ATCO LTD.

FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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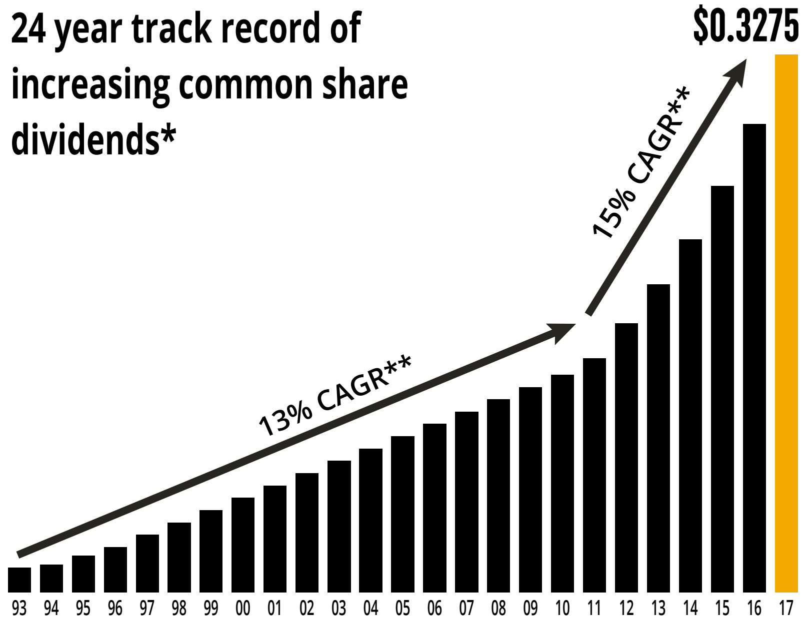
Q3 2017 INVESTOR FACT SHEET

ATCO.COM
STRUCTURES & LOGISTICS | ELECTRICITY | PIPELINES & LIQUIDS

With approximately 7,000 employees and assets of $21 billion, ATCO is a diversified global corporation delivering service excellence and innovative business solutions in Structures & Logistics (workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management); Electricity (electricity generation, transmission, and distribution); Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales).

TRACK RECORD OF DIVIDEND GROWTH

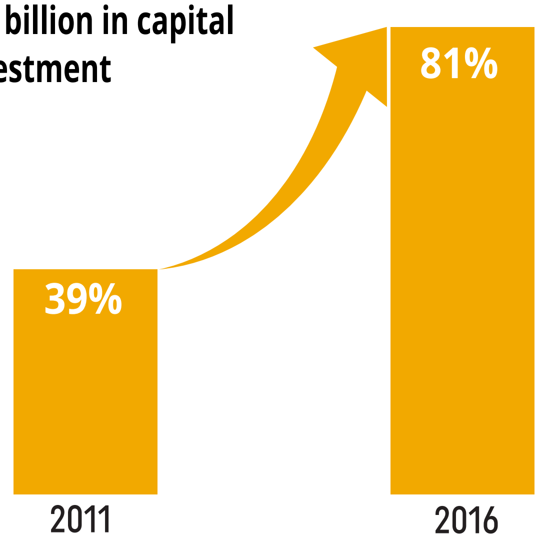
24 year track record of increasing common share dividends*



* On October 12, 2017, ATCO delcared a fourth quarter dividend of $0.3275 per share, or $1.31 per share annualized.
** Compound Annual Growth Rate.

GROWING A HIGH QUALITY EARNINGS BASE

Growth in Regulated Earnings driven by nearly $10 billion in capital investment

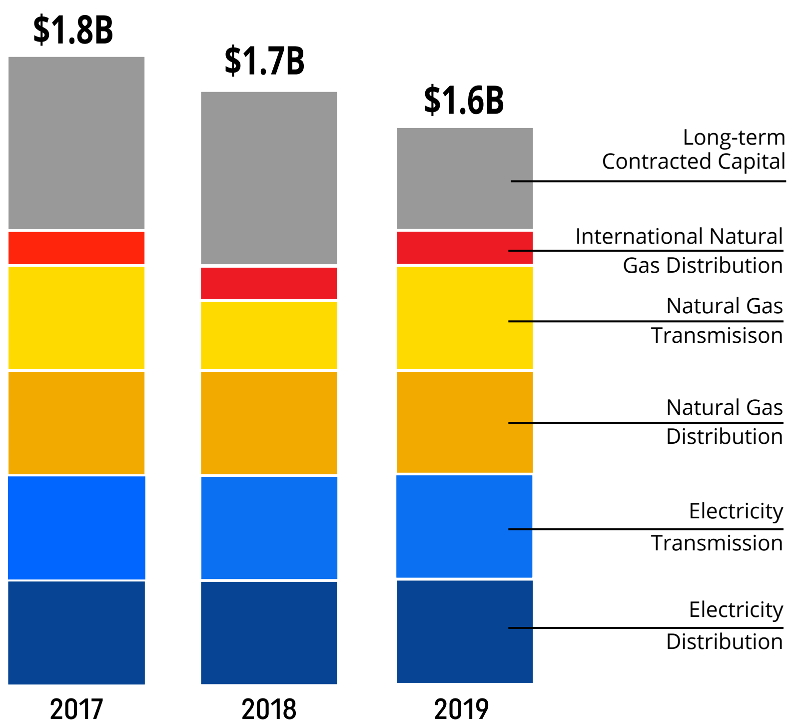


ATCO AT A GLANCE

70 year history in more than 100 countries	
"A-" rating by Standard & Poor's; "A" (low) rating by DBRS Limited	
Total Assets	$21 billion
Modular Building Manufacturing Locations	7 Globally (2 Canada, 2 United States, 2 Australia, 1 Chile)
Electric Powerlines	88,000 kms
Pipelines	65,000 kms
Power Plants	18 Globally
Power Generating Capacity Share	2,480 MW *
Water Infrastructure Capacity	85,200 m^3/d **
Natural Gas Storage Capacity	52 PJ ***
Hydrocarbon Storage Capacity	200,000 m^3 ****

**megawatts **cubic metres per day ***petajoules ****cubic metres*

FUTURE CAPITAL INVESTMENT



More than $5 billion in Regulated Utility and contracted capital growth projects expected in 2017 - 2019

ATCO SHARE INFORMATION

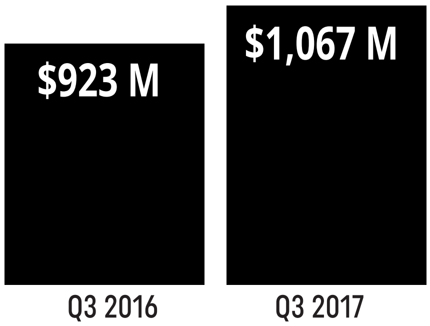
Common Shares (TSX): ACO.X, ACO.Y	
Market Capitalization	$5 billion
Weighted Average Common Shares Outstanding	114.4 million

It is important for prospective owners of ATCO shares to understand that ATCO is a diversified group of companies principally controlled by Sentgraf, a Southern family holding company. It is also important for present and prospective share owners to understand that the ATCO share registry has both Class I Non-Voting (ACO.X) and Class II Voting (ACO.Y) common shares.

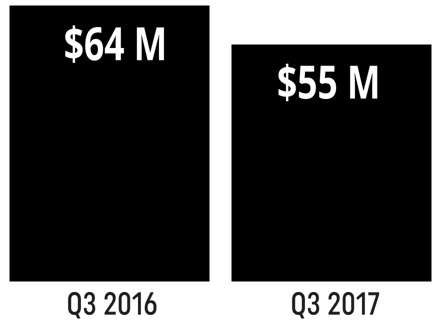
Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations. Certain statements in this document contain forward-looking information. Please refer to our forward-looking information disclaimer in ATCO's management's discussion and analysis for more information.

Q3 2017 RESULTS

ATCO REVENUES



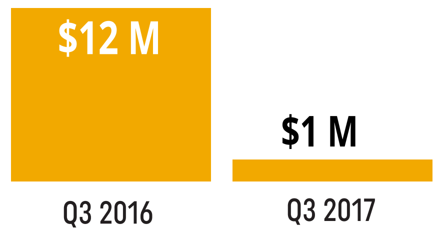
ATCO ADJUSTED EARNINGS



STRUCTURES & LOGISTICS GLOBAL BUSINESS UNIT

- Adjusted earnings in the third quarter of 2017 were lower than the same period in 2016. Lower adjusted earnings were mainly due to decreased Modular Structures major project activity due to the completion of the BC Hydro Site C project in the third quarter of 2016, and lower profit margins across all business lines.

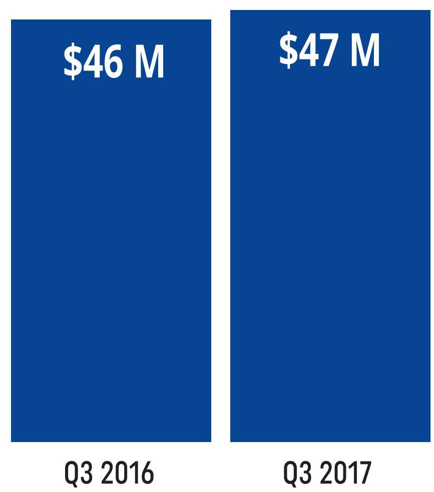
ADJUSTED EARNINGS



ELECTRICITY GLOBAL BUSINESS UNIT

- Adjusted earnings in the third quarter of 2017 were higher than the same period in 2016, mainly due to continued capital investment, growth in rate base within Regulated Electricity and earnings from Alberta PowerLine (APL). Higher earnings were partially offset by lower profits from forward sales in our Independent Power Plants, and lower availability incentive payments in our Thermal PPA Plants.
- In the third quarter of 2017, construction commenced on APL's Fort McMurray 500 kV Project. On October 2, 2017, APL closed the issuance of an aggregate of $1.4 billion of bonds with maturities ranging from June 2032 to March 2054. This represents the largest public-private partnership financing ever completed in Canada.

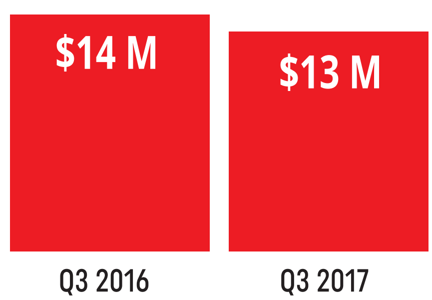
ADJUSTED EARNINGS



PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

- Adjusted earnings growth in the third quarter of 2017 was mainly due to continued capital investment and rate base growth in all our regulated natural gas businesses. Earnings growth was offset by lower earnings from our international natural gas distribution business, mainly due to warmer weather in 2017 and the difference between actual inflation and the forecast inflation rates.

