



CANADIAN UTILITIES LIMITED
An **ATCO** Company

CANADIAN UTILITIES LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of Canadian Utilities Limited (the Company) during the three months ended March 31, 2016.

This MD&A was prepared as of April 26, 2016, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2016. Additional information, including the Company's previous MD&A (2015 MD&A), Annual Information Form (2015 AIF) and audited consolidated financial statements for the year ended December 31, 2015, is available on SEDAR at www.sedar.com. Information contained in the 2015 MD&A is not discussed in this MD&A if it remains substantially unchanged.

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

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

TABLE OF CONTENTS

	Page
Company Overview	2
Performance Overview	3
Global Business Unit Information	6
Electricity	6
Pipelines & Liquids	9
Corporate & Other	10
Regulatory Developments	11
Climate Change and the Environment	12
Other Expenses and Income	13
Liquidity and Capital Resources	14
Share Capital	16
Quarterly Information	17
Non-GAAP and Additional GAAP Measures	19
Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company	20
Other Financial Information	22
Glossary	23

COMPANY OVERVIEW

Canadian Utilities Limited is an \$18 billion diversified global enterprise with nearly 5,500 employees. Canadian Utilities Limited is an ATCO company which is engaged in Structures & Logistics, Electricity, Pipelines & Liquids, and Retail Energy.

The Structures & Logistics Business Unit includes Modular Structures, Logistics and Facility Operations & Maintenance Services, Lodging & Support Services and Sustainable Communities. Together these businesses offer workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management.

The Electricity Business Unit includes ATCO Electric Distribution, ATCO Electric Transmission, ATCO Power and ATCO Power Australia. Together these companies provide power generation, electricity distribution and transmission, and related infrastructure services.

The Pipelines & Liquids Business Unit includes ATCO Gas, ATCO Pipelines, ATCO Energy Solutions and ATCO Gas Australia. These companies offer complementary products and services that enable them to deliver comprehensive natural gas transmission and distribution services, energy storage, and industrial water solutions to existing and new customers.

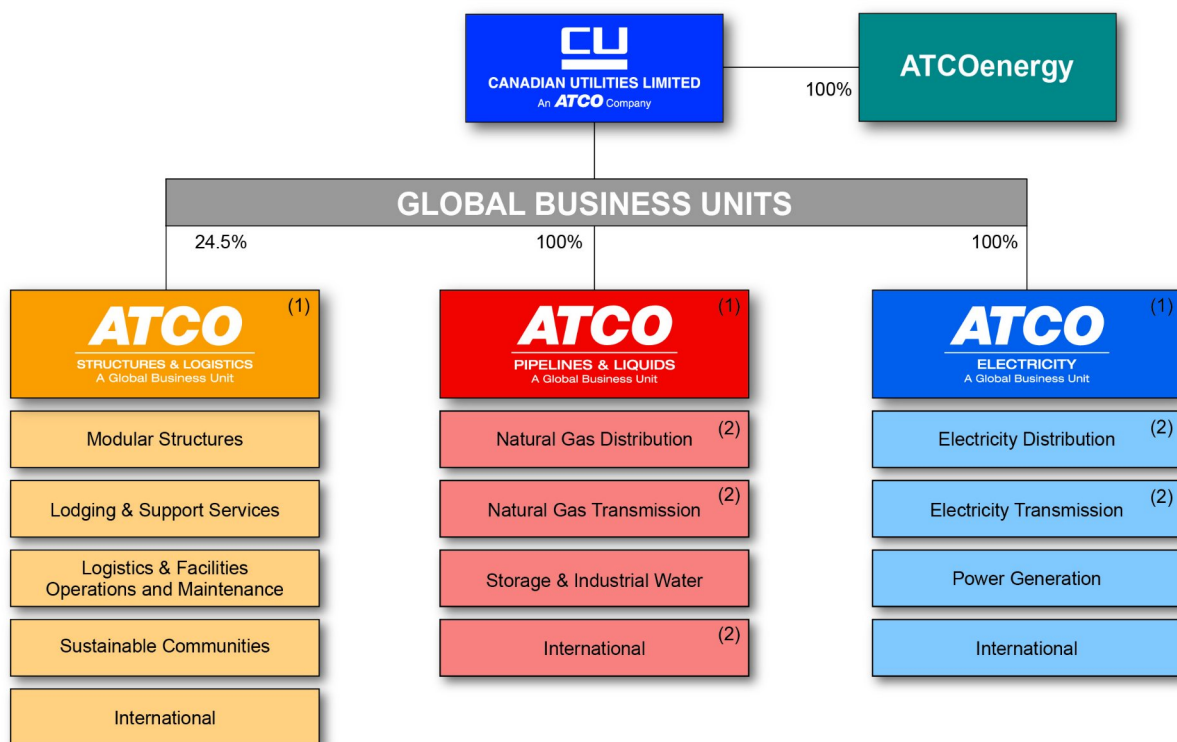
ATCOenergy was launched in January 2016 to provide retail, and commercial and industrial electricity and natural gas service in Alberta.

The unaudited interim consolidated financial statements include the accounts of Canadian Utilities Limited, its subsidiaries, including the equity investment in joint ventures and a proportionate share of joint operations, and its 24.5 per cent equity investment in ATCO Structures & Logistics Ltd.

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.

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

SIMPLIFIED ORGANIZATIONAL STRUCTURE



(1) Descriptions of business unit activities are provided in the Global Business Unit Information section of this MD&A.

