

The ATCO logo is rendered in a bold, white, sans-serif font, centered on the page. The background is a blue-tinted image of the Earth from space, showing the curvature of the planet and some cloud cover.

ATCO LTD. ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2017

FEBRUARY 21, 2018

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

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

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (52.6 per cent ownership) and ATCO Structures & Logistics Ltd. (100 per cent ownership).

Terms used throughout this AIF are defined in the Glossary at the end of this document.

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CORPORATE STRUCTURE

ATCO Ltd. is the successor to the business founded in 1947 by the late S.D. Southern and the late R.D. Southern. It was incorporated under The Companies Act (Alberta) by Certificate of Incorporation on August 31, 1962. The Company was continued under the Business Corporations Act (Alberta) on March 13, 1984. The address of the head office and registered office of the Company is 4th Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4.

A significant change to the Company's corporate structure occurred in June 1980 when ATCO acquired a 58.1 per cent controlling interest in Canadian Utilities Limited (Canadian Utilities) from IU International Corporation of Philadelphia.

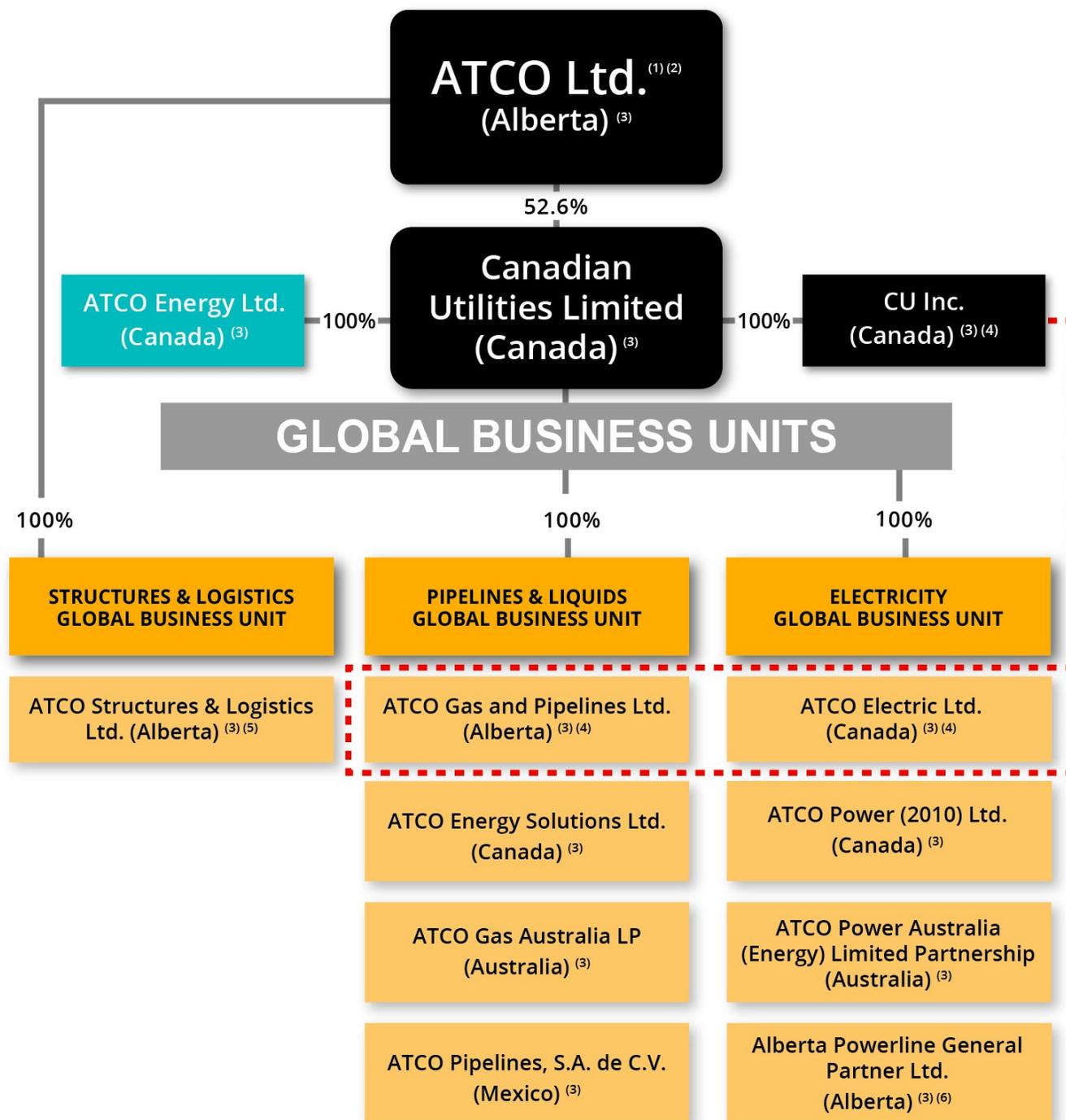
In March 1999, Canadian Utilities was reorganized to separate its Alberta-based regulated businesses from the non-regulated businesses. This reorganization was implemented by the transfer of the common shares and debt of the regulated subsidiaries from Canadian Utilities to CU Inc., in return for common shares of CU Inc. As a result of the reorganization, the Company's Alberta Utilities, which had been financed by Canadian Utilities, are now mainly financed by CU Inc. The common shares and debt of those regulated subsidiaries are held by CU Inc.

INTERCORPORATE RELATIONSHIPS

With approximately 7,000 employees and assets of \$22 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). More information can be found at www.atco.com.

SIMPLIFIED ORGANIZATIONAL STRUCTURE

The following chart includes the names of the Company's principal Business Units, as well as the principal subsidiaries comprising the Business Units, and the jurisdictions in which they were incorporated. The chart also shows the percentages of such subsidiaries' shares the Company beneficially owns, controls or directs, either directly or indirectly.



(1) At December 31, 2017, the Company owned 89.5 per cent of the Class B common shares, which are the only voting securities outstanding, and 38.8 per cent of the Class A non-voting shares of Canadian Utilities, for an aggregate ownership of 52.6 per cent.