ADJUSTED EARNINGS



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ATCO

2017 THIRD QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 nine months ended September 30, 2017.

This MD&A was prepared as of October 25, 2017, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2017. Additional information, including the Company's prior MD&As, 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 (52.7 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.

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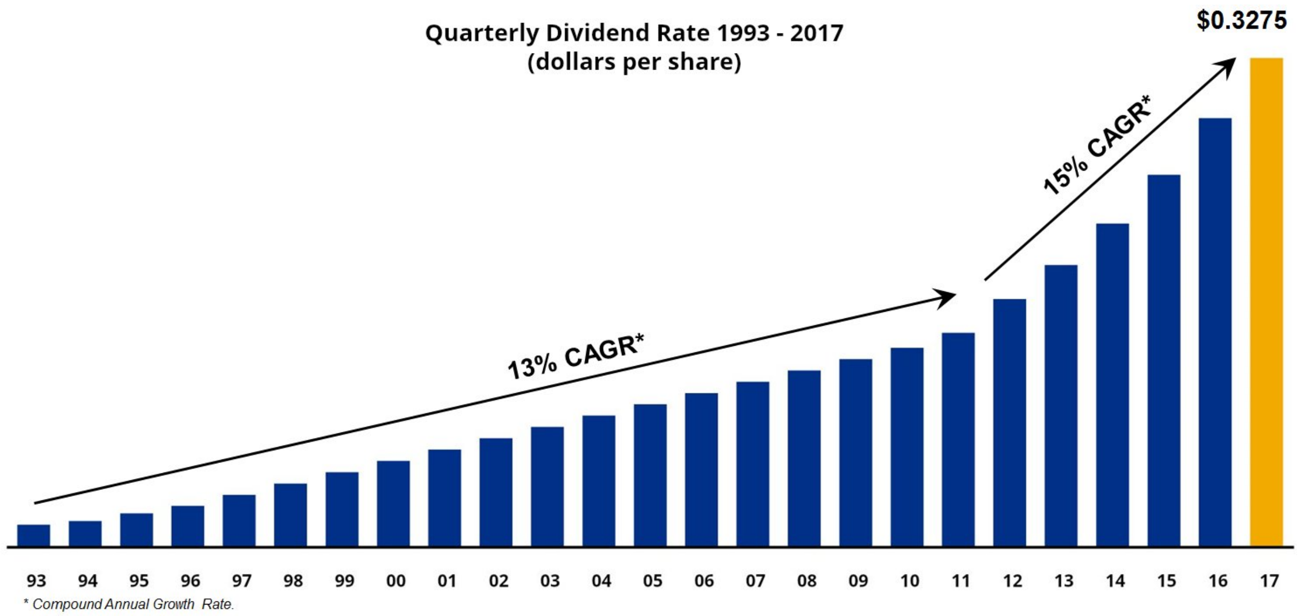
ATCO: WHAT SETS US APART

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 October 12, 2017, we declared a fourth quarter dividend of 32.75 cents per share or $1.31 per share on an annualized basis.



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 more than $5 billion in Regulated Utility and long-term contracted assets, which will continue to strengthen our high quality earnings base. Of the more than $5 billion planned spend, $3.8 billion is on Regulated Utilities, and $1.3 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.

24 year track record of dividend increases	**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 52.7 per cent (38.9 per cent of the Class A non-voting shares and 89.4 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 September 30			Nine Months Ended September 30		
($ millions, except per share data and outstanding shares)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Key Financial Metrics						
Revenues	**1,067**	923	144	**3,247**	2,913	334
Adjusted earnings (1)	**55**	64	(9)	**243**	266	(23)
Structures & Logistics	**1**	12	(11)	**4**	37	(33)
Electricity	**47**	46	1	**163**	155	8
Pipelines & Liquids	**13**	14	(1)	**95**	92	3
Corporate & Other	**(6)**	(8)	2	**(19)**	(19)	–
Intersegment Eliminations	**–**	–	–	**–**	1	(1)
Earnings attributable to Class I and Class II Shares	**46**	70	(24)	**191**	240	(49)
Total assets	**20,578**	19,534	1,044	**20,578**	19,534	1,044
Cash dividends declared per Class I and Class II Share *(cents per share)*	**32.75**	28.50	4.25	**98.25**	85.50	12.75
Funds generated by operations (1)	**427**	427	–	**1,350**	1,312	38
Capital investment (1)	**518**	391	127	**1,235**	1,142	93
Other Financial Metrics						
Weighted average Class I and Class II Shares outstanding *(thousands):*						
Basic	**114,358**	114,338	20	**114,351**	114,430	(79)
Diluted	**114,838**	114,806	32	**114,826**	114,862	(36)

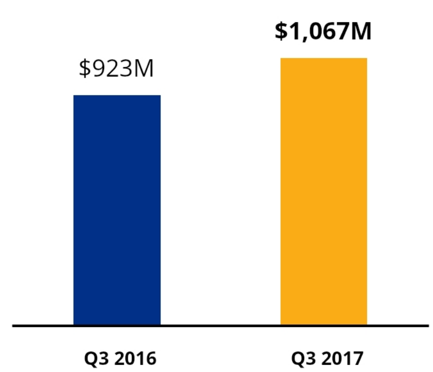
(1) Additional information regarding these measures is provided in the Non-GAAP and Additional GAAP Measures section of this MD&A.

REVENUES

Revenues in the third quarter and first nine months of 2017 were $1,067 million and $3,247 million, $144 million and $334 million higher than the same periods in 2016.

These increases were mainly due to revenue recorded for Alberta PowerLine (APL) and rate base growth in our Regulated Utilities as well as higher revenues from a growing customer portfolio in ATCOenergy.

Revenue Growth



ADJUSTED EARNINGS

Our adjusted earnings for the third quarter and first nine months of 2017 were $55 million and $243 million, compared to $64 million and $266 million in the same periods in 2016. The primary drivers of adjusted earnings results were as follows:

- Structures & Logistics - Adjusted earnings in the third quarter of 2017 were lower than the same period in 2016 mainly due to lower Modular Structures major project activity.
- Electricity - Adjusted earnings in the third quarter of 2017 were higher than the same period in 2016 mainly due to continued capital investment, growth in rate base, and earnings from APL.
- Pipelines & Liquids - Adjusted earnings in the third quarter of 2017 were lower than the same period in 2016 mainly due to lower earnings from our international natural gas distribution business, partially offset by growth in rate base in all our regulated natural gas businesses.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

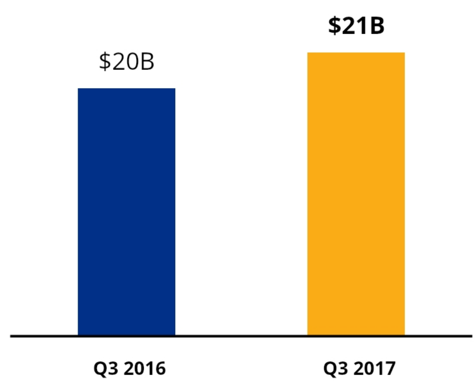
Earnings attributable to Class I and Class II Shares were $46 million in the third quarter of 2017, $24 million lower than the same period in 2016. Earnings attributable to Class I and Class II Shares includes timing adjustments related to rate-regulated activities and unrealized losses on mark-to-market 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.

ASSETS

Our total assets grew from $20 billion in the third quarter of 2016 to $21 billion in the third quarter of 2017. Growth occurred mainly in our Alberta Utilities as a result of continued capital investment.

Asset Growth



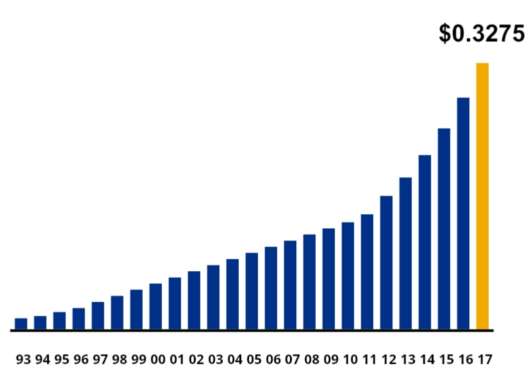
COMMON SHARE DIVIDENDS

On October 12, 2017, the Board of Directors declared a fourth quarter dividend of 32.75 cents per share.

Dividends paid to Class I and Class II Share owners totaled $38 million in the third quarter and $113 million in the first nine months of 2017.

We have increased our common share dividend each year since 1993.

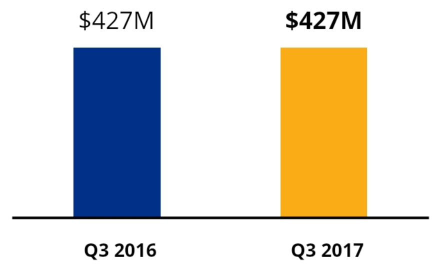
Quarterly Dividend Rate 1993 - 2017 (dollars per share)



FUNDS GENERATED BY OPERATIONS

Funds generated by operations were $427 million in the third quarter of 2017, comparable to the same period in 2016.

Funds Generated by Operations

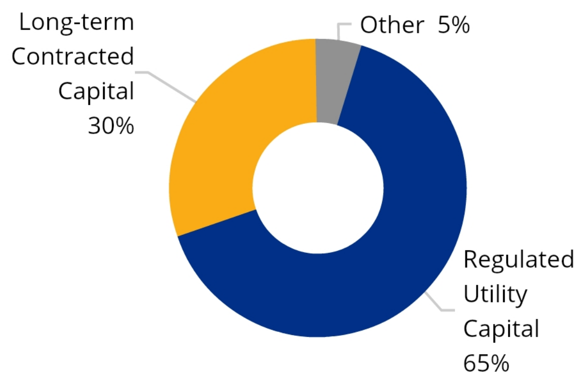


CAPITAL INVESTMENT

Capital investment includes additions to property, plant and equipment, intangibles, capital expenditures in joint ventures and service concession arrangements. Total capital investment in the third quarter and first nine months of 2017 were $518 million and $1,235 million.