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

PERFORMANCE OVERVIEW

FINANCIAL METRICS

The following chart summarizes key financial metrics associated with the Company's financial performance.

	Three Months Ended March 31		
(\$ millions, except per share data and outstanding shares)	2016	2015	Change
Key Financial Metrics			
Adjusted earnings ⁽¹⁾	197	130	67
Electricity	102	66	36
Pipelines & Liquids	105	75	30
Corporate & Other	(12)	(10)	(2)
Intersegment Eliminations	2	(1)	3
Earnings attributable to equity owners of the Company	192	174	18
Revenues	851	918	(67)
Total assets	18,123	17,010	1,113
Cash dividends declared per Class A and Class B share (cents per share)	32.50	29.50	3.00
Capital investments ⁽¹⁾	343	403	(60)
Funds generated by operations ⁽¹⁾	450	452	(2)
Other Financial Metrics			
Weighted average Class A and Class B shares outstanding (thousands):			
Basic	266,554	263,599	2,955
Diluted	267,191	264,437	2,754

(1) Additional information regarding this measure is provided in the Non-GAAP and Additional GAAP Measures section.

ADJUSTED EARNINGS

The Company's adjusted earnings for the three months ended March 31, 2016 were \$197 million compared to the \$130 million in the same period last year. The primary drivers of higher earnings results were as follows:

- Electricity - Higher adjusted earnings were primarily due to continued capital investment and growth in rate base within Regulated Electricity and business-wide cost reduction initiatives. Earnings in the first quarter of 2015 were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter.
- Pipelines & Liquids - Higher adjusted earnings were primarily attributable to continued capital investment and growth in rate base within the Regulated Pipelines & Liquids businesses and business-wide cost reduction initiatives. Earnings in the first quarter of 2015 were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter.

Additional details on the financial performance of the Company's Business Units are discussed in the Global Business Unit Information section.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were \$192 million in the first quarter of 2016, \$18 million higher compared to the same period in 2015. Earnings attributable to equity owners of the Company included a gain on sale of joint operation and timing adjustments related to rate-regulated activities that were not included in first quarter 2016 adjusted earnings of \$197 million. Canadian Utilities recorded a gain on sale of joint operation of \$13 million in the first quarter of 2016 for the sale of its 51.3 per cent interest in the Edmonton Ethane Extraction Plant. Timing adjustments made in rate-regulated accounting lowered earnings attributable to equity owners by \$35 million.

More information on these and other items is included in the "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" section in this MD&A.

REVENUES

Revenues in the first quarter of 2016 were \$851 million, \$67 million lower than the same period of 2015. Lower revenues were primarily attributable to lower Alberta Power Pool prices in ATCO Power, and lower revenues in ATCO Energy Solutions due to reduced flow-through gas sales, which are passed on to customers by the Company and do not impact adjusted earnings.

ASSETS

The Company's total assets grew from \$17 billion in the first quarter of 2015 to \$18 billion in the first quarter of 2016. Growth occurred mainly in the Alberta Utilities as a result of continued capital investment.

COMMON SHARE DIVIDENDS

On April 7, 2016 the Board of Directors declared a second quarter dividend of 32.50 cents per share. This represents a 10 per cent increase on dividends in the same period last year. Dividends paid to Class A and Class B share owners in the first quarter of 2016 totaled \$75 million.

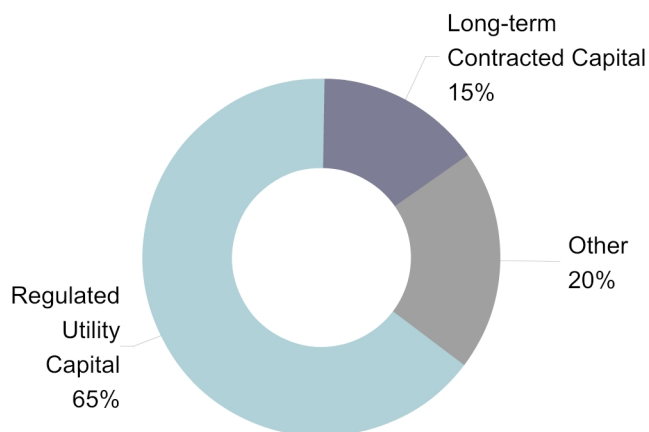
CAPITAL INVESTMENT

Capital investment includes additions to property, plant and equipment, intangibles and capital expenditure in joint ventures. Total capital investment was \$343 million in the first quarter of 2016.

Capital spending in the Company's Regulated Utilities and on long-term contracted capital assets accounted for \$276 million of capital spending in the first quarter of 2016. These investments either earn a return under a regulatory business model or are under commercially secured long-term contracts.

The remaining expenditures are mainly related to the Company's purchase of the remaining 49 per cent interest in Barking Power Limited. This transaction was completed to strategically position ATCO Power for future opportunities in the U.K. market, including the potential re-powering of the existing Barking site if economically feasible in future years.