(2) The organizational chart does not include all of the subsidiaries of the Company. The assets and revenues of excluded subsidiaries in the aggregate did not exceed 20 per cent of the total consolidated assets or total consolidated revenues of the Company as at December 31, 2017.

(3) Jurisdiction in which the company was incorporated.

(4) ATCO Gas and Pipelines Ltd. and ATCO Electric Ltd. (Alberta Utilities) are wholly owned subsidiaries of CU Inc., which is 100 per cent owned by Canadian Utilities Limited.

(5) In December 2017, ATCO purchased Canadian Utilities' 24.5 per cent interest in ATCO Structures & Logistics Ltd.

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

ATCO CORE VALUES AND VISION

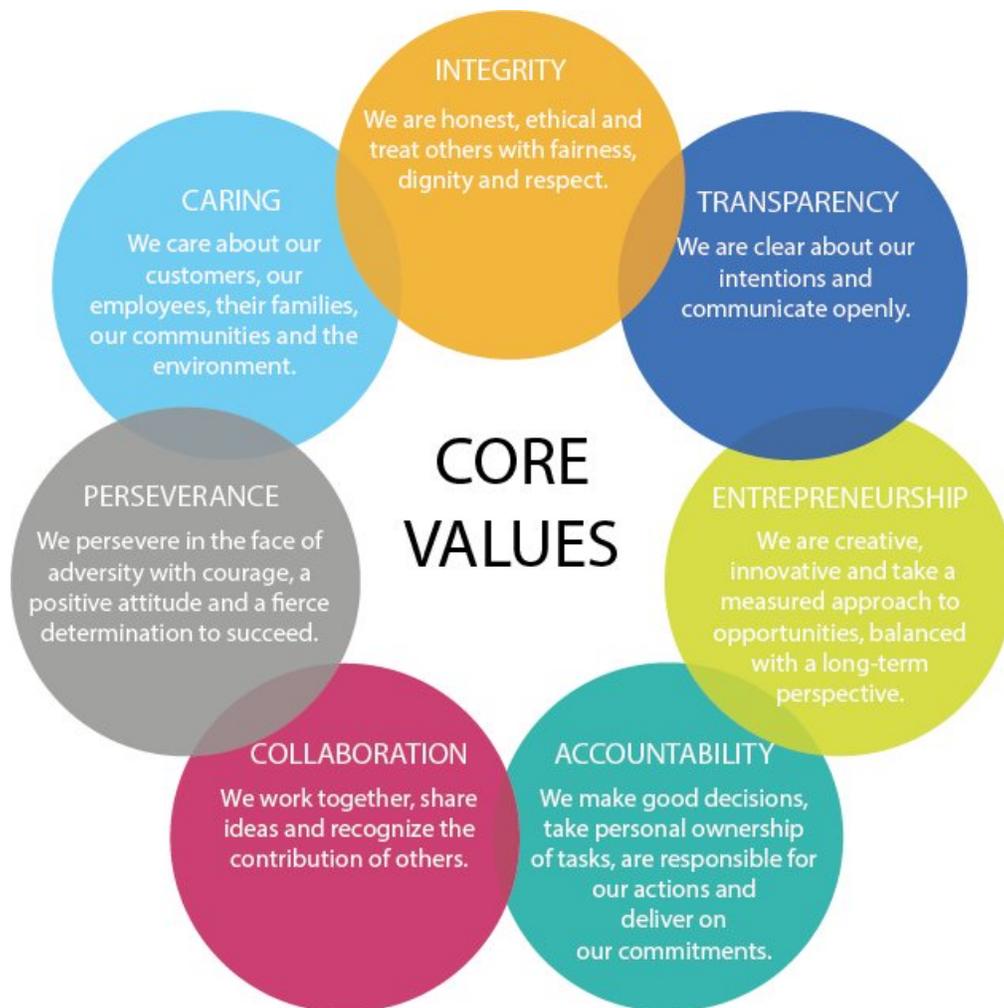
Excellence: The Heart & Mind of ATCO

"Going far beyond the call of duty. Doing more than others expect. This is what excellence is all about. It comes from striving, maintaining the highest standards, looking after the smallest detail and going the extra mile. Excellence means caring. It means making a special effort to do more."

R.D. Southern, Founder, ATCO

CORE VALUES

It is ATCO's Heart and Mind that drives the Company's approach to service reliability and product quality; employee, contractor and public safety; and environmental stewardship. Our pursuit of excellence governs the way we act and make decisions. At ATCO we strive to live by the following values:

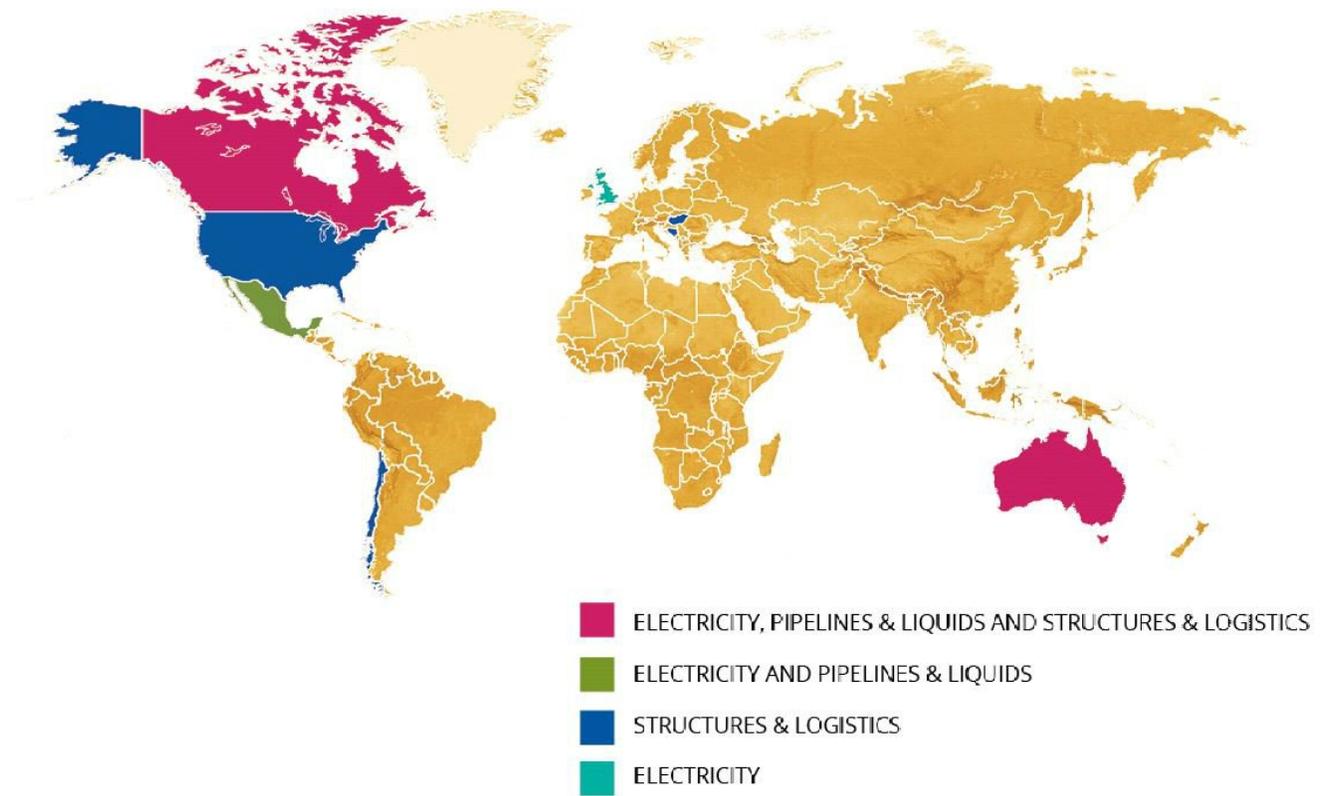


CORE VISION

Our core vision is to improve the lives of our customers by providing sustainable, innovative and comprehensive solutions globally. We believe in well-managed risk and a disciplined approach to growth. We fuel the imagination of our people to drive growth over the long-term, ultimately delivering value to our customers and our share owners.

Our strong financial and operating performance reflects our approach to sales and our customers, the strength and determination of our people, a deeply embedded focus on operational excellence with its inherent cost controls, and careful consideration of the environmental and social impact of our actions - now and for the future.

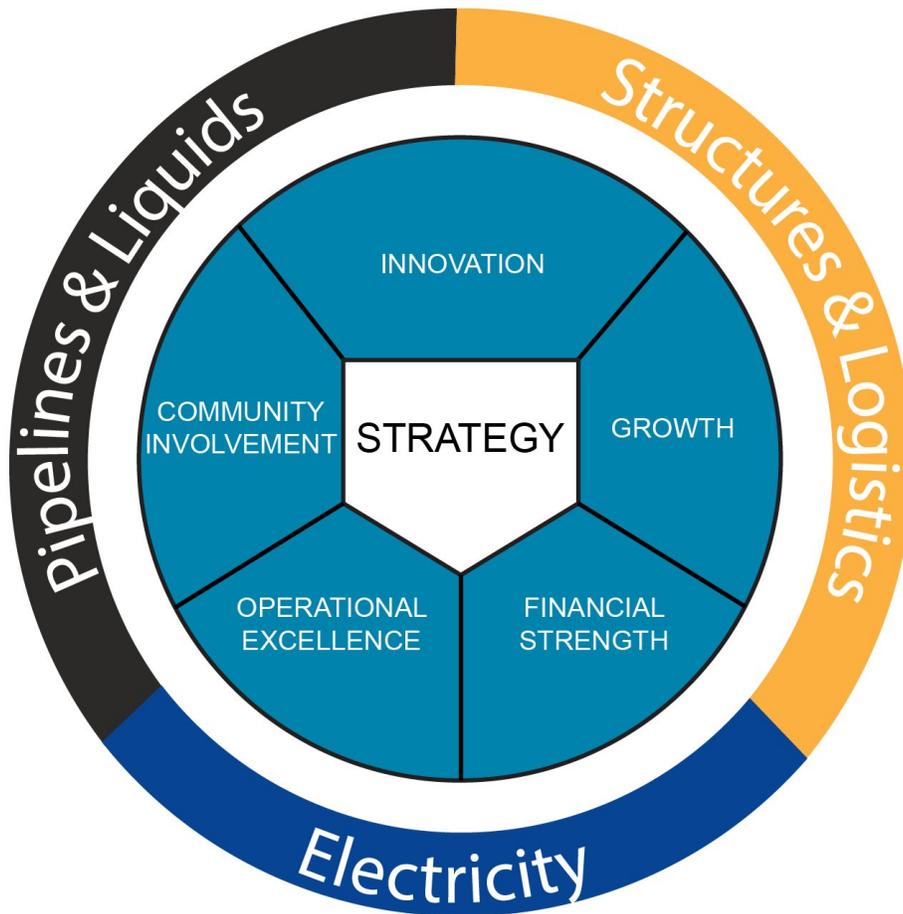
GLOBAL OPERATIONS



ATCO STRATEGIES

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

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



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

INNOVATION

The Company seeks to create a work environment where employees are encouraged to take a creative and innovative approach to meeting our customers' needs. By committing to research and development, the Company is able to offer our customers unique and imaginative solutions that differentiate us from our competitors.

GROWTH

Long-term sustainable growth is paramount. The Company approaches this strategy by: expanding geographically to meet the global needs of customers; developing significant, value-creating greenfield projects; and fostering continuous improvement and innovation through research and development.

The ongoing exploration of opportunities to acquire assets provides the Company with additional growth potential. The Company will pursue the acquisition and development of complementary assets that have future growth potential and provide long-term value for share owners.

FINANCIAL STRENGTH

Financial strength is fundamental to the Company's current and future success. It ensures the Company has the financial capacity to fund existing and future capital investments through a combination of predictable cash flow from operations, cash balances on hand, committed credit facilities and access to capital markets. It enables the Company to sustain its operations and to grow through economic cycles, thereby providing long-term financial benefits.