Capital spending in our Regulated Utilities and on long-term contracted capital assets accounted for $483 million of capital spending in the third quarter, and $1,169 million in the first nine months 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 Nine Months Ended September 30, 2017



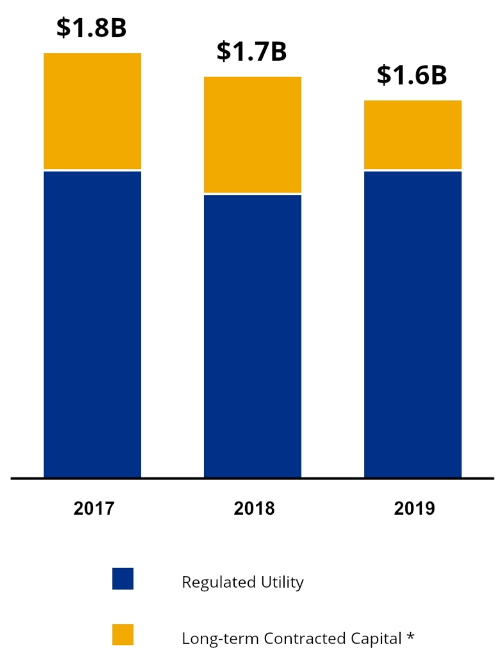
FUTURE CAPITAL INVESTMENT PLANS

In the period 2017 to 2019, we expect to invest more than $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 $1.3 billion in long-term contracted capital from 2017 to 2019 in the APL Fort McMurray 500 kV Electric Transmission Project (Fort McMurray 500 kV Project), contracted hydrocarbon storage and distributed generation. We also continue to pursue various business development opportunities, such as the Tula cogeneration power plant in Mexico, which is 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

Structures & Logistics revenues of $133 million in the third quarter and $379 million in the first nine months of 2017 were $13 million and $150 million lower than the same periods in 2016. Lower revenues were mainly due to decreased Modular Structures project activity due to the completion of the Wheatstone and BC Hydro Site C projects in the first and third quarters of 2016. This lower major project activity was partially offset by revenues from Modular Structures activity relating to the LNG Modular Structures rental project, the sale of used fleet, and education, health and correctional facility project activity in the second and third quarters of 2017.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Modular Structures	**3**	11	(8)	**10**	38	(28)
Logistics and Facility O&M Services	**2**	4	(2)	**5**	9	(4)
Lodging & Support Services	**1**	2	(1)	**3**	6	(3)
Other (1)	**(5)**	(5)	–	**(14)**	(16)	2
Total Structures & Logistics Adjusted Earnings	**1**	12	(11)	**4**	37	(33)

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

Adjusted earnings achieved by Structures & Logistics in the third quarter and first nine months of 2017 were $11 million and $33 million lower than the same periods in 2016. The decreases were mainly due to the completion of major projects in our Modular Structures business and lower profit margins across all business lines.

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 in the third quarter and first nine months of 2017 were $8 million and $28 million lower than the same periods in 2016. Lower adjusted earnings were mainly due to decreased major project activity due to the completion of the Wheatstone and BC Hydro Site C projects in the first and third quarters of 2016. This lower major project activity was partially offset by earnings from the LNG Modular Structures rental project, the sale of used fleet, and education, health and correctional facility project activity in the second and third quarters of 2017.

Rental Fleet Statistics

The following table compares Structures & Logistics' manufacturing hours and rental fleet for the third quarter and first nine months of 2017 and 2016.

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	Change	2017	2016	Change
North America						
Manufacturing hours *(thousands)*	**94**	69	36%	**199**	529	(62%)
Global Space Rentals						
Number of units	**13,466**	13,851	(3%)	**13,466**	13,851	(3%)
Average utilization *(%)*	**72**	65	7%	**69**	64	5%
Average rental rate *($ per month)*	**466**	474	(2%)	**464**	480	(3%)
Global Workforce Housing						
Number of units	**4,112**	4,104	–	**4,112**	4,104	–
Average utilization *(%)*	**37**	39	(2%)	**35**	42	(7%)
Average rental rate *($ per month)*	**1,898**	2,046	(7%)	**2,026**	1,743	16%

Increased manufacturing hours in the third quarter of 2017 were mainly due to education, health and correctional facility project activity. Decreased manufacturing hours in the first nine months of 2017 were mainly due to the completion of major project activity at the BC Hydro Site C and LNG Modular Structures projects in 2016, partially offset by an increase in manufacturing hours in the second and third quarters in 2017 mainly due to education, health and correctional facility project activity.

The decrease in the Space Rentals units was primarily due to increased sales of non-utilized Space Rentals units in Canada and Australia. The increase in Space Rental utilization was due to higher construction sector customer activity in Australia.

The decrease in Workforce Housing utilization was mainly due to overall weakened demand from customers whose business activity is exposed to commodity price declines. In the third quarter, the decrease in the Workforce Housing rental rates was mainly due to the impact of foreign exchange on the rental rates relating to the LNG Modular Structures rental project. In the first nine months of 2017, the increase in the Workforce Housing rental rates was mainly due to the LNG Modular Structures rental project.

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 third quarter and first nine months of 2017 were $2 million and $4 million lower than the same periods in 2016. These decreases were mainly due to a lower profit margin on the Alaska Radar System contract renewal effective October 1, 2016 and the completion of the Kandahar - First Responders contract with NATO Support Agency at the end of the third quarter of 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 third quarter of 2017 were lower than the same period in 2016 by $1 million primarily due to lower occupancy levels at our lodges. Earnings of $3 million in the first nine months of 2017 were $3 million lower than the same period in 2016 mainly due to lower profit margins at the BC Hydro Site C workforce housing camp, lodging activity and food services provided in the second quarter of 2016 resulting from the 2016 Fort McMurray wildfires, and the closure of the K+S Potash Canada Legacy Lodge in Saskatchewan at the end of the second quarter of 2017 due to completion of our services contract.

REVENUES

Electricity revenues of $587 million in the third quarter and $1,643 million in the first nine months of 2017 were $138 million and $317 million higher than the same periods in 2016, mainly due to revenue recorded for planning, design and construction activities at Alberta PowerLine.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Regulated Electricity						
Electricity Distribution	**17**	15	2	**55**	54	1
Electricity Transmission	**21**	20	1	**77**	74	3
Total Regulated Electricity Adjusted Earnings	**38**	35	3	**132**	128	4
Non-regulated Electricity						
Independent Power Plants	**(1)**	4	(5)	**2**	7	(5)
Thermal PPA Plants	**4**	5	(1)	**15**	13	2
International Power Generation	**2**	2	–	**7**	7	–
Alberta PowerLine	**4**	–	4	**7**	–	7
Total Non-regulated Electricity Adjusted Earnings	**9**	11	(2)	**31**	27	4
Total Electricity Adjusted Earnings	**47**	46	1	**163**	155	8

In the third quarter and first nine months of 2017 our Electricity business earned $47 million and $163 million, $1 million and $8 million higher than the same periods in 2016. Higher earnings were primarily due to continued capital investment, growth in rate base within Regulated Electricity and earnings from APL. Higher earnings were partially offset by lower contributions from forward sales in our Independent Power Plants, and lower availability incentive payments in our Thermal PPA Plants.

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 $17 million in the third quarter and $55 million in the first nine months of 2017, $2 million and $1 million higher than the same periods in 2016. Higher earnings resulted mainly from continued capital investment and growth in rate base.

Electricity Transmission

Our electricity transmission business earned $21 million in the third quarter and $77 million in the first nine months of 2017, $1 million and $3 million higher than the same periods in 2016. Higher earnings were primarily due to continued capital investment and growth in rate base.

In the third quarter of 2017, the AUC issued a decision on the 2013 to 2014 Deferral Accounts Application. While the decision approved the inclusion of the vast majority of capital expenditures into rate base, it resulted in a decrease to third quarter adjusted earnings of $4 million, mainly due to lower taxes paid that will be refunded to customers, all of which related to years prior to 2017. In the second quarter of 2017, the AUC delivered the 2015 to 2017 General Tariff Application (GTA) Compliance decision which lowered second quarter 2017 adjusted earnings by $4 million, of which $3 million related to prior periods. Excluding the prior period impacts of these retroactive regulatory decisions, adjusted earnings in the third quarter and first nine months of 2017 were $25 million and $84 million on a normalized basis.

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 third quarter and first nine months of 2017 and 2016 is shown in the table below. Generating plant capacity fluctuates with the timing and duration of outages.

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
Independent Power Plants	**95%**	91%	4%	**94%**	91%	3%
Thermal PPA Plants	**96%**	93%	3%	**95%**	93%	2%
International Power Generation	**100%**	93%	7%	**99%**	97%	2%

Higher availability in our Independent Power Plants in the third quarter and first nine months of 2017 was primarily due to fewer planned outages in 2017 compared to 2016.

Higher availability in our Thermal PPA Plants in the third quarter of 2017 was primarily due to a minor outage at Battle River unit 5 in 2016. Higher availability in our Thermal PPA Plants in the first nine months of 2017 was primarily due to planned outages at Sheerness in the first quarter of 2016.

Higher availability in our International Power Generation in the third quarter and first nine months of 2017 was largely due to the major outage commencing in late September 2016 at our Osborne facility.

Independent Power Plants

In both the third quarter and first nine months of 2017, earnings from our Independent Power Plants were $5 million less than the same periods in 2016. Earnings generated by our Independent Power Plants were offset by lower forward sales and increased business development expenses.

Effective first quarter 2017, adjusted earnings do not include unrealized gains or losses on mark-to-market forward commodity contracts. Unrealized losses were $3 million in the third quarter, and $19 million in the first nine months of 2017. 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 third quarter and first nine months of 2017 and 2016 are shown in the table below.

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
Average Alberta Power Pool electricity price *($/MWh)*	**24.75**	17.94	38%	**22.09**	17.02	30%
Average natural gas price *($/GJ)*	**1.37**	2.21	(38%)	**2.18**	1.77	23%
Average spark spread *($/MWh)*	**14.30**	1.36	951%	**5.72**	3.74	53%

The average Alberta Power Pool electricity price was higher in the third quarter and first nine months of 2017 when compared to the same periods in 2016. This was mainly due to increased carbon prices, continued demand growth and improved market fundamentals related to supply and demand.

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.

Adjusted earnings from our Thermal PPA Plants of $4 million in the third quarter were $1 million lower than the same period in 2016. Lower earnings were primarily due to lower availability incentive payments, partially offset by compensation for the early retirement of the coal-fired generation.

Adjusted earnings of $15 million in the first nine months of 2017 were $2 million higher than the same period in 2016 mainly due to compensation for the early retirement of the coal-fired generation and lower maintenance costs associated with planned outages.

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 Potosí, Mexico.

Our international power generation business earned $2 million in the third quarter and $7 million in the first nine months of 2017, comparable to the same periods in 2016.