Regulated Utility & Contracted Capital Investment

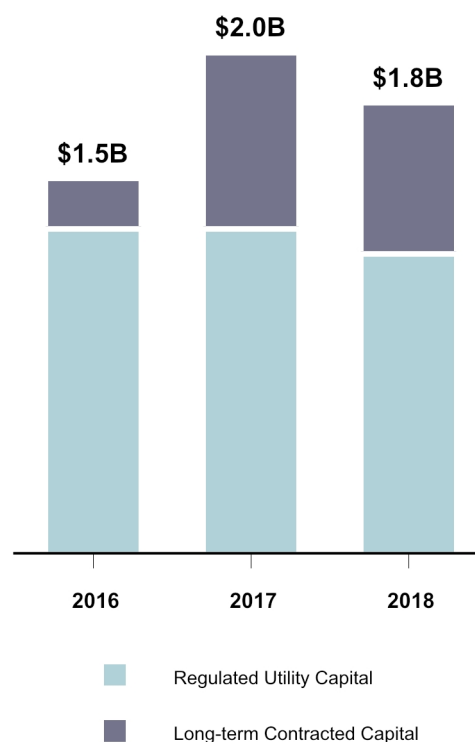


In the 2016 to 2018 period, Canadian Utilities expects to invest an additional \$5.3 billion in Regulated Utility and commercially secured capital growth projects. This capital investment is expected to contribute significant earnings and cash flow and create long-term value for share owners.

This three year plan includes \$4.1 billion of planned capital investment in the Regulated Utilities. ATCO Electric Distribution and ATCO Electric Transmission are planning to invest \$2.1 billion, and ATCO Gas, ATCO Pipelines and ATCO Gas Australia are planning to invest \$2 billion from 2016 to 2018.

In addition to capital investment in the Regulated Utilities, the Company intends to invest a further \$1.2 billion in long-term contracted capital from 2016 to 2018. Of this \$1.2 billion, \$1.1 billion is planned capital investment in the Alberta PowerLine (APL) Fort McMurray 500 kV Project and approximately \$100 million is planned capital investment in contracted hydrocarbon storage and distributed generation in Alberta and a natural gas pipeline in Mexico. Canadian Utilities also continues 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 investments in partnership interests.*

GLOBAL BUSINESS UNIT INFORMATION

Electricity

Electricity's activities are conducted through two regulated businesses, ATCO Electric Distribution and ATCO Electric Transmission (Regulated Electricity), and two non-regulated businesses, ATCO Power and ATCO Power Australia (Non-regulated Electricity).

REVENUES

Electricity revenues of \$448 million in the first quarter of 2016 were comparable to the same period of 2015.

Higher revenues in Regulated Electricity attributable to growth in rate base were offset by lower Alberta Power Pool prices in ATCO Power and the closure of ATCO Power Australia's Bulwer Island power plant.

ADJUSTED EARNINGS

Adjusted earnings for ATCO Electric Distribution, ATCO Electric Transmission, ATCO Power and ATCO Power Australia are shown in the table below.

	Three Months Ended March 31		
(\$ millions)	2016	2015	Change
Regulated Electricity			
ATCO Electric Distribution	37	18	19
ATCO Electric Transmission	51	27	24
Total Regulated Electricity	88	45	43
Non-regulated Electricity			
ATCO Power			
Independent Power Plants	1	1	–
Thermal PPAs	6	13	(7)
ATCO Power Australia	7	7	–
Total Non-regulated Electricity	14	21	(7)
Total Electricity	102	66	36

Electricity generated \$102 million of adjusted earnings in the first quarter of 2016, \$36 million higher than the same period in 2015. Higher earnings were primarily due to continued capital investment and growth in rate base within Regulated Electricity and business-wide cost reduction initiatives. In the first quarter of 2015, Regulated Electricity earnings were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter; and Non-regulated Electricity included the positive earnings impact from the amortization of accumulated incentives associated with the Thermal PPAs.

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. The service territory includes the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

Electricity Distribution

ATCO Electric Distribution's adjusted earnings of \$37 million in the first quarter of 2016 were \$19 million higher than the same period of 2015. Higher earnings for the period resulted primarily from growth in rate base, business-wide cost reduction initiatives, and the adverse earnings impact associated with the 2013 General Cost of Capital (GCOC) and Capital Tracker regulatory decisions received in the first quarter of 2015.

Electricity Transmission

ATCO Electric Transmission's adjusted earnings of \$51 million in the first quarter of 2016 were \$24 million higher than the same period of 2015. Higher earnings for the period resulted primarily from growth in rate base, business-wide cost reduction initiatives, and the adverse earnings impact associated with the GCOC regulatory decision received in the first quarter of 2015.

NON-REGULATED ELECTRICITY

Our power generation activities are conducted by ATCO Power and ATCO Power Australia. These businesses supply electricity from natural gas, coal-fired and hydroelectric generating plants in western Canada, Ontario and Australia.

Generating Plant Availability

Generating availability for the first quarter of 2016 and 2015 is shown below. Generating plant capacity fluctuates with the timing and duration of outages. Lower availability in Independent Power Plants in the first quarter of 2016 was mainly due to a planned outage at the Joffre facility in March 2016. Thermal PPA plant availability was higher in the first quarter of 2016 compared to the prior period mainly due to planned maintenance outages in the first quarter of 2015. ATCO Power Australia availability remained strong in the first quarter of 2016 with minimal planned or unplanned outages.

	Three Months Ended March 31		
	2016	2015	Change
Independent Power Plants ⁽¹⁾	96%	98%	(2%)
Thermal PPA Plants ^{(2) (3)}	89%	81%	8 %
ATCO Power Australia	98%	97%	1 %

(1) The Joffre generating plant commenced a major planned maintenance outage in the first quarter of 2016. The outage will continue into the second quarter of 2016.