The Company continuously reviews its holdings to evaluate opportunities to sell mature assets and redeploy the proceeds into growing areas of the Company. The viability of such opportunities depends on the outlook of each business as well as general market conditions. This ongoing focus supports the optimal allocation of capital across the Company.

OPERATIONAL EXCELLENCE

The Company approaches operational excellence by achieving high service, reliability, and product quality for our customers and the communities we serve. We are uncompromising about maintaining a safe work environment for employees and contractors, promoting public safety and striving to minimize environmental impact. We ensure the timely supply of goods and services that are critical to a company's ability to meet its core business objectives.

COMMUNITY INVOLVEMENT

ATCO maintains a respectful and collaborative community approach, where meaningful partnerships and positive relationships are built with community leaders and groups that will enhance economic and social development. Community involvement involves developing partnerships with Indigenous and community groups that may be affected by projects and operations worldwide, and building ongoing, positive Indigenous relationships that contribute to economic and social development in their communities. The Company also engages with governing authorities, regulatory bodies, and landowners. We encourage partnerships throughout the organization and at all levels that will serve to benefit non-profit organizations through volunteer efforts, providing products and services in-kind.

FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

ATCO's financial and operational achievements in 2017 relative to the strategies outlined above are included in the Company's MD&A, 2017 Consolidated Financial Statements and AIF. Further commentary regarding strategies and commitments to growth, financial strength, innovation, operational excellence, and community involvement will be provided in the forthcoming 2017 Annual Report, Management Proxy Circular and Sustainability Report. The 2017 Management Proxy Circular also contains discussion of the Company's corporate governance practices.

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.

BUSINESS DESCRIPTION

ATCO Ltd. is a diversified global enterprise with assets of \$22 billion and approximately 7,000 employees engaged in Structures & Logistics, Electricity, Pipelines & Liquids, and Retail Energy.

STRUCTURES & LOGISTICS GLOBAL BUSINESS UNIT

OVERVIEW

The Structures & Logistics Global Business Unit is made up of three diversified, complementary businesses to meet the needs of our customers and communities around the world: Modular Structures, Logistics and Facility Operations & Maintenance Services and Lodging & Support Services. Together these businesses offer workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management.

BUSINESS STRATEGY

The business strategy of Structures & Logistics is to grow a stable base of earnings through its customer service-related segments, while continuing to pursue business-wide cost reduction initiatives to increase its competitive position globally across all business lines.



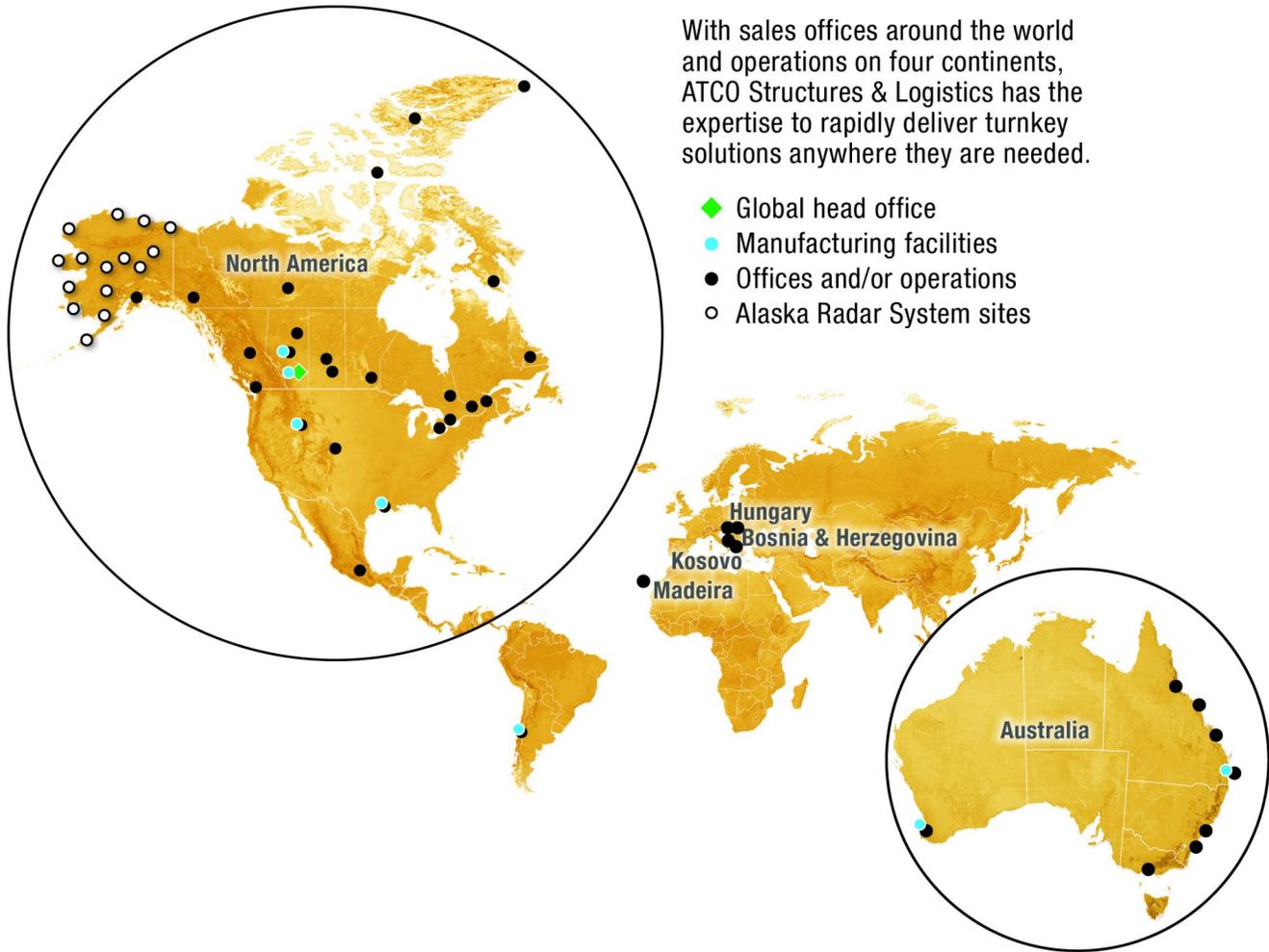
MARKET OPPORTUNITIES

Non-traditional modular markets such as public education facilities, high density urban residential housing and correctional facilities offer development opportunities. Our goal is to continue improving space rental utilization and securing additional long-term services contracts with customers outside of the natural resource sectors. Expansion will be focused in select global markets, including Canada, Australia, South America, Mexico and the U.S. We target markets with rule of law, excellent long-term growth potential and strategic fit with our existing asset base.