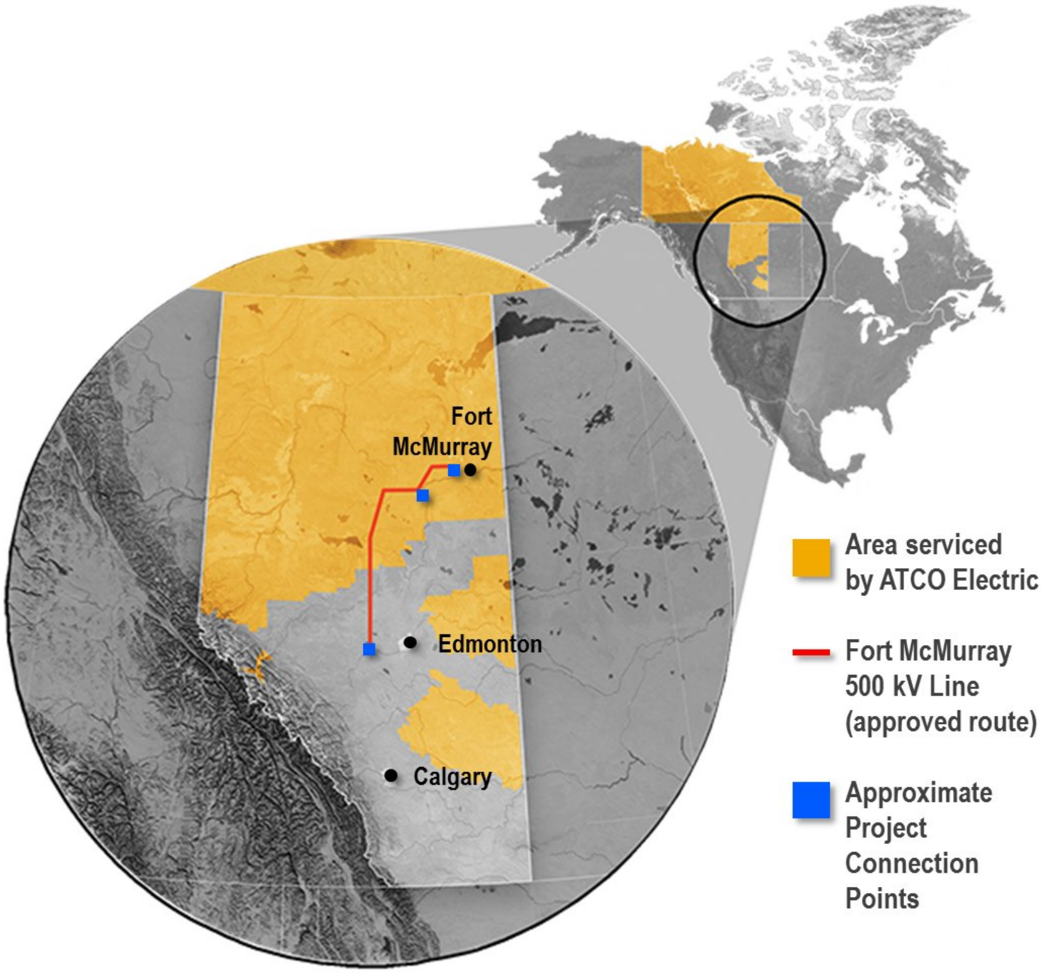
Alberta PowerLine

APL's adjusted earnings were $4 million in the third quarter and $7 million in the first nine months of 2017. The earnings were due to planning, design and construction 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.

Major Electricity Project Updates

Alberta PowerLine

The design and planning phases of the Fort McMurray West 500 kV Project have been completed and construction commenced in August 2017. On October 2, 2017, APL closed the issuance of an aggregate of $1.4 billion of bonds with maturities ranging from June 2032 to March 2054. This represents the largest public-private partnership financing ever completed in Canada.



Thermal PPAs

The Balancing Pool continues to assess the commercial management of the five PPAs which it holds (Battle River unit 5, Genesee, Keephills, Sheerness and Sundance). On September 18, 2017, the Balancing Pool issued notice of PPA termination of the Sundance units B and C no later than March 31, 2018. The Balancing Pool has indicated that the Battle River unit 5 PPA cannot be terminated until the Government of Alberta's lawsuit with Enmax Corporation contesting the return of the PPA is resolved. ATCO has never been a buyer of a coal PPA and the lawsuit seeks no direct relief against ATCO.

REVENUES

Pipelines & Liquids revenues of $330 million in the third quarter and $1,183 million in the first nine months of 2017 were $8 million and $141 million higher than the same periods in 2016, mainly due to growth in rate base and higher flow-through franchise fees paid to municipalities, which are recovered from customers.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Regulated Pipelines & Liquids						
Natural Gas Distribution	**(4)**	(7)	3	**44**	39	5
Natural Gas Transmission	**9**	9	–	**27**	24	3
International Natural Gas Distribution	**7**	10	(3)	**22**	23	(1)
Total Regulated Pipelines & Liquids Adjusted Earnings	**12**	12	–	**93**	86	7
Non-regulated Pipelines & Liquids						
Storage & Industrial Water	**1**	2	(1)	**2**	6	(4)
Total Pipelines & Liquids Adjusted Earnings	**13**	14	(1)	**95**	92	3

Pipelines & Liquids earnings of $13 million in the third quarter of 2017 were lower than the same period in 2016 mainly due to lower earnings from our international natural gas distribution business, partially offset by growth in rate base in all our regulated natural gas businesses. Earnings of $95 million in the first nine months of 2017 were $3 million higher than the same period in 2016, mainly due to growth in rate base.

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.

In the third quarter and first nine months of 2017, earnings from our natural gas distribution business were $3 million and $5 million higher than the same periods in 2016, mainly 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 third quarter of 2017, comparable to the same period in 2016. Earnings of $27 million in the first nine months of 2017 were $3 million higher than the same period in 2016 mainly 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 $7 million in the third quarter and $22 million in the first nine months of 2017, $3 million and $1 million lower than the same periods in 2016. Lower earnings in the quarter were mainly due to warmer weather in 2017 and the difference between actual inflation and the forecast inflation rates, partially offset by continued growth in rate base. Lower earnings in the first nine months of 2017 were mainly due to warmer weather than in 2016, partially offset by business-wide cost reduction initiatives and continued growth in rate base. 2016 earnings included the favourable impact of a regulatory appeal decision.

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 from our storage & industrial water business in the third quarter and first nine months of 2017 were $1 million and $4 million less than the same periods in 2016. Earnings were lower in 2017 because the third quarter and first nine months of 2016 included cost savings due to the sale of under-performing assets in 2016. Earnings in the first nine months of 2017 include contributions from hydrocarbon storage facilities that commenced in the fourth quarter of 2016.

Corporate & Other

Our Corporate & Other segment includes retail energy through ATCOenergy, launched in 2016 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.

Corporate & Other adjusted earnings in the third quarter of 2017 were $2 million higher than the same period in 2016, mainly due to the timing of certain G&A expenses. Earnings in the first nine months of 2017 were comparable to the same period in 2016.

REGULATORY DEVELOPMENTS

GENERIC COST OF CAPITAL (GCOC)

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

ATCO ELECTRIC TRANSMISSION 2013 to 2014 DEFERRAL ACCOUNTS APPLICATION

On September 20, 2017, the AUC issued a decision on ATCO Electric Transmission's 2013 to 2014 Deferral Accounts Application. The Application included $824 million of capital expenditures for the 35 direct-assigned AESO projects that went into service in 2013 and 2014. While the decision approved the inclusion of the vast majority of the capital expenditures into rate base, it resulted in a decrease to third quarter 2017 adjusted earnings of $4 million, mainly lower taxes paid that will be refunded to customers, all of which relates to years prior to 2017.

ATCO PIPELINES 2017 to 2018 GENERAL RATE APPLICATION (GRA)

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

UTILITY ASSET DISPOSITION

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

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months of 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 September 30			Nine Months Ended September 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Operating costs	**526**	483	43	**1,623**	1,561	62
Service concession arrangement costs	**146**	–	146	**324**	–	324
Gain on sale of joint operation	–	–	–	–	18	(18)
Earnings from investment in joint ventures	**5**	4	1	**16**	13	3
Depreciation and amortization	**157**	160	(3)	**475**	462	13
Net finance costs	**100**	96	4	**292**	284	8
Income taxes	**(41)**	49	(90)	**143**	166	(23)

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation and amortization, increased by $43 million in the third quarter and $62 million in the first nine months of 2017 when compared to the same periods in 2016. Increased costs were mainly due to higher unrealized losses on mark-to-market forward commodity contracts and higher operating costs associated with the ramp up of the ATCOenergy retail business, commensurate with higher revenues in this business as well.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs in the third quarter and first nine months of 2017 are costs APL has recorded on third party design, planning and construction activities for the Fort McMurray 500 kV Project.

GAIN ON SALE OF JOINT OPERATION

In the first nine months of 2016, we sold our 51.3 per cent ownership interest in the Edmonton Ethane Extraction Plant, which resulted in gain of $18 million.

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 in the third quarter of 2017 were comparable to the same period in 2016. Earnings increased in the first nine months of 2017 when compared to the same period in 2016, mainly due to higher earnings contributions from the Strathcona Storage Limited Partnership's hydrocarbon storage facility.

DEPRECIATION AND AMORTIZATION

In the third quarter of 2017, depreciation and amortization expense decreased by $3 million when compared to the same period in 2016. The decrease was mainly due to a reduction in depreciation rates in ATCO Pipelines, which reflects an increase in life expectancy for gas transmission assets. In the first nine months of 2017, depreciation and amortization expense increased by $13 million when compared to the same period in 2016, mainly due to the ongoing capital investment program in our Regulated Utilities.

NET FINANCE COSTS

Net finance costs increased in the third quarter and first nine months of 2017 when compared to the same periods 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 third quarter and first nine months of 2017 when compared to the same periods in 2016, mainly due to lower earnings in the third quarter and first nine months 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.

CREDIT RATINGS

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

On September 1, 2017, Dominion Bond Rating Service affirmed its 'A (low)' long-term corporate credit rating and stable outlook on ATCO Ltd.

On August 8, 2017, Dominion Bond Rating Service affirmed its 'A' long-term corporate credit rating and stable outlook on ATCO subsidiary Canadian Utilities Limited.

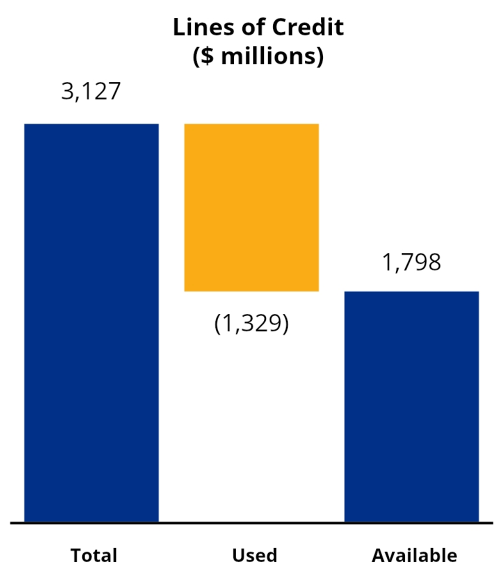
LINES OF CREDIT

At September 30, 2017, ATCO and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**2,706**	1,053	1,653
Uncommitted	**421**	276	145
Total	**3,127**	1,329	1,798

Of the $3,127 million in total credit lines, $421 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,706 million in credit lines were committed, with $765 million maturing in late 2018. The remaining credit lines mature between 2019 and 2020 and may be extended at the option of the lenders.