(2) The Battle River 5 generating plant commenced a major planned maintenance outage in the first quarter of 2015 which was completed in the second quarter of 2015.

(3) The Sheerness 1 generating plant completed a major planned maintenance outage in the first quarter of 2015.

Independent Power Plants

Adjusted earnings in the first quarter of 2016 from Independent Power Plants were comparable to the same period in 2015.

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the quarter ended March 31, 2016 and 2015 are shown in the table below.

	Three Months Ended March 31		
	2016	2015	Change
Average Alberta Power Pool electricity price (\$/MWh)	18.11	29.03	(38%)
Average natural gas price (\$/GJ)	1.74	2.62	(34%)
Average spark spread (\$/MWh)	5.06	9.38	(46%)

Lower Alberta Power Pool prices and reduced price volatility in the first quarter of 2016 were primarily attributable to an increased supply of electricity and lower demand in the Alberta market compared to the same period in 2015.

Thermal PPAs

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

First quarter 2016 adjusted earnings from the Thermal PPAs were \$7 million lower than the same period of 2015 primarily due to higher earnings in the first quarter of 2015 from the amortization of accumulated incentives associated with PPAs.

International Power Generation

The Company's international power generation activities are conducted by ATCO Power Australia. This business supplies electricity from two natural gas-fired generation plants in Adelaide, South Australia, and Karratha, Western Australia. Additionally, the Bulwer Island plant in Brisbane formerly provided co-generation steam. As a result of British Petroleum's (BP) announcement to close its Brisbane oil refinery in mid-2015, the Bulwer Island plant was closed on June 23, 2015.

Adjusted earnings for ATCO Power Australia in the first quarter of 2016 were comparable to the same period in 2015.

Major Electricity Project Updates

Fort McMurray 500 kV Project

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

In December 2015, APL submitted the Facilities Application for the project to the AUC. APL is now focused on preparing for the public hearing that has been scheduled by the AUC for June 2016. If the Facilities Application is approved, construction is expected to commence in 2017 and the project is anticipated to be in service in 2019.

Distributed Generation

Distributed generation aligns with the Company's strategy of taking a creative and innovative approach to meeting our customers' needs by building a fleet of portable natural gas-fired units that can be deployed for temporary or permanent projects.

In the first quarter of 2016, ATCO Power signed a 10-year contract to build and operate a two unit, 3 MW natural-gas fired power facility located southeast of Grande Prairie, Alberta. With a capital investment of \$8 million, this project is under construction and will be operational in the second quarter of 2016.

Pipelines & Liquids

Pipelines & Liquids activities are conducted through three regulated businesses, ATCO Gas, ATCO Pipelines, and ATCO Gas Australia, and one non-regulated business, ATCO Energy Solutions.

REVENUES

Pipelines & Liquids revenues of \$400 million in the first quarter of 2016 were lower compared to the first quarter of 2015. Lower revenues are primarily attributable to lower flow-through gas sales in ATCO Energy Solutions, which are passed on to customers by the Company and do not impact adjusted earnings.

ADJUSTED EARNINGS

Adjusted earnings for ATCO Gas, ATCO Pipelines, ATCO Gas Australia, and ATCO Energy Solutions are shown in the table below.

	Three Months Ended March 31		
(\$ millions)	2016	2015	Change
Regulated Pipelines & Liquids			
ATCO Gas	77	63	14
ATCO Pipelines	15	8	7
ATCO Gas Australia	8	7	1
Total Regulated Pipelines & Liquids	100	78	22
Non-regulated Pipelines & Liquids			
ATCO Energy Solutions	5	(3)	8
Total Non-regulated Pipelines & Liquids	5	(3)	8
Total Pipelines & Liquids	105	75	30

Pipelines & Liquids generated \$105 million of adjusted earnings in the first quarter of 2016, \$30 million higher than the same period of 2015. Higher adjusted earnings were primarily attributable to continued capital investment and growth in rate base and business-wide cost reduction initiatives within the Pipelines & Liquids businesses. In the first quarter of 2015, Regulated Pipelines & Liquids earnings were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter.

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.

ATCO Gas' adjusted earnings of \$77 million in the first quarter of 2016 were \$14 million higher than the same period of 2015. Increased earnings for the period resulted primarily from growth in both rate base and customers, business-wide cost reduction initiatives and the adverse earnings impact associated with the GCOC and Capital Tracker regulatory decisions received in the first quarter of 2015.

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.

ATCO Pipeline's adjusted earnings of \$15 million in the first quarter of 2016 were \$7 million higher than the same period of 2015. Increased earnings for the period resulted primarily from growth in rate base and the adverse earnings impact associated with the GCOC regulatory decision received in the first quarter of 2015.

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.

ATCO Gas Australia's adjusted earnings of \$8 million in the first quarter of 2016 were \$1 million higher than the same period of 2015.

NON-REGULATED PIPELINES & LIQUIDS

Storage & Industrial Water

Our industrial water services and non-regulated natural gas storage, processing and transmission activities and electricity transmission are conducted by ATCO Energy Solutions. ATCO Energy Solutions sold certain non-core natural gas gathering and processing assets in the first quarter of 2016. ATCO Energy Solutions strategic focus in 2016 is on expanding the natural gas and hydrocarbon storage along with the water infrastructure businesses.