MARKET CHALLENGES

The global economic slow-down in natural resource-based economies has continued to result in decreased private sector capital investment programs, and increased competition for major modular structures projects.

Locations of facilities and operations are shown in the map below.



MODULAR STRUCTURES

ATCO Structures & Logistics' Modular Structures division has marketed and installed its manufactured products in over 100 countries. This division has established a reputation as a leading international supplier of re-locatable and permanent shelter solutions. The main sources of revenue are from workforce housing, space rentals and sales products, and related services. Workforce housing supplies modular units for accommodation. Space rentals provide modular units for temporary and permanent offices, commercial buildings, lavatories and schools.

Workforce Housing

ATCO Structures & Logistics manufactures, sells and leases workforce housing products in Canada, the U.S, Australia, Chile and other select international markets. These products include prefabricated standard or custom units designed to be assembled into self-contained accommodation facilities. The units typically comprise sleeping quarters, kitchen, dining and recreation facilities. They are constructed to withstand a range of weather conditions and to meet appropriate regional building codes and current industry standards, and are refurbished and upgraded as needed. ATCO Structures & Logistics also purchases used workforce housing units from customers. These units are then retrofitted as needed and made available for resale or lease in the workforce housing market.

Demand for workforce housing products is directly related to both the capital spending cycle and development activity in various industries, mainly the natural resources sector.

Space Rentals and Sales

The space rentals and sales business is located in Canada, Australia, the U.S. and Chile. This division leases and sells re-locatable modular offices, classrooms and other structures. The space rentals fleet comprises modular units that can be used for office and commercial complexes, lunchrooms, storage facilities, lavatories, medical facilities, classrooms and locker rooms.

Onsite structures are used mainly by construction and resource companies on urban and rural construction sites. Commercial and community structures, although re-locatable, are often used as more permanent facilities by a wide range of private and public sector customers.

Space rental products are generally offered to customers under lease packages that may include options to purchase. Lease terms vary from one month to five years. Customers with longer term requirements typically purchase rather than lease. Sales from the space rental products fleet assist in the cost of maintaining a modern inventory of these units.

The following table compares ATCO Structures & Logistics' rental fleet by geographic area for 2017 and 2016. In 2017, the number of Workforce Housing and Space Rental units decreased in Canada, Australia and in the United States primarily due to the sale of non-utilized used fleet.

Number of Units in Lease Fleet

| | 2017 | | 2016 | |
|----------------------|-------------------|---------------|-------------------|---------------|
| | Workforce Housing | Space Rentals | Workforce Housing | Space Rentals |
| Canada | 1,735 | 4,386 | 1,966 | 4,534 |
| Australia | 1,256 | 7,920 | 2,183 | 7,913 |
| United States | 685 | 86 | 791 | 93 |
| Chile ⁽¹⁾ | 32 | 1,064 | 34 | 1,089 |
| Total | 3,708 | 13,456 | 4,974 | 13,629 |

(1) Due to 50 per cent ownership, the number of lease fleet units noted represents 50 per cent of the total number of workforce housing and space rental units available at ATCO-Sabinco S.A.

Manufacturing

The Modular Structures division manufactures products at facilities in Canada, the U.S., Australia and Chile. In Australia, ATCO Structures & Logistics also leases manufacturing facilities which are not included in the table below.

| Location | sq. ft. | Ownership |
|----------------------------------|---------|-----------|
| Canada | | |
| Calgary (ATCO Commercial Centre) | 275,000 | 100% |
| Edmonton (Spruce Grove) | 90,000 | 100% |
| United States | | |
| Pocatello, Idaho | 200,000 | 100% |
| Diboll, Texas | 90,000 | 100% |
| Australia | | |
| Perth, Western Australia | 193,000 | 100% |
| Brisbane, Queensland | 31,000 | 100% |
| Chile | | |
| Santiago | 21,500 | 50% |

Sustainable Communities

Modular Structures designs and manufactures permanent building solutions, including a full range of pre-fabricated, sustainable buildings for Indigenous customers in remote locations. The building projects include schools, daycares, gymnasiums, hockey arenas, gas stations, multi-purpose community centres and offices as well as single and multi-family housing. The division combines traditional modular construction processes with either pre-engineered steel buildings or soft-wall structures that improve quality and reduce cost, site work and waste associated with building in remote locations.

FRONTEC

Logistics and Facility O&M Services

ATCO Structures & Logistics provides Logistics and Facility O&M services through its Frontec division in Canada and internationally. In Canada, ATCO Structures & Logistics provides these services to a combination of private and public sector clients and customers. Internationally, services have been primarily in support of the North Atlantic Treaty Organization (NATO).

The integrated delivery and management of Logistics and Facility O&M services to select public and private sector clients can largely be divided into two categories:

- **Site Operations and Maintenance Services:** fire and first responder services, solid waste management, water/wastewater management, fuel storage and distribution, and light civil work; and
- **Facility Management Services:** repairs and general maintenance of operating facilities.