Of the $1,329 million credit line usage, $525 million was related to issuances of commercial paper that are back-stopped by the corporate credit facilities. The majority of the remaining 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 September 30, 2017, our cash position was $720 million, an increase of $119 million from December 31, 2016. The increase is mainly due to earnings achieved during the first nine months of 2017, partially offset by cash used to fund our capital investment program.

Funds Generated by Operations

Funds generated by operations were $427 million in the third quarter of 2017, comparable to the third quarter of 2016. In the first nine months of 2017, funds generated by operations were $1,350 million, or $38 million higher than the same period 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 $518 million in the third quarter and $1,235 million in the first nine months of 2017, $127 million and $93 million higher than the same periods in 2016, mainly due to increased spending at APL. Capital investment in the first nine months of 2016 included our purchase of the remaining 49 per cent interest in Barking Power Limited.

Capital investment for the third quarter and first nine months of 2017 and 2016 is shown in the table below.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Electricity						
Electricity Distribution	**55**	66	(11)	**161**	184	(23)
Electricity Transmission	**46**	47	(1)	**128**	160	(32)
Power Generation	**5**	8	(3)	**14**	84	(70)
Alberta PowerLine	**146**	24	122	**324**	43	281
Total Electricity	**252**	145	107	**627**	471	156
Pipelines & Liquids						
Natural Gas Distribution	**106**	89	17	**259**	244	15
Natural Gas Transmission	**88**	60	28	**188**	137	51
International Natural Gas Distribution	**22**	24	(2)	**65**	63	2
International Natural Gas Transmission and Storage & Industrial Water	**6**	20	(14)	**16**	95	(79)
Total Pipelines & Liquids	**222**	193	29	**528**	539	(11)
Structures & Logistics	**13**	38	(25)	**26**	82	(56)
Corporate & Other	**31**	15	16	**54**	50	4
Total (1) (2)	**518**	391	127	**1,235**	1,142	93

(1) Includes capital expenditures in joint ventures of $9 million and $11 million (2016 - $12 million and $75 million) for the third quarter and first nine months of 2017.

(2) Includes additions to property, plant and equipment, intangibles and $5 million and $15 million (2016 - $5 million and $14 million) of interest capitalized during construction for the third quarter and first nine months of 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 October 24, 2017, aggregate issuances of debentures were $375 million, all of which were issued in 2016.

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.

On October 2, 2017, Alberta PowerLine, a partnership in which our subsidiary Canadian Utilities has an 80 per cent ownership interest, issued non-recourse long-term debt consisting of $1.385 billion Senior Secured Nominal Amortizing Bonds (Bonds). The financing was completed by way of a private placement and is comprised of $549 million of 4.065 per cent Series A Bonds due December 1, 2053, $549 million of 4.065 per cent Series B Bonds due March 1, 2054, $144 million of 3.351 per cent Series C Bonds due September 1, 2032, and $143 million of 3.340 per cent Series D Bonds due June 1, 2032. The net proceeds of the financing will be used to fund the construction of APL's Fort McMurray West 500 kV Project.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 24 year track record. Dividends paid to Class I and Class II Share owners totaled $38 million in the third quarter and $113 million in the first nine months of 2017.

On October 12, 2017 the Board of Directors declared a fourth 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.

24 year

track record of increasing common share dividends

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 8, 2017, we commenced a 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 October 24, 2017, no shares were purchased.

Canadian Utilities Dividend Reinvestment Plan

In the third quarter of 2017, Canadian Utilities issued 367,065 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $14 million.

In the first nine months of 2017, Canadian Utilities issued 2,021,711 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $76 million.

SHARE CAPITAL

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

At October 24, 2017, we had outstanding 101,346,873 Class I Shares, 13,341,355 Class II Shares, and options to purchase 738,700 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, except for voting rights.

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 2,630,400 Class I Shares were available for issuance at September 30, 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

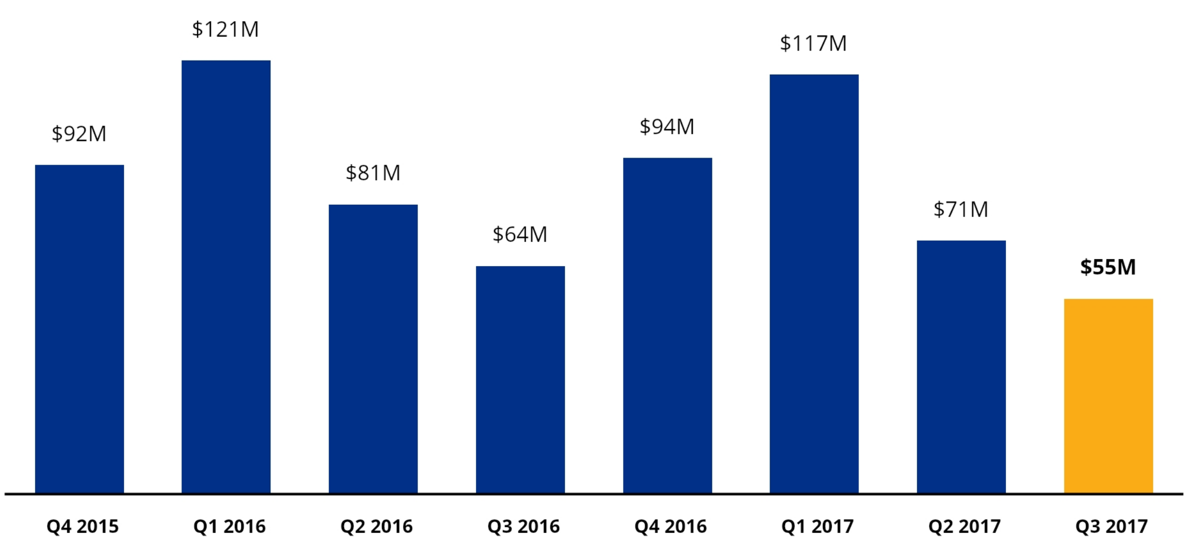
The following table shows financial information for the eight quarters ended December 31, 2015 through September 30, 2017.

($ millions, except for per share data)	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Revenues	1,132	1,115	1,065	**1,067**
Earnings attributable to Class I and Class II Shares	100	101	44	**46**
Earnings per Class I and Class II Share *($)*	0.88	0.88	0.39	**0.40**
Diluted earnings per Class I and Class II Share *($)*	0.87	0.87	0.39	**0.40**
Adjusted earnings				
Structures & Logistics	6	–	3	**1**
Electricity	58	63	53	**47**
Pipelines & Liquids	44	59	23	**13**
Corporate & Other and Intersegment Eliminations	(14)	(5)	(8)	**(6)**
Total adjusted earnings	94	117	71	**55**

($ millions, except for per share data)	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Revenues	1,127	1,058	932	923
Earnings attributable to Class I and Class II Shares	(1)	109	61	70
Earnings per Class I and Class II Share *($)*	(0.01)	0.95	0.53	0.61
Diluted earnings per Class I and Class II Share *($)*	(0.01)	0.95	0.53	0.61
Adjusted earnings				
Structures & Logistics	13	12	13	12
Electricity	33	54	55	46
Pipelines & Liquids	45	56	22	14
Corporate & Other and Intersegment Eliminations	1	(1)	(9)	(8)
Total adjusted earnings	92	121	81	64

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 storage 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.



Structures & Logistics

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

In 2015 and the first nine months of 2016, earnings reflected continued strong Modular Structures manufacturing activity and high occupancy levels in the Lodging business. Lower fourth quarter 2016 earnings were mainly due to the completion of major Modular Structures projects.

In 2017, earnings were lower in the first nine months of the year 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 mainly due to continued capital investment and rate base growth within Regulated Electricity and lower operating costs. Lower second quarter earnings were mainly due to the timing of operating and other costs in electric distribution, and the impact of the 2015 to 2017 GTA Compliance decision in electric transmission. Lower third quarter earnings were mainly due to the impact of the 2013 to 2014 Deferral Accounts decision in electric transmission.

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.

Higher earnings in the fourth quarter of 2015 and first quarter of 2016 were mainly due to continued capital investment, growth in rate base and customers, and business-wide cost reduction initiatives.

In the second and third quarters of 2016, lower earnings were due to lower seasonal demand in our natural gas distribution business.

In the first quarter of 2017, increased earnings were mainly due to higher seasonal demand in our natural gas distribution business. Higher earnings in the first half of the year were due to continued capital investment and rate base growth. Lower earnings in the third quarter of 2017 were mainly due to warmer weather and inflation adjustments to rates in our international natural gas distribution business.

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 second quarter of 2017 and 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 second quarter adjustment of $2 million, and the fourth quarter adjustment of $5 million, were 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; and
- 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.

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

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.

($ millions) — **Three Months Ended September 30**

2017 / **2016**	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**133**	**587**	**330**	**49**	**(32)**	**1,067**
	146	449	322	27	(21)	923
Adjusted earnings	**1**	**47**	**13**	**(6)**	**–**	**55**
	12	46	14	(8)	–	64
Unrealized losses on mark-to-market forward commodity contracts	**–**	**(3)**	**–**	**–**	**–**	**(3)**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(11)**	**4**	**–**	**1**	**(6)**
	–	5	–	–	1	6
Earnings attributable to Class I and Class II Shares	**1**	**33**	**17**	**(6)**	**1**	**46**
	12	51	14	(8)	1	70

($ millions) — **Nine Months Ended September 30**

2017 / **2016**	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**379**	**1,643**	**1,183**	**149**	**(107)**	**3,247**
	529	1,326	1,042	75	(59)	2,913
Adjusted earnings	**4**	**163**	**95**	**(19)**	**–**	**243**
	37	155	92	(19)	1	266
Gain on sale of joint operation	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	7	–	–	7
Unrealized losses on mark-to-market forward commodity contracts	**–**	**(19)**	**–**	**–**	**–**	**(19)**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(43)**	**5**	**–**	**3**	**(35)**
	–	(7)	(29)	–	3	(33)
Other	**–**	**–**	**2**	**–**	**–**	**2**
	–	–	–	–	–	–
Earnings attributable to Class I and Class II Shares	**4**	**101**	**102**	**(19)**	**3**	**191**
	37	148	70	(19)	4	240

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 GAAP 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 regulators' decisions on revenues.

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [1]	**9**	9	–	**29**	27	2
Revenues to be billed in future periods						
Deferred income taxes [2]	**(11)**	(9)	(2)	**(40)**	(37)	(3)
Impact of warmer temperatures [3]	–	(1)	1	**(2)**	(15)	13
Regulatory decisions received	**5**	6	(1)	**9**	4	5
Settlement of regulatory decisions and other items	**(9)**	1	(10)	**(31)**	(12)	(19)
	(6)	6	(12)	**(35)**	(33)	(2)

(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 **2016**	**Three Months Ended September 30**	**Nine Months Ended September 30**
Funds generated by operations	**427**	**1,350**
	427	1,312
Changes in non-cash working capital	**(55)**	**54**
	141	16
Change in receivable under service concession arrangement	**(162)**	**(360)**
	–	–
Cash flows from operating activities	**210**	**1,044**
	568	1,328

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 third 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 July 1, 2017, and ended on September 30, 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.