Adjusted earnings of \$5 million in the first quarter of 2016 were higher when compared to the same period of 2015. Higher earnings were primarily attributable to lower costs due to the sale of under-performing assets in late 2015 and early 2016 and earnings contributions from the commencement of additional industrial water projects in late 2015.

Capital Redeployment

In the first quarter of 2016, ATCO Energy Solutions sold its 51.3 per cent ownership in the Edmonton Ethane Extraction Plant. Proceeds of the sale totaled \$21 million, resulting in a one-time, after-tax gain of \$13 million. The gain was excluded from adjusted earnings, but increased earnings attributable to equity owners of the Company. The proceeds from the sale will be deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

Corporate & Other

The Corporate & Other segment includes a 24.5 per cent ownership position in ATCO Structures & Logistics, the commercial real estate owned by the Company in Alberta and business development activities associated with the Company's expansion into Mexico. In the first quarter, ATCO announced the launch of ATCOenergy, a new electricity and natural gas retail company that promises Albertans outstanding service and lower costs for their homes and businesses.

Corporate & Other adjusted earnings in the three months ended March 31, 2016 were \$2 million lower compared to the same period in 2015 mainly due to higher finance costs in 2016 associated with preferred share issuances completed in the third quarter of 2015.

Chile Acquisition

In April 2016, ATCO Structures & Logistics announced that it is expanding its international modular structures business by acquiring 50 per cent ownership of Sabinco Soluciones Modulares S.A. (Sabinco) from Sitrans Servicios Integrados de Transportes Ltda. (Sitrans). Sitrans will retain 50 per cent ownership of the company, which will now operate under the name ATCO-Sabinco S.A. The transaction included the purchase of a land position and the provision of funds for a future manufacturing facility.

Headquartered in Santiago, Chile, Sabinco's fleet of nearly 2,500 space rental and workforce housing units accounts for approximately 10 per cent of the Chilean market. Sabinco's established presence in Chile also provides a strong foundation upon which the partnership can expand, with potential growth opportunities identified in other South American markets.

REGULATORY DEVELOPMENTS

Generic Cost of Capital (GCOC)

In March 2015, the Company received the AUC 2013 GCOC decision. The decision established the return on equity (ROE) and deemed common equity ratios for the Alberta Utilities for 2013 to 2015. The ROE was set at 8.30 per cent for each of 2013, 2014 and 2015, which is a reduction from the 8.75 per cent previously approved. The GCOC decision also reduced the deemed common equity ratios by one per cent from what was previously approved. These rates will remain in place on an interim basis for 2016 until such time as the AUC issues a decision on final rates as part of the 2016 GCOC proceeding. The 2016 GCOC hearing is scheduled to start May 31 and end June 16, 2016 with a decision expected by the end of this year.

PBR Capital Tracker (K Factor) Applications

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

ATCO Electric Transmission 2015 to 2017 General Tariff Application

In March 2015, ATCO Electric Transmission filed a General Tariff Application for its operations for 2015, 2016 and 2017. The application requests, among other things, additional revenues to recover higher depreciation, operating costs and financing associated with increased rate base in Alberta. ATCO Electric Transmission updated its 2015 to 2017 General Tariff Application in December 2015 and February 2016, modifying its application requests with updated forecast costs as compared to prospective costs originally filed in the 2015 to 2017 General Tariff Application. A decision is expected from the AUC in the third quarter of 2016.

ATCO Australia Access Arrangement Decision

In July 2015, the Economic Regulation Authority (ERA) released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. The decision resulted in a reduced ROE from 10.41 per cent to 7.28 per cent.

ATCO Gas Australia lodged an Appeal Application with the Australian Competition Tribunal (ACT) on October 1, 2015. On December 1, 2015, the ACT granted leave for ATCO Gas Australia to proceed with its merits review. The review is underway and will conclude in April 2016, with a final decision expected late in the second quarter of 2016.

CLIMATE CHANGE AND THE ENVIRONMENT

Alberta's Climate Leadership Plan

In November 2015, the provincial government announced Alberta's Climate Leadership Plan, a framework which includes the proposed phasing out of coal-fired generation, the accelerated phasing in of renewable energy, an economy-wide tax on carbon emissions starting in 2017, and the reduction of methane emissions.

Coal Phase-out

In March 2016, the Government of Alberta appointed Mr. Terry Boston as the Coal Phase-Out Facilitator to help navigate the province's transition from coal to cleaner sources of power. The Coal Phase-Out Facilitator is working with coal-fired electricity generators, the AESO, and the Government of Alberta to develop options to phase out emissions from coal-fired generation by 2030, with the objective of maintaining the reliability of Alberta's electricity grid, maintaining price stability for consumers, ensuring that affected companies and employees are treated fairly and not unnecessarily stranding capital. Canadian Utilities is actively engaged in this process to protect its interests.

Carbon Pricing Replacing Specified Gas Emitters Regulations

The Alberta power market participants and PPA buyers across the industry are currently reviewing the climate and environmental regulations and market pricing to determine the profitability of the active PPA's.