Logistics and Facility O&M Services Contracts

Principal contracts as of December 31, 2017 are shown in the table below.

| Contract | Customer | Start Date | Completion Date |
|---|---|------------|-----------------|
| NATO Flying Training ⁽¹⁾ | CAE Military Aviation Training Inc. | Jun 2000 | May 2020 |
| Iqaluit Fuel Contract ⁽²⁾ | Government of Nunavut | Dec 2007 | Nov 2018 |
| Ontario Facilities Management Contract ⁽³⁾ | Defence Construction Canada | Apr 2013 | Mar 2019 |
| Real Property North Contract ⁽⁴⁾ | Defence Construction Canada | Mar 2018 | Feb 2023 |
| Facilities & Operations Maintenance Contract | Major Canadian exploration & production company | Mar 2014 | Feb 2018 |
| National Research Council Contract ⁽⁴⁾ | National Research Council (NRC) of Canada | Mar 2018 | Feb 2023 |
| NATO Fire Protection Contract | NATO Support Agency (NSPA) | Jan 2015 | Dec 2019 |
| NATO HQ CIS Support | NATO Support Agency | Sep 2003 | Dec 2018 |
| Alaska Radar System ⁽²⁾⁽⁵⁾ | U.S. Department of Defense | Oct 2016 | Oct 2026 |

(1) The contract may be extended at the option of the customer to 2021.

(2) Joint venture with Indigenous partners.

(3) In the fourth quarter of 2017, the contract was extended for one additional year to March 2019.

(4) The contract may be extended at the option of the customer to 2028.

(5) Logistics and Facilities O&M Services contract to October 2027 based on 10 one-year option periods and an additional one-year option for contract phase out.

NATO Flying Training

ATCO Structures & Logistics manages, operates and maintains facilities to support NATO Flying Training in Canada (NFTC) located at 15 Wing Moose Jaw. This contract has been held by the Company since 2000. NFTC trains approximately 140 pilots per year from various NATO countries and ATCO Structures & Logistics provides the following services:

- Facility O&M to 58 buildings;
- Roads and grounds services to 428 hectares requiring grounds maintenance and vegetation control including general pest control and pest (bird and mammal) control to limit Bird Air Strike Hazard for operating aircraft; and
- Snow and Ice Control for Airside operating surfaces (to a "bare and dry" standard) and groundside roads, parking lots and sidewalks.

Iqaluit Fuel Contract

In June 2007, the Government of Nunavut awarded ATCO Structures & Logistics a contract for bulk fuel delivery services in Iqaluit, Nunavut. The contract commenced in December 2007 and ATCO Structures & Logistics received a one year contract extension from the Government of Nunavut in 2017, extending the contract to November 2018.

Ontario Facilities Management Contract

In February 2013, ATCO Structures & Logistics was awarded a facilities and operations management contract with Defence Construction Canada (DCC). DCC provides construction contract management and related infrastructure services to the Department of National Defence (DND). Structures & Logistics provides site services to 45 DND sites in southwestern and northern Ontario as well as the Greater Toronto Area with a gross total building area of 226,974 square metres. The contract commenced in April 2013 and ATCO Structures & Logistics received a one-year contract extension from the DCC in the fourth quarter of 2017, extending the contract to March 2019.

Real Property North Contract

In the fourth quarter of 2017, ATCO Structures & Logistics was selected by DCC to provide facility maintenance and support services at Canadian Armed Forces (CAF) sites across the Canadian North. We will provide facility inspection, maintenance and repair, new construction and upgrades, trade services and environmental services to CAF sites in Yellowknife, Whitehorse, Inuvik, Rankin Inlet and Iqaluit. The five-year contract commences in March 2018 with an option to renew for up to five additional years.

Facilities & Operations Maintenance Contract

In March 2014, ATCO Structures & Logistics was awarded a contract to provide facility and operations maintenance services to five resource development sites in northern Alberta operated by a major Canadian exploration and production company. The two-year contract, which began in March 2014, was extended to February 2018 in 2016. ATCO Structures & Logistics has received a notice of intent for a further contract extension to May 2018.

National Research Council Contract

In the fourth quarter of 2017, ATCO Structures & Logistics was selected by National Research Council (NRC) of Canada to continue to provide facility maintenance, renovation and capital construction services to its buildings in the Ottawa region. This was a competitive rebid to offer the same services that ATCO has provided during the past 13 years as the incumbent service provider. The new five-year contract commences in March 2018 with an option to renew for up to five additional years.

NATO Fire Protection Contract

In December 2014, ATCO Structures & Logistics was awarded a contract to provide around-the-clock fire protection services to NATO troops, known as Kosovo Force, at the 700-person Camp Novo Selo near Pristina, Kosovo. The five-year contract commenced in January 2015 based on a one-year contract with four additional one-year periods.

NATO HQ CIS Support

In August 2016, ATCO Structures & Logistics successfully rebid the contract to provide Communication and Information Systems support to the NATO headquarters at the 820-person Camp Butmir near Sarajevo, Bosnia. The contract extension is for 16 months, commencing September 1, 2016, with an option to be extended for three additional one-year option periods. In 2017, the first of the three one-year options available was exercised extending the contract to December, 2018.

Alaska Radar System

ARCTEC Alaska, a joint-venture between ATCO Structures & Logistics and ASRC Federal Primus, was awarded a contract with the United States Department of the Air Force (USDAF) to provide operations and maintenance services to 15 strategic radar sites that form the Alaska Radar System. The 10-year contract, commencing October 2016, continues a successful 19-year relationship with the USDAF.

Lodging & Support Services

The Lodging & Support Services division provides remote accommodations and related facility management services, including food, housekeeping, retail, recreation, maintenance and utilities management.

In 2017, ATCO Structures & Logistics managed a portfolio of open and closed lodges with a capacity to accommodate approximately 6,600 people across Alberta, British Columbia, Saskatchewan, and Newfoundland and Labrador. Open lodges are owned and operated by ATCO Structures & Logistics as hotels that services surrounding industries and projects. Closed lodges are owned by clients and come in two types: i) turnkey which are built and operated by ATCO Structures & Logistics; and ii) services-only lodges which are built by an external third-party but operated by ATCO Structures & Logistics.

Open Lodges

ATCO Structures & Logistics and the Fort McKay First Nation are partners in a joint venture which owns and operates the Barge Landing Lodge. This lodge, located 65 km north of Fort McMurray near the community of Fort McKay, offers a 1,400-person capacity for workers involved in natural resource projects in the surrounding area.