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.

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.

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Three Months Ended September 30 2017	Three Months Ended September 30 2016	Nine Months Ended September 30 2017	Nine Months Ended September 30 2016
Revenues		**1,067**	923	**3,247**	2,913
Costs and expenses					
Salaries, wages and benefits		**(123)**	(133)	**(367)**	(417)
Energy transmission and transportation		**(67)**	(55)	**(202)**	(165)
Plant and equipment maintenance		**(53)**	(59)	**(143)**	(168)
Fuel costs		**(40)**	(32)	**(106)**	(94)
Purchased power		**(23)**	(18)	**(71)**	(56)
Service concession arrangement costs		**(146)**	–	**(324)**	–
Materials and consumables		**(74)**	(63)	**(201)**	(271)
Depreciation and amortization		**(157)**	(160)	**(475)**	(462)
Franchise fees		**(39)**	(37)	**(174)**	(145)
Property and other taxes		**(31)**	(26)	**(96)**	(78)
Other		**(76)**	(60)	**(263)**	(167)
		(829)	(643)	**(2,422)**	(2,023)
Gain on sale of joint operation	4	**–**	–	**–**	18
Earnings from investment in joint ventures		**5**	4	**16**	13
Operating profit		**243**	284	**841**	921
Interest income		**5**	4	**16**	11
Interest expense		**(105)**	(100)	**(308)**	(295)
Net finance costs		**(100)**	(96)	**(292)**	(284)
Earnings before income taxes		**143**	188	**549**	637
Income taxes		**(41)**	(49)	**(143)**	(166)
Earnings for the period		**102**	139	**406**	471
Earnings attributable to:					
Class I and Class II Shares		**46**	70	**191**	240
Non-controlling interests		**56**	69	**215**	231
		102	139	**406**	471
Earnings per Class I and Class II Share	5	**$0.40**	$0.61	**$1.67**	$2.09
Diluted earnings per Class I and Class II Share	5	**$0.40**	$0.61	**$1.66**	$2.09

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**2017**	**2016**	**2017**	**2016**
Earnings for the period	**102**	139	**406**	471
Other comprehensive income (loss), net of income taxes				
Items that will not be reclassified to earnings:				
Re-measurement of retirement benefits [1]	**49**	(62)	**(14)**	(167)
Items that are or may be reclassified subsequently to earnings:				
Cash flow hedges [2]	**(3)**	9	**(16)**	(1)
Cash flow hedges reclassified to earnings [3]	**–**	–	**(2)**	1
Foreign currency translation adjustment [3]	**(21)**	31	**(11)**	(29)
	(24)	40	**(29)**	(29)
Other comprehensive income (loss)	**25**	(22)	**(43)**	(196)
Comprehensive income for the period	**127**	117	**363**	275
Comprehensive income attributable to:				
Class I and Class II Shares	**57**	61	**164**	130
Non-controlling interests	**70**	56	**199**	145
	127	117	**363**	275

(1) Net of income taxes of $(18) million and $5 million for the three and nine months ended September 30, 2017 (2016 - $22 million and $59 million).

(2) Net of income taxes of nil and $5 million for the three and nine months ended September 30, 2017 (2016 - $(3) million and $1 million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

(millions of Canadian Dollars)	Note	September 30 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		**733**	606
Accounts receivable		**567**	603
Finance lease receivables		**13**	12
Inventories		**70**	56
Income taxes receivable		**76**	49
Prepaid expenses and other current assets		**89**	58
		1,548	1,384
Non-current assets			
Property, plant and equipment	6	**17,223**	16,941
Intangibles		**571**	546
Goodwill		**71**	71
Investment in joint ventures		**248**	239
Finance lease receivables		**304**	302
Deferred income tax assets		**70**	67
Receivable under service concession arrangement		**437**	77
Other assets		**106**	97
Total assets		**20,578**	19,724
LIABILITIES			
Current liabilities			
Bank indebtedness		**13**	5
Accounts payable and accrued liabilities		**707**	694
Asset retirement obligations and other provisions		**40**	48
Other current liabilities		**54**	18
Short-term debt	7	**525**	55
Long-term debt		**155**	155
Non-recourse long-term debt		**15**	14
		1,509	989
Non-current liabilities			
Deferred income tax liabilities		**1,287**	1,199
Asset retirement obligations and other provisions		**135**	134
Retirement benefit obligations		**357**	332
Deferred revenues		**1,697**	1,689
Other liabilities		**167**	33
Long-term debt		**8,072**	8,065
Non-recourse long-term debt		**73**	84
Total liabilities		**13,297**	12,525
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II Shares	8	**167**	167
Contributed surplus		**9**	11
Retained earnings		**3,437**	3,345
Accumulated other comprehensive income		**3**	23
		3,616	3,546
Non-controlling interests		**3,665**	3,653
Total equity		**7,281**	7,199
Total liabilities and equity		**20,578**	19,724

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total	Non-Controlling Interests	Total Equity
December 31, 2015		165	11	3,130	50	3,356	3,537	6,893
Earnings for the period		–	–	240	–	240	231	471
Other comprehensive loss		–	–	–	(110)	(110)	(86)	(196)
Losses on retirement benefits transferred to retained earnings		–	–	(90)	90	–	–	–
Shares issued, purchased and canceled	8,11	(1)	–	(17)	–	(18)	38	20
Dividends	8	–	–	(98)	–	(98)	(179)	(277)
Share-based compensation		3	(1)	(1)	–	1	3	4
Changes in ownership interest in subsidiary company (1)		–	–	23	–	23	(23)	–
Other		–	–	–	–	–	12	12
September 30, 2016		167	10	3,187	30	3,394	3,533	6,927
December 31, 2016		167	11	3,345	23	3,546	3,653	7,199
Earnings for the period		–	–	**191**	–	**191**	**215**	**406**
Other comprehensive loss		–	–	–	**(27)**	**(27)**	**(16)**	**(43)**
Losses on retirement benefits transferred to retained earnings		–	–	**(7)**	**7**	–	–	–
Shares issued	11	–	–	–	–	–	**44**	**44**
Dividends	8	–	–	**(113)**	–	**(113)**	**(192)**	**(305)**
Share-based compensation		–	**(2)**	**(2)**	–	**(4)**	**(1)**	**(5)**
Changes in ownership interest in subsidiary company (1)		–	–	**37**	–	**37**	**(37)**	–
Other		–	–	**(14)**	–	**(14)**	**(1)**	**(15)**
September 30, 2017		**167**	**9**	**3,437**	**3**	**3,616**	**3,665**	**7,281**

(1) The changes in ownership interest in subsidiary company are due to Canadian Utilities Limited's dividend reinvestment plan and share-based compensation plans.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOW

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**Note**	**2017**	**2016**	**2017**	**2016**
Operating activities					
Earnings for the period		**102**	139	**406**	471
Adjustments to reconcile earnings to cash flows from operating activities	9	**325**	288	**944**	841
Changes in non-cash working capital		**(55)**	141	**54**	16
Change in receivable under service concession arrangement		**(162)**	–	**(360)**	–
Cash flows from operating activities		**210**	568	**1,044**	1,328
Investing activities					
Additions to property, plant and equipment		**(337)**	(347)	**(819)**	(999)
Proceeds on disposal of property, plant and equipment		**3**	5	**40**	14
Additions to intangibles		**(21)**	(27)	**(66)**	(54)
Proceeds on sale of joint operation	4	**–**	–	**–**	21
Investment in joint ventures		**(4)**	(22)	**(18)**	(73)
Changes in non-cash working capital		**28**	(5)	**(35)**	(100)
Other		**1**	–	**13**	6
Cash flows used in investing activities		**(330)**	(396)	**(885)**	(1,185)
Financing activities					
Net issue of short-term debt	7	**350**	115	**470**	375
Issue of long-term debt		**–**	13	**–**	75
Repayment of long-term debt		**–**	(110)	**(3)**	(141)
Repayment of non-recourse long-term debt		**(4)**	(3)	**(11)**	(10)
Issue of shares by subsidiary companies		**–**	1	**4**	3
Issue (purchase) of Class I Shares		**1**	–	**1**	(17)
Dividends paid to Class I and Class II Share owners		**(38)**	(33)	**(113)**	(98)
Dividends paid to non-controlling interests		**(50)**	(48)	**(148)**	(141)
Interest paid		**(92)**	(91)	**(298)**	(287)
Other		**49**	3	**71**	8
Cash flows from (used in) financing activities		**216**	(153)	**(27)**	(233)
Increase (decrease) in cash position (1)		**96**	19	**132**	(90)
Foreign currency translation		**(8)**	5	**(13)**	(9)
Beginning of period		**632**	676	**601**	799
End of period	9	**720**	700	**720**	700

(1) Cash position includes $53 million which is not available for general use by the Company (2016 - $44 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2017

(Tabular amounts in millions of Canadian Dollars, except as otherwise noted)

1. THE COMPANY AND ITS OPERATIONS

ATCO Ltd. was incorporated under the laws of the province of Alberta and is listed on the Toronto Stock Exchange. Its head office and registered office is at 700, 909 - 11th Avenue SW, Calgary, Alberta, T2R 1N6. The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

ATCO Ltd. is engaged in the following global business activities:

- Structures & Logistics (workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management);
- Electricity (electricity generation, distributed generation, and electricity distribution, transmission and infrastructure development); and
- Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions).

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd. and its subsidiaries (the Company). The statements also include the accounts of a proportionate share of the Company's investments in joint operations and its equity-accounted investments in joint ventures.

Principal operating subsidiaries are:

- ATCO Structures & Logistics (75.5 per cent owned) and its subsidiaries. On a consolidated basis, the Company owns 88.4 per cent of ATCO Structures & Logistics; and
- Canadian Utilities Limited (52.7 per cent owned), its subsidiaries, and its 24.5 per cent investment in ATCO Structures & Logistics.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2016, prepared according to IFRS.

The unaudited interim consolidated financial statements are prepared following the same accounting policies used in the Company’s most recent annual financial statements, except for income taxes. In interim periods, income taxes are accrued using an estimate of the annualized effective tax rate applied to year-to-date earnings.

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on October 25, 2017.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for derivative financial instruments, retirement benefit obligations and cash-settled share-based compensation liabilities which are carried at remeasured amounts or fair value.

Revenues, earnings and adjusted earnings for any quarter are not necessarily indicative of operations on an annual basis. Quarterly financial results may be affected by the seasonal nature of the Company's operations, changes in electricity prices in Alberta, the timing and demand of natural gas storage capacity sold, changes in natural gas storage fees, the timing of maintenance outages at power generating plants, the timing of utility rate decisions and changes in market conditions for workforce housing and space rentals operations.