ENMAX Corporation (Enmax) and TransCanada Energy Limited (TransCanada) have served notice to Alberta's Balancing Pool of their plans to terminate the PPAs on ATCO Power's Battle River unit 5 and Sheerness units 1 and 2. Enmax and TransCanada have claimed to exercise a termination right under the PPAs associated with a change in law, stating that the changes to the Specified Gas Emitters Regulations have made the PPAs unprofitable or more unprofitable. The Balancing Pool has advised that they are reviewing these notices and will be conducting an assessment to review and analyze the potential impacts. These facilities continue to be dispatched by Enmax and TransCanada. In the event the Balancing Pool becomes the buyer under the PPAs, it will be responsible for offering the capacity into the Alberta Power Pool and making the applicable PPA payments to ATCO Power. Should the Balancing Pool decide to terminate the PPAs prior to their expiry on December 31, 2020, the associated rights to the generating units would return to ATCO Power and the Balancing Pool would be required under the legislation to make applicable payments to ATCO Power. ATCO Power is actively engaged in this process to protect its interests under the PPAs and the related legislation.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the three months ended March 31, 2016 and 2015 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)	2016	2015	Change
Operating costs	379	499	(120)
Earnings from investment in joint ventures	4	6	(2)
Depreciation, amortization and impairment	141	123	18
Net finance costs	94	71	23
Income taxes	68	56	12

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, decreased by \$120 million in the first quarter of 2016 compared to the same period in 2015, primarily due to reduced flow-through gas purchases at ATCO Energy Solutions, which are passed on to customers by the Company and do not impact adjusted earnings, as well as the Company's business-wide cost reduction initiatives in response to challenging market conditions.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures in the first quarter of 2016 were comparable to the same period of 2015.

DEPRECIATION AND AMORTIZATION

In the first quarter of 2016, depreciation and amortization expense increased by \$18 million compared to the same period in 2015. The increased expense was mainly due to the ongoing significant capital investment program in the Regulated Utilities.

NET FINANCE COSTS

Net finance costs increased in the first quarter of 2016 compared to the same period in 2015, primarily due to interest costs previously capitalized now being recorded as interest expense, as a result of the completion of the Eastern Alberta Transmission Line (EATL) Project during the fourth quarter of 2015. Higher interest expense is also the result of incremental debt issued to fund the Regulated Utilities' significant capital investment program.

INCOME TAXES

Income taxes increased in the first quarter of 2016 when compared to the same period of 2015. The increase is primarily due to higher earnings before income taxes and higher taxes as a result of an increase in Alberta's corporate income tax rate from 10 per cent to 12 per cent effective July 1, 2015.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position is supported by Regulated Utility and long-term contracted operations. Its 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 the Company issues under its Dividend Reinvestment Plan (DRIP).

The Company considers 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, 2016, the Company and its subsidiaries had the following lines of credit.

(\$ millions)	Total	Used	Available
Long-term committed	2,248	425	1,823
Uncommitted	303	127	176
Total	2,551	552	1,999

Of the \$2,551 million in total credit lines, \$303 million was in the form of uncommitted credit facilities with no set maturity date. The other \$2,248 million in credit lines were committed, with \$600 million maturing in late 2017. The remaining lines of credit mature between 2018 and 2019 and may be extended at the option of the lenders.

The majority of the \$552 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.

CONSOLIDATED CASH FLOW

At March 31, 2016, the Company's cash position was \$384 million, a decrease of \$135 million since December 31, 2015. The main drivers for the decrease are cash used for capital expenditures and interest paid, partly offset by earnings achieved in the period.

Funds generated by operations

Funds generated by operations in the first quarter of 2016 of \$450 million were \$2 million lower than the same period in 2015. The decrease was mainly as a result of lower contributions received from customers for Regulated Utility capital expenditures partly offset against business-wide cost reduction initiatives.

Cash used for capital investments

Cash used for capital investment in the first quarter was \$343 million, compared to \$403 million in the same period of 2015. The decreases were primarily due to previously disclosed and planned lower capital spending in ATCO Electric Distribution and ATCO Electric Transmission.

Capital investment for the three months ended March 31, 2016 and 2015 is shown in the following table.

(\$ millions)	Three Months Ended March 31		
	2016	2015	Change
Electricity			
ATCO Electric Distribution	56	91	(35)
ATCO Electric Transmission	49	133	(84)
Alberta PowerLine	11	4	7
ATCO Power	66	14	52
Total Electricity	182	242	(60)
Pipelines & Liquids			
ATCO Gas	60	57	3
ATCO Pipelines	41	30	11
ATCO Gas Australia	17	16	1
Non-regulated Capital Investment ^{(1) (3)}	42	56	(14)
Total Pipelines & Liquids	160	159	1
Corporate & Other	1	2	(1)
Total ^{(1) (2)}	343	403	(60)

(1) Includes capital expenditures in joint ventures of \$19 million (2015 - \$13 million) for the quarter end March 31, 2016.

(2) Includes additions to property, plant and equipment, intangibles \$4 million (2015 - \$24 million) of interest capitalized during construction for the quarter ended March 31, 2016.

(3) Non-regulated Capital Investment includes ATCO Pipelines Mexico and ATCO Energy Solutions.

Base Shelf Prospectuses

CU Inc. Debentures

On July 24, 2014, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of \$2.6 billion of debentures over the 25-month life of the prospectus. As of April 25, 2016, aggregate issuances of debentures were \$1.9 billion.

Canadian Utilities Debt Securities and Preferred Shares

On April 12, 2016, the Company 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

The Company has increased its common share dividend each year since 1972. In each of the last five years, the Company has increased its quarterly dividend by 10 per cent. Dividends paid to Class A and Class B share owners in the first quarter totaled \$75 million. On April 7, 2016, the Board of Directors declared a second quarter dividend of 32.50 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on the Company's financial condition and other factors.