Closed Lodges

As noted, the Lodging and Support Services division operates two types of closed lodges as follows:

- **Turnkey Lodges:** These lodges are part of ATCO Structures & Logistics' bundled services solution, which combines the design, manufacturing and installation of an accommodation complex along with operations, including food services, housekeeping, retail, maintenance and utility services. One turnkey lodge was operated by ATCO Structures & Logistics in 2017, the 1,600-person Two Rivers Lodge for the BC Hydro Site C Clean Energy Project in northeast British Columbia.
- **Services-only Contracts:** ATCO Structures & Logistics operates a number of services-only lodges, providing the food, housekeeping, retail, recreation, maintenance and utility management services at client owned facilities. Services-only contracts in 2017 were:
 - 1,900-person lodge for CNRL in Alberta;
 - 1,612-person lodges comprised of 1,500-persons at Husky Sunrise Lodge and 112-persons at Husky Operations Lodge near Fort McMurray, Alberta;
 - 1,470-person K+S Potash Canada Legacy Lodge in Saskatchewan that was closed at the end of the second quarter of 2017 due to the completion of our services contract; and
 - Up to eight lodges ranging in size of 100-persons to 200-persons for Valard Construction in Newfoundland and Labrador in support of its Muskrat Falls hydroelectric project.

ELECTRICITY GLOBAL BUSINESS UNIT

OVERVIEW

The Electricity Global Business Unit's activities are conducted through two regulated businesses: ATCO Electric Distribution and ATCO Electric Transmission, and three non-regulated businesses: ATCO Power, ATCO Power Australia and Alberta PowerLine (APL). Together these businesses provide electricity distribution, transmission, and generation, and related infrastructure services.

BUSINESS STRATEGY

Electricity's strategy is to grow its businesses through: investing in regulated electricity distribution and transmission, and capitalizing on opportunities to provide renewable and firm supply electricity generation. Electricity will continue expanding its businesses geographically in select global markets to meet the evolving needs of our global customer base through the development of innovative infrastructure solutions.



MARKET OPPORTUNITIES

The Government of Alberta's plan to eliminate emissions from coal-fired electricity generation by 2030 has created a need for renewable electricity generation and firm capacity, such as gas-fired and hydroelectric power generation, as well as energy storage, to backstop the renewable power supply. Additional electricity distribution and transmission investment opportunities may result from this changing power market in addition to ongoing investment opportunities for customer growth and system replacements. Expansion will be focused in select global markets, including Canada, Australia, South America, Mexico and the U.S. We target markets with stable regulatory environments and rule of law, excellent long-term growth potential and strategic fit with our existing asset base.

MARKET CHALLENGES

Near term, power market challenges related to the Alberta energy-only market put downward pressure on market pricing until surplus supply and additional clarity on capacity market design are resolved.

ATCO ELECTRIC

The activity areas in which ATCO Electric Distribution and ATCO Electric Transmission operate in Western and Northern Canada are shown in the map below.



ATCO Electric transmits and distributes electricity to 241 communities and rural areas in east-central and northern Alberta. Among those served are the communities of Drumheller, Lloydminster, Grande Prairie and Fort McMurray as well as the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

ATCO Electric is headquartered in Edmonton and has 38 offices throughout its service area. Electric utility service is also provided to three communities in Saskatchewan. ATCO Electric Yukon (AEY) serves 19 communities in the Yukon Territory, including the capital city of Whitehorse, and one community in British Columbia. Northland Utilities is an equal partnership between ATCO Ltd. and Denendeh Investments Incorporated, which represents the 27 Dene First Nations of the Northwest Territories. Northland Utilities has two operating divisions: Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited (NUY). NUY and NWT serve nine communities in the Northwest Territories, including the capital city of Yellowknife.

Approximately 631,000 people live in the principal markets for electric utility service by ATCO Electric and its subsidiaries NUY, NWT and AEY. Service is provided to approximately 256,000 customers. ATCO Electric has been assigned about 65 per cent of the designated service area within Alberta. This service area contains approximately 14 per cent of the provincial electrical load and 14 per cent of the population.

The number of customers served by ATCO Electric, NUY, NWT and AEY at the end of 2017 and 2016 is shown below.

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

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

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

ATCO Electric, NUY, NWT and AEY own and operate extensive electricity transmission and distribution systems. The systems consist of approximately 11,000 km of transmission lines and 72,000 km of distribution lines. In addition, ATCO Electric delivers power to and operates approximately 4,000 km of distribution lines owned by Rural Electrification Associations (REA).

ATCO Electric, NUY, NWT and AEY own and operate 26 diesel, natural gas turbine and hydro-generating plants, with an aggregate nameplate capacity of 62 MW in Alberta, the Yukon and Northwest Territories. The maximum peak load demand for these plants during 2017 was 29 MW.

ATCO Electric, AEY, NUY and NWT distribute electricity to incorporated communities under the authority of franchises or by-laws. In rural areas, electricity is distributed by approvals, permits or orders under applicable statutes.

The franchises under which service is provided in incorporated communities in Alberta and the Northwest Territories have been granted for up to 20 years. These franchises are exclusive to ATCO Electric, NUY or NWT and are renewable by agreement. If any franchise is not renewed, it remains in effect until either party, with the approval of the regulatory authority, terminates it on six months written notice.

On termination of a franchise, the municipality may purchase the facilities used under that franchise at a price to be agreed on or, failing agreement, to be fixed by the regulatory authority. The franchise under which service is provided in the Yukon Territory was granted under the Public Utilities Act (Yukon Territory) and has no set expiry date.