Certain comparative figures have been reclassified to conform to the current presentation.

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

Results by operating segment for the three months ended September 30 are shown below.

2017 2016	Structures & Logistics	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues - external	**133**	**578**	**317**	**39**	**–**	**1,067**
	145	443	318	17	–	923
Revenues - intersegment	**–**	**9**	**13**	**10**	**(32)**	**–**
	1	6	4	10	(21)	–
Revenues	**133**	**587**	**330**	**49**	**(32)**	**1,067**
	146	449	322	27	(21)	923
Operating expenses [(1)]	**(121)**	**(342)**	**(195)**	**(48)**	**34**	**(672)**
	(118)	(163)	(194)	(31)	23	(483)
Depreciation and amortization	**(10)**	**(92)**	**(55)**	**(3)**	**3**	**(157)**
	(10)	(92)	(57)	(2)	1	(160)
Earnings from investment in joint ventures	**1**	**4**	**–**	**–**	**–**	**5**
	–	4	–	–	–	4
Net finance costs	**–**	**(64)**	**(37)**	**4**	**(3)**	**(100)**
	(1)	(63)	(34)	2	–	(96)
Earnings before income taxes	**3**	**93**	**43**	**2**	**2**	**143**
	17	135	37	(4)	3	188
Income taxes	**(2)**	**(26)**	**(12)**	**–**	**(1)**	**(41)**
	(3)	(37)	(11)	3	(1)	(49)
Earnings for the period	**1**	**67**	**31**	**2**	**1**	**102**
	14	98	26	(1)	2	139
Adjusted earnings	**1**	**47**	**13**	**(6)**	**–**	**55**
	12	46	14	(8)	–	64
Capital expenditures [(3)]	**10**	**102**	**220**	**31**	**–**	**363**
	38	145	181	15	–	379

Results by operating segment for the nine months ended September 30 are shown below.

2017 **2016**	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues - external	**378**	**1,608**	**1,140**	**121**	**–**	**3,247**
	528	1,311	1,030	44	–	2,913
Revenues - intersegment	**1**	**35**	**43**	**28**	**(107)**	**–**
	1	15	12	31	(59)	–
Revenues	**379**	**1,643**	**1,183**	**149**	**(107)**	**3,247**
	529	1,326	1,042	75	(59)	2,913
Operating expenses [(1)]	**(342)**	**(918)**	**(645)**	**(150)**	**108**	**(1,947)**
	(443)	(493)	(603)	(82)	60	(1,561)
Depreciation and amortization	**(31)**	**(275)**	**(169)**	**(8)**	**8**	**(475)**
	(30)	(270)	(165)	(7)	10	(462)
Gain on sale of joint operation	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	18	–	–	18
Earnings from investment in joint ventures	**2**	**13**	**1**	**–**	**–**	**16**
	2	11	–	–	–	13
Net finance costs	**–**	**(191)**	**(108)**	**9**	**(2)**	**(292)**
	(2)	(186)	(105)	10	(1)	(284)
Earnings before income taxes	**8**	**272**	**262**	**–**	**7**	**549**
	56	388	187	(4)	10	637
Income taxes	**(4)**	**(75)**	**(68)**	**6**	**(2)**	**(143)**
	(14)	(105)	(52)	8	(3)	(166)
Earnings for the period	**4**	**197**	**194**	**6**	**5**	**406**
	42	283	135	4	7	471
Adjusted earnings	**4**	**163**	**95**	**(19)**	**–**	**243**
	37	155	92	(19)	1	266
Total assets [(2)]	**682**	**12,026**	**7,211**	**801**	**(142)**	**20,578**
	790	11,506	6,919	600	(91)	19,724
Capital expenditures [(3)]	**23**	**299**	**524**	**54**	**–**	**900**
	57	471	489	50	–	1,067

(1) Includes total costs and expenses, excluding depreciation and amortization expense.

(2) 2016 comparatives are at December 31, 2016.

(3) Includes additions to property, plant and equipment and intangibles and $5 million and $15 million of interest capitalized during construction for the three and nine months ended September 30, 2017 (2016 - $5 million and $14 million).

ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to Class I and II Shares after adjusting for:

- the timing of revenues and expenses for rate-regulated activities,
- one-time gains and losses,
- unrealized gains and losses on mark-to-market forward commodity contracts,
- 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 used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended September 30 is shown below.

2017 **2016**	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings	**1**	**47**	**13**	**(6)**	**–**	**55**
	12	46	14	(8)	–	64
Unrealized losses on mark-to-market forward commodity contracts	**–**	**(3)**	**–**	**–**	**–**	**(3)**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(11)**	**4**	**–**	**1**	**(6)**
	–	5	–	–	1	6
Earnings attributable to Class I and Class II Shares	**1**	**33**	**17**	**(6)**	**1**	**46**
	12	51	14	(8)	1	70
Earnings attributable to non-controlling interests						**56**
						69
Earnings for the period						**102**
						139

The reconciliation of adjusted earnings and earnings for the nine months ended September 30 is shown below.

2017 **2016**	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings	**4**	**163**	**95**	**(19)**	**–**	**243**
	37	155	92	(19)	1	266
Gain on sale of joint operation (*Note 4*)	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	7	–	–	7
Unrealized losses on mark-to-market forward commodity contracts	**–**	**(19)**	**–**	**–**	**–**	**(19)**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(43)**	**5**	**–**	**3**	**(35)**
	–	(7)	(29)	–	3	(33)
Other	**–**	**–**	**2**	**–**	**–**	**2**
	–	–	–	–	–	–
Earnings attributable to Class I and Class II Shares	**4**	**101**	**102**	**(19)**	**3**	**191**
	37	148	70	(19)	4	240
Earnings attributable to non-controlling interests						**215**
						231
Earnings for the period						**406**
						471

Unrealized gains and losses on mark-to-market forward commodity contracts

The Company enters into forward contracts in order to optimize available merchant capacity and manage exposure to electricity market price movements for its Independent Power Plants. The MW capacity limits on forward commodity contracts were increased which heightens the potential for higher unrealized gains or losses. The forward contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of the forward contracts are recognized in earnings where hedge accounting is not applied. The CODM believes that removal of the unrealized gains or losses on mark-to-market forward commodity contracts provides a better representation of operating results for the Company's Independent Power Plants. Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

Rate-regulated activities

ATCO Electric and its subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), as well as ATCO Gas, ATCO Pipelines and ATCO Gas Australia are collectively referred to in the consolidated financial statements as utilities.

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.

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 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.

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

	Timing Adjustment	Items	RRA Treatment	IFRS Treatment
1.	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.
2.	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.
3.	Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	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.
4.	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.

The significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Additional revenues billed in current period				
Future removal and site restoration costs [(1)]	**9**	9	**29**	27
Revenues to be billed in future periods				
Deferred income taxes [(2)]	**(11)**	(9)	**(40)**	(37)
Impact of warmer temperatures [(3)]	**–**	(1)	**(2)**	(15)
Regulatory decisions received	**5**	6	**9**	4
Settlement of regulatory decisions and other items	**(9)**	1	**(31)**	(12)
	(6)	6	**(35)**	(33)

(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.

Regulatory decisions received

Under rate-regulated accounting, the Company recognizes earnings from a regulatory decision pertaining to current and prior periods when the decision is received. A description of the significant regulatory decisions recognized in adjusted earnings in 2017 and 2016 are provided below.

	Decision	Timing	Amount	Description
1.	2013-2014 Deferral Accounts Application	September 2017	(4)	The Alberta Utilities Commission (AUC) issued a decision on ATCO Electric Transmission's 2013 to 2014 Deferral Accounts Application. The Application included $824 million of capital expenditures for the 35 direct-assigned AESO projects that went into service in 2013 and 2014. While the decision approved the inclusion of the vast majority of the capital expenditures into rate base, it resulted in a decrease to adjusted earnings, which relates to years prior to 2017.
2.	ATCO Electric General Tariff Application (GTA) Compliance Filing	June 2017	(5)	The AUC issued a decision on ATCO Electric's Compliance Filing relating to its 2015 to 2017 General Tariff Application. The decision adjusted ATCO Electric's 2016 and 2017 forecast allocation of labour costs between operating and maintenance expense and capital.
3.	ATCO Electric GTA	August 2016	(8)	The GTA decision covers the operations of ATCO Electric Transmission for 2015 to 2017 and resulted in final rates that were lower than the approved interim rates from 2015, mainly due to lower approved operating costs.
4.	2016-2017 Generic Cost of Capital Decision (GCOC)	August 2016	1	The GCOC decision established the return on equity (ROE) and deemed common equity ratios for the Alberta utilities for 2016 and 2017. For ATCO Electric Distribution and ATCO Gas, the 2016 GCOC decision only applies to the K factor mechanism and does not apply to the base performance based regulation formula.
5.	ATCO Gas Australia Access Arrangement Decision	July 2016	3	An appeal application was lodged with the Australian Competition Tribunal as a result of the decision received from the Economic Regulation Authority (ERA). The appeal application decision resulted in an improvement in the recoverability of certain expenses.

Other

In 2017, the Company adjusted the deferred tax asset which was recognized as a result of the Tula Pipeline Project impairment. The adjustment of $2 million is due to a difference between the tax base currency, which is Mexican pesos, and the U.S. dollar functional currency.

4. SALE OF JOINT OPERATION

On January 1, 2016, the Company sold its 51.3 per cent ownership interest in the Edmonton Ethane Extraction Plant for cash proceeds of $21 million, resulting in a gain of $18 million ($7 million after-tax and non-controlling interests). Commencing January 1, 2016, the Company no longer recognizes these assets in its financial position, results of operations and cash flows in the consolidated financial statements. These assets were previously reported in the Pipelines & Liquids segment.

5. EARNINGS PER SHARE

Earnings per Class I Non-Voting (Class I) and Class II Voting (Class II) Share are calculated by dividing the earnings attributable to Class I and Class II Shares by the weighted average shares outstanding. Diluted earnings per share are calculated using the treasury stock method, which reflects the potential exercise of stock options and vesting of shares under the Company's mid-term incentive plan (MTIP) on the weighted average Class I and Class II Shares outstanding.