**10% increase in
quarterly dividend
for the fifth
consecutive year**

Dividend Reinvestment Plan

In the first quarter of 2016, the Company issued 402,718 Class A non-voting shares under its DRIP in lieu of cash dividend payments of \$13 million.

SHARE CAPITAL

Canadian Utilities' equity securities consist of Class A shares and Class B shares.

At April 25, 2016, the Company had outstanding 192,496,109 Class A shares, 74,826,153 Class B shares, and options to purchase 932,400 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

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

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

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

Of the 12,800,000 Class A shares authorized for grant of options under the Company's stock option plan, 5,362,200 Class A shares were available for issuance at March 31, 2016. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2014, through March 31, 2016.

(\$ millions except for per share data)	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Revenues	780	705	861	851
Earnings attributable to equity owners of the Company	43	89	46	192
Earnings per Class A and Class B share (\$)	0.12	0.28	0.11	0.66
Diluted earnings per Class A and Class B share (\$)	0.12	0.28	0.10	0.65
Adjusted earnings				
Electricity	98	95	63	102
Pipelines & Liquids	13	17	84	105
Corporate & Other and Intersegment Eliminations	(10)	(13)	6	(10)
Total adjusted earnings	101	99	153	197
(\$ millions except for per share data)	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Revenues	856	802	925	918
Earnings attributable to equity owners of the Company	115	224	151	174
Earnings per Class A and Class B share (\$)	0.39	0.81	0.52	0.61
Diluted earnings per Class A and Class B share (\$)	0.39	0.80	0.53	0.61
Adjusted earnings				
Electricity	72	105	90	66
Pipelines & Liquids	6	25	85	75
Corporate & Other and Intersegment Eliminations	7	(8)	7	(11)
Total adjusted earnings	85	122	182	130

The financial results for the previous eight quarters reflect continued growth in the Company's Regulated Utility operations as well as fluctuating commodity prices in power 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.

Adjusted Earnings

Adjusted earnings in the Electricity Business Unit 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. Lower adjusted earnings in the second quarter of 2014 reflected the financial impact of the 2010 Evergreen Decision and lower realized Alberta Power Pool prices. The positive impact of the 2014 Interim Rates Decision on distribution operations in Regulated Electricity is reflected in earnings in the third quarter of 2014. Lower adjusted earnings in the first quarter of 2015 reflect the financial impact of the GCOC and Capital Tracker decisions in Regulated Electricity. Lower earnings in the fourth quarter of 2015 were mainly due to regulatory lag which required an update to the forecast costs as compared to prospective costs originally filed in ATCO Electric Transmission's 2015 to 2017 General Tariff Application. Higher first quarter 2016 earnings are reflective of continued capital investment and rate base growth and business-wide cost reduction initiatives.

Adjusted earnings in the Pipelines & Liquids Business Unit reflect the large capital investments 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. Lower adjusted earnings in the second quarter of 2014 reflected the financial impact of the 2010 Evergreen Decision on ATCO Gas and ATCO Pipelines. Continued lower earnings in the third quarter of 2014 reflect the seasonal demand of ATCO Gas, partially offset by the positive impact of the 2014 Interim Rates Decision. Lower adjusted earnings in the first quarter of 2015 reflect the financial impact of the GCOC and Capital Tracker decisions in Regulated Pipelines & Liquids. Earnings in the second quarter of 2015 reflect lower seasonal demand in ATCO Gas, the impact of the Access Arrangement decision on ATCO Gas Australia, and lower frac spreads and storage fees in ATCO Energy Solutions. Higher operations and maintenance costs and lower seasonal demand in ATCO Gas are reflected in third quarter earnings. Higher first quarter 2016 earnings are reflective of continued capital investment and rate base growth and business-wide cost reduction initiatives.

Earnings attributable to equity owners of the Company

Earnings attributable to equity owners of the Company include timing adjustments related to rate-regulated activities. 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 first quarter of 2016, ATCO recorded a gain on sale of joint operation of \$13 million for the sale of the ATCO Energy Solution's 51.3 per cent interest in the Edmonton Ethane Extraction Plant;
- in the fourth quarter of 2015, Canadian Utilities recorded \$27 million for: the sale of ATCO Structures & Logistics' Emissions Management business, the sale of certain non-core natural gas gathering and processing assets, and the revaluation of the Company's Barking Power investment;
- in the fourth quarter of 2015, impairment charges of \$103 million were recorded relating to the Battle River units 3 and 4 power generation assets, the Tula Mexico Pipeline as well as certain gas gathering and processing facilities;
- in the fourth quarter of 2015, the Company recorded a restructuring charge of \$73 million. These costs were primarily related to staff reductions and associated severance costs;
- in the third quarter of 2015, the Company recorded a restructuring charge of \$5 million;
- in the second quarter of 2015, the Company recognized a restructuring charge of \$4 million and made an adjustment of \$67 million to current and deferred income taxes associated with the Government of Alberta corporate income tax rate increase from 10 to 12 per cent. \$63 million of this adjustment related to deferred income taxes recorded by the Alberta Utilities that were excluded from adjusted earnings;
- in the fourth quarter of 2014, the Company recognized an impairment of certain gas gathering, processing and liquids extraction facilities of \$14 million and \$3 million impairment related to its joint venture power generation assets in the U.K.;
- in the third quarter of 2014, ATCO recognized a gain on sale of ATCO I-Tek of \$138 million; and
- in the second quarter of 2014, the Company recognized an impairment for the Bulwer Island power station in Australia of \$11 million.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital. 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 without changes in non-cash working capital. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies.

