generally accepted accounting principles.

Gigajoule (GJ) is a unit of energy equal to approximately 948.2 thousand British thermal units.

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

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

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.

PBR means Performance Based Regulation.

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

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

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.