The earnings and average number of shares used to calculate earnings per share are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Average shares				
Weighted average shares outstanding	**114,357,929**	114,337,640	**114,351,187**	114,430,283
Effect of dilutive stock options	**149,476**	167,867	**154,524**	128,935
Effect of dilutive MTIP	**330,299**	300,708	**320,102**	302,869
Weighted average dilutive shares outstanding	**114,837,704**	114,806,215	**114,825,813**	114,862,087
Earnings for earnings per share calculation				
Earnings for the period	**102**	139	**406**	471
Non-controlling interests	**(56)**	(69)	**(215)**	(231)
	46	70	**191**	240
Earnings and diluted earnings per Class I and Class II Share				
Earnings per Class I and Class II Share	**$0.40**	$0.61	**$1.67**	$2.09
Diluted earnings per Class I and Class II Share	**$0.40**	$0.61	**$1.66**	$2.09

6. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Utility Transmission & Distribution	Electricity Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost						
December 31, 2016	17,525	2,051	920	781	1,661	22,938
Additions	**203**	**4**	**18**	**594**	**22**	**841**
Transfers	**345**	**–**	**5**	**(371)**	**21**	**–**
Retirements and disposals [(1)]	**(61)**	**(1)**	**(52)**	**(53)**	**(89)**	**(256)**
Foreign exchange rate adjustment	**12**	**–**	**1**	**(9)**	**(5)**	**(1)**
September 30, 2017	**18,024**	**2,054**	**892**	**942**	**1,610**	**23,522**
Accumulated depreciation and impairment						
December 31, 2016	3,729	1,312	180	82	694	5,997
Depreciation	**316**	**50**	**18**	**–**	**58**	**442**
Retirements and disposals	**(61)**	**(1)**	**(16)**	**–**	**(55)**	**(133)**
Foreign exchange rate adjustment	**1**	**–**	**–**	**(6)**	**(2)**	**(7)**
September 30, 2017	**3,985**	**1,361**	**182**	**76**	**695**	**6,299**
Net book value						
December 31, 2016	13,796	739	740	699	967	16,941
September 30, 2017	**14,039**	**693**	**710**	**866**	**915**	**17,223**

(1) Includes $13 million of land held for sale, which was reclassified to prepaid expenses and other current assets.

The additions to property, plant and equipment included $15 million of interest capitalized during construction for the nine months ended September 30, 2017 (2016 - $14 million).

7. SHORT-TERM DEBT

At September 30, 2017, the Company had $525 million of commercial paper outstanding at a weighted average interest rate of 1.35 per cent, maturing in October and November 2017 (December 31, 2016 - $55 million). The commercial paper is supported by the Company's long-term committed credit facilities.

8. CLASS I AND CLASS II SHARES

There were 101,346,173 (2016 - 101,106,623) Class I Shares and 13,342,055 (2016 - 13,546,605) Class II Shares outstanding at September 30, 2017. In addition, there were 738,700 options to purchase Class I Shares outstanding at September 30, 2017, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.3275 and $0.9825 per Class I and Class II Share during the three and nine months ended September 30, 2017 (2016 - $0.2850 and $0.8550). The Company's policy is to pay dividends quarterly on its Class I and Class II Shares. Increases in the quarterly dividend are addressed by the Board in the first quarter of each year. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

NORMAL COURSE ISSUER BID

On March 8, 2017, ATCO Ltd. began a normal course issuer bid to purchase up to 3,037,065 outstanding Class I Shares. The bid expires on March 7, 2018. The prior year normal course issuer bid to purchase up to 3,043,884 outstanding Class I Non-Voting Shares began on March 1, 2016 and expired on February 28, 2017.

During the nine months ended September 30, 2017, no shares were purchased (2016 - 460,000 shares were purchased for $18 million, resulting in a decrease to share capital and retained earnings of $1 million and $17 million, respectively).

9. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities are summarized below.

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Depreciation and amortization	**157**	160	**475**	462
Gain on sale of joint operation	**–**	–	**–**	(18)
Earnings from investment in joint ventures, net of dividends and distributions received	**2**	(3)	**1**	–
Income taxes	**41**	49	**143**	166
Unearned availability incentives	**–**	(4)	**(8)**	(12)
Unrealized losses (gains) on derivative financial instruments	**8**	(4)	**50**	(4)
Contributions by customers for extensions to plant	**13**	16	**50**	68
Amortization of customer contributions	**(14)**	(19)	**(42)**	(49)
Net finance costs	**100**	96	**292**	284
Income taxes paid	**(6)**	(12)	**(71)**	(68)
Other	**24**	9	**54**	12
	325	288	**944**	841

CASH POSITION

Cash position in the consolidated statement of cash flow at September 30 is comprised of:

	2017	**2016**
Cash	**668**	653
Short-term investments	**12**	7
Restricted cash [(1)]	**53**	44
Cash and cash equivalents	**733**	704
Bank indebtedness	**(13)**	(4)
	720	700

(1) Cash balances which are restricted under the terms of project financing agreements or joint arrangement agreements are considered not available for general use by the Company.

10. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and short-term debt	Assumed to approximate carrying value due to their short-term nature.
Lease receivables and receivable under service concession arrangement	Determined using a risk-adjusted, pre-tax interest rate to discount future cash receipts (Level 2).
Long-term debt and non-recourse long-term debt	Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2).
Measured at Fair Value	
Interest rate swaps	Determined using interest rate yield curves at period-end (Level 2).
Foreign currency contracts	Determined using quoted forward exchange rates at period-end (Level 2).
Commodity contracts	Determined using observable period-end forward curves, with inputs validated by publicly available market providers. The fair values were also determined using extrapolation formulas using readily observable inputs and implied volatility (Level 2).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The fair values of the Company's financial instruments measured at amortized cost are as follows:

	September 30, 2017		December 31, 2016	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Lease receivables	**317**	**408**	314	433
Receivable under service concession arrangement	**437**	**437**	77	77
Financial Liabilities				
Long-term debt	**8,227**	**9,040**	8,220	9,139
Non-recourse long-term debt	**88**	**100**	98	114

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The balance sheet classification and fair values of the Company's derivative financial instruments are as follows:

	Subject to Hedge Accounting		Not Subject to Hedge Accounting		
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Commodities**	**Foreign Currency Forward Contracts**	**Total Fair Value of Derivatives**
September 30, 2017					
Financial Assets					
Prepaid expenses and other current assets	–	**4**	**6**	–	**10**
Other assets	–	**7**	**2**	–	**9**
Financial Liabilities					
Other current liabilities	**3**	**6**	**26**	**4**	**39**
Other liabilities	**1**	**11**	**25**	–	**37**
December 31, 2016					
Financial Assets					
Prepaid expenses and other current assets	–	6	7	–	13
Other assets	–	17	6	–	23
Financial Liabilities					
Other current liabilities	–	–	2	–	2
Other liabilities	3	7	5	–	15

Notional and maturity summary

The notional value and maturity dates of the Company's derivative instruments outstanding are as follows:

	Subject to Hedge Accounting			Not Subject to Hedge Accounting		
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas (1)**	**Power (2)**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**
September 30, 2017						
Purchases (3)	–	**20,586,000**	–	**92,532,500**	**7,858,835**	–
Sales (3)	–	–	**1,830,770**	**27,379,500**	**13,666,379**	–
Currency						
Canadian dollars	**3**	–	–	–	–	–
Australian dollars	**752**	–	–	–	–	–
U.S. dollars	–	–	–	–	–	**66**
Maturity	**2019-2020**	**2017-2021**	**2017-2020**	**2017-2021**	**2017-2021**	**2018**
December 31, 2016						
Purchases (3)	–	24,892,000	–	35,985,800	3,755,080	–
Sales (3)	–	–	3,027,960	20,421,000	4,055,037	–
Currency						
Canadian dollars	4	–	–	–	–	–
Australian dollars	754	–	–	–	–	–
U.S. dollars	–	–	–	–	–	35
Maturity	2019-2020	2017-2021	2017-2020	2017-2021	2017-2020	2017

(1) Notional amounts for the natural gas purchase contracts are the maximum volumes that can be purchased over the terms of the contracts.

(2) Notional amounts for the forward power sale and purchase contracts are the commodity volumes committed in the contracts.

(3) Volumes for natural gas and power derivatives are in GJ and MWh, respectively.

11. RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2017, Canadian Utilities Limited issued 367,065 and 2,021,711 Class A non-voting shares under its dividend reinvestment plan (DRIP) (2016 - 318,474 and 1,088,697), using re-invested dividends of $14 million and $76 million (2016 - $12 million and $38 million).

The Company did not participate in the DRIP during the three months ended September 30, 2017, but participated in the DRIP during the nine months ended September 30, 2017 by acquiring 862,822 Class A non-voting shares using re-invested dividends of $32 million (2016 - nil).

12. SUBSEQUENT EVENT

On October 2, 2017, Alberta PowerLine Limited Partnership (APL), a partnership in which Canadian Utilities Limited has an 80 per cent ownership interest, issued non-recourse long-term debt consisting of $1,385 million Senior Secured Nominal Amortizing Bonds (Bonds). The financing was issued by way of a private placement and is comprised of $549 million of 4.065 per cent Series A Bonds due December 1, 2053, $549 million of 4.065 per cent Series B Bonds due March 1, 2054, $144 million of 3.351 per cent Series C Bonds due September 1, 2032, $143 million of 3.340 per cent Series D Bonds due June 1, 2032. The net proceeds will be used to fund the construction of APL's Fort McMurray 500 kV Transmission Project.

13. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new or amended standards or interpretations issued by the IASB or IFRIC do not need to be adopted in the current period. Standards issued, but not yet effective, which the Company anticipates may have a material effect on the consolidated financial statements or note disclosures are described below.

Standard	Description	Effective Date
IFRS 15 *Revenue from Contracts with Customers*	This standard replaces IAS 18 *Revenue* and related interpretations. It provides a framework to determine when to recognize revenue and at what amount. It applies to new contracts created on or after the effective date and to existing contracts not yet completed as of the effective date. The Company is party to numerous contracts with customers that will be impacted by the new standard. The Company will be applying the full retrospective transition method and is in the process of completing the assessment of the impacts of the new standard. Under IFRS 15, the timing and amount of revenue recognition for certain non-regulated contracts in the Electricity global business unit will be significantly impacted by the new revenue recognition model and transitional adjustments are currently being reviewed. Under IFRS 15, the Company will also be assessed as an agent for certain revenue streams in the Corporate & Other segment, resulting in these revenues being recorded net of related costs. The Company does not anticipate a material impact on financial reporting systems and internal controls over financial reporting.	Effective for annual periods beginning on or after January 1, 2018. The Company will not early adopt this standard.
IFRS 16 *Leases*	This standard replaces IAS 17 *Leases* and related interpretations. It introduces a new approach to lease accounting that requires a lessee to recognize assets and liabilities for the rights and obligations created by leases. It brings most leases on-balance sheet for lessees, eliminating the distinction between operating and finance leases. Lessor accounting under the new standard retains similar classifications to the previous guidance, however the new standard may change the accounting treatment of certain components of lessor contracts and sub-leasing arrangements. The Company's IFRS 16 working group has commenced its assessment of the impact of the new standard.	Effective for annual periods beginning on or after January 1, 2019. The Company will not early adopt this standard.