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

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to equity owners of the Company is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 to the 2016 unaudited interim consolidated financial statements.

Capital investment is defined as cash used for capital expenditures. It includes 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 EQUITY OWNERS OF THE COMPANY

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

Adjusted earnings 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)					
2016					
2015 (Restated) ⁽¹⁾	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	448	400	21	(18)	851
	463	458	10	(13)	918
Adjusted earnings	102	105	(12)	2	197
	66	75	(10)	(1)	130
Gain on sale of joint operation	–	13	–	–	13
	–	–	–	–	–
Rate-regulated activities	(7)	(30)	–	2	(35)
	30	–	–	2	32
Dividends on equity preferred shares of Canadian Utilities Limited	1	–	16	–	17
	1	–	11	–	12
Earnings attributable to equity owners of the Company	96	88	4	4	192
	97	75	1	1	174

(1) During the fourth quarter of 2015, the Company reorganized its operating subsidiaries into the segments above. Comparative amounts for prior periods have been restated to reflect the realigned segments.

GAIN ON SALE OF JOINT OPERATION

Pipelines & Liquids

As a result of an ongoing review of economic conditions and prospects, the Company sold its 51.3 per cent interest in the Edmonton Ethane Extraction Plant. Proceeds from the sale totaled \$21 million, resulting in a one-time, after-tax gain of \$13 million. The proceeds will be deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

RATE-REGULATED ACTIVITIES

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. Prior to adopting IFRS, the Company used standards for rate-regulated operations issued by the Financial Accounting Standards Board (FASB) in the United States as a source of generally accepted accounting principles. The Company continues to use these FASB standards to fairly present the operating results of its rate-regulated activities.

Rate-regulated accounting reduces earnings volatility as the Company defers the recognition of revenue when cash is received in advance of future expenditures and it recognizes revenue for recoverable costs incurred in advance of future billings to customers. Under IFRS, the Company records revenues when amounts are billed to customers and recognizes costs when they are incurred. The Company does not recognize their recovery until changes to customer rates are reflected in future customer billings.

Under rate-regulated accounting, the Company recognizes revenues from regulatory decisions that relate to current and prior periods when the decisions are received. Under IFRS, the Company recognizes those revenues when customer rates are changed and customers are billed.

Finally, under rate-regulated accounting, amounts relating to intercompany profits recognized in rate base by a regulator are not eliminated on consolidation. Under IFRS, however, intercompany profits are eliminated on consolidation. The Company then recognizes those profits in earnings when amounts are billed to customers over the life of the asset.

Timing adjustments made in rate-regulated accounting are shown in the following table.

(\$ millions)	Three Months Ended March 31		
	2016	2015	Change
Additional revenues billed in current period ⁽¹⁾	26	27	(1)
Revenues to be billed in future period ⁽²⁾	(51)	(53)	2
Regulatory decisions related to current and prior periods ⁽³⁾	(11)	56	(67)
Elimination of intercompany profits related to the construction of property, plant and equipment and intangible assets	1	2	(1)
Total adjustments	(35)	32	(67)

Notes:

(1) Additional revenues billed in current period

These adjustments are primarily comprised of future removal and site restoration costs, where customers are billed over the life of the associated assets in advance of future expenditures, and finance costs incurred by ATCO Electric during construction of major transmission capital projects are billed to customers when incurred. Under rate-regulated accounting, the finance costs billed to customers are deferred. The deferred revenues will be recognized in adjusted earnings over the service life of the related assets.

(2) Revenues to be billed in future period

Deferred income taxes are the most significant adjustment item in this category. Deferred income taxes are not recovered from customers until income taxes are paid. Deferred income taxes are a non-cash expense resulting from temporary differences between the book value and the tax value of assets and liabilities. Income taxes are billed to customers when paid by the Company. Under rate-regulated accounting, revenues are recognized in the current period for the deferred income taxes to be billed to customers in future periods. The revenues will reverse when the temporary differences that gave rise to the deferred income taxes reverse in future periods.

The impact of warmer temperatures in the first quarter of 2016 also had an impact on revenues in this category. 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. Under rate-regulated accounting, revenues above or below the norm in the current period are deferred and refunded to or recovered from customers in future periods.

(3) Regulatory decisions related to current and prior periods

Refer to the Regulatory Developments section in this MD&A as well as the Segmented Information presented in Note 3 of the unaudited interim consolidated financial statements for the three months ended March 31, 2016.

OTHER FINANCIAL INFORMATION

ACCOUNTING CHANGES

Certain new or amended standards or interpretations issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) do not have to be adopted in the current period. These standards remain substantially unchanged from the 2015 MD&A.

There were no new or amended standards issued by the IASB or IFRIC in the first quarter of 2016 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, 2016, and ended on March 31, 2016, 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 this forward-looking 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

Canadian Utilities has published its unaudited interim consolidated financial statements and its MD&A for the three months ended March 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 A shares means Class A non-voting shares of the Company.

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

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

DRIP means the dividend reinvestment plan (refer to the "Dividend Reinvestment Plan" section).

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.

Km means kilometre.

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.

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.

U.K. means United Kingdom.

U.S. means United States of America.