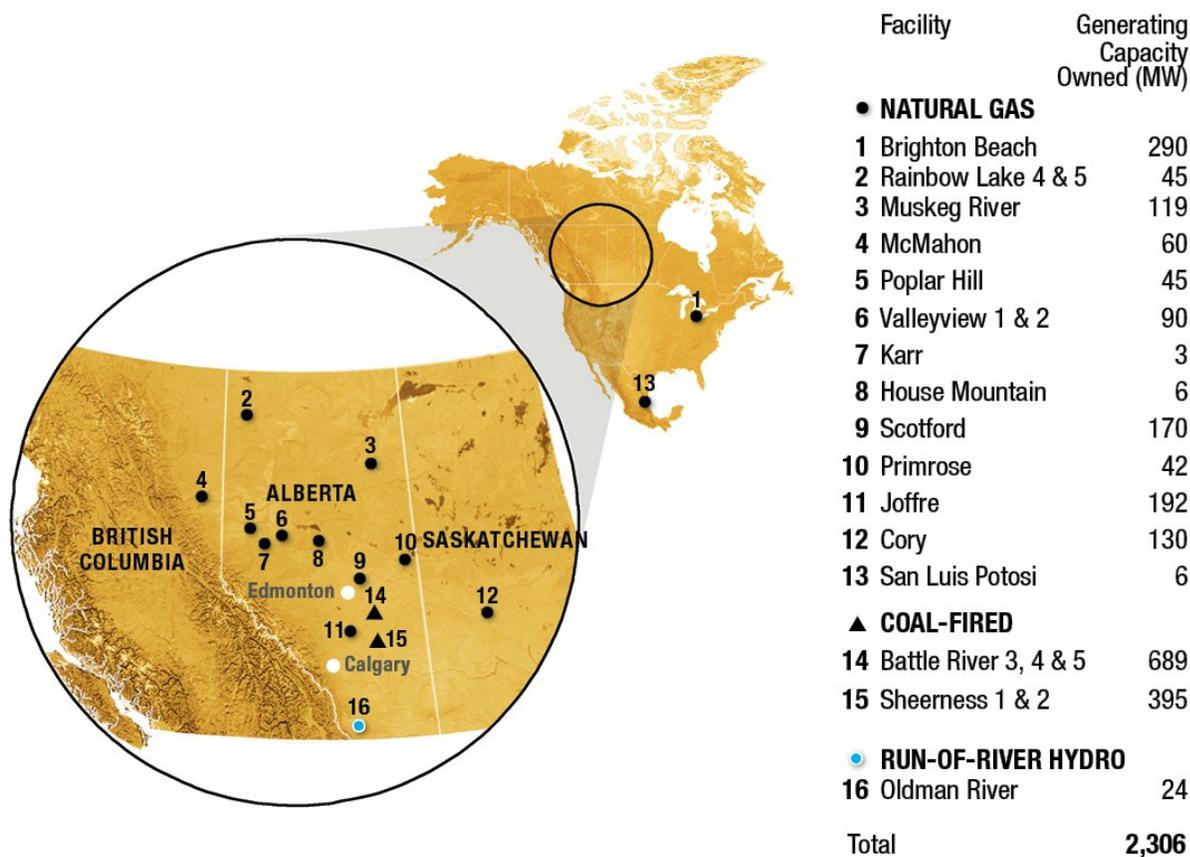
Under the Electric Utilities Act (Alberta) (EUA), wholesale tariffs for electricity transmission must be approved by the Alberta Utilities Commission (AUC). Transmission tariffs allow any owner of a generating unit to access the Alberta transmission system and thus facilitate the sale of its power. The same transmission tariff is charged to each distribution utility or customer directly connected to the transmission system, regardless of location.

Transmission costs are equalized by having each owner of transmission facilities charge its costs to the Alberta Electric System Operator (AESO). The AESO then aggregates these costs and charges a common transmission rate to all transmission system users.

The Transmission Regulation under the EUA stipulates that new transmission projects will be assigned to transmission facility owners based on the service areas of the distribution companies they have been historically affiliated with. Facilities ownership will change at service area boundaries, except where, in the AESO's opinion, only a small portion of the project is in another service area. This rule applies to all transmission projects except inter-provincial inter-tie projects and those deemed "critical" by the Government of Alberta.

ATCO POWER

ATCO Power operates across various provinces in Canada, and in Mexico, as shown in the following map.



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

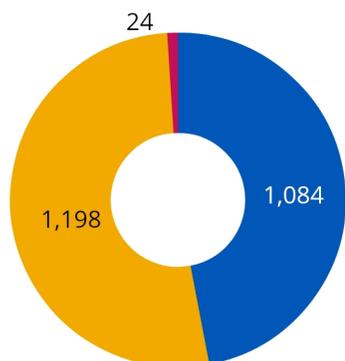
The Alberta power market serves approximately 4 million people. Installed electricity generating capacity at December 31, 2017, was approximately 16,600 MW, fueled by 38 per cent coal, 45 per cent natural gas, 5 per cent hydroelectric, 9 per cent wind and 3 per cent other. Approximately 215 MW of capacity was installed in 2017; this consisted primarily of natural gas generation.

ATCO Power is involved in joint ventures with a wide range of partners, including other generators, oil and gas companies, and steam hosts. ATCO Power's role in each venture is tailored to the specific needs of a project. ATCO Power generally operates the power and steam generation facilities. It ensures secure supply and, with some projects, the opportunity to sell electricity not under contract into the electricity market or the market for ancillary services.

At December 31, 2017, ATCO Power had an ownership position in generating plants with a total capacity, including partners' interests, of 3,621 MW. It operates 3,501 MW (97 per cent) and owns 2,306 MW (64 per cent) of the total capacity. This owned generating capacity is fuelled by 1,198 MW (52 per cent) natural gas, 1,084 MW (47 per cent) coal and 24 MW (1 per cent) hydroelectric. Details of these plants are shown in Appendix 1.

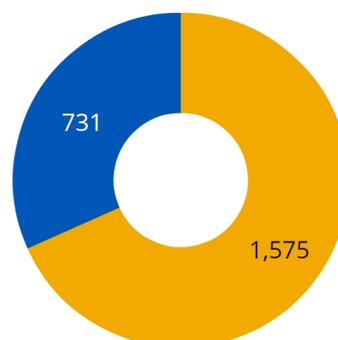
The following charts illustrate the approximate portion of owned generating capacity by fuel types in the portfolio and contract versus merchant portions of owned capacity at December 31, 2017.

Owned Generating Capacity by Fuel Type (MW)



- Coal
- Natural Gas
- Hydroelectric

Electricity Market Exposure in Portfolio (MW)



- Contract
- Merchant

As at December 31, 2017, ATCO Power had 1,575 MW (68 per cent) of its owned generating capacity contracted in Canada with an average remaining contract length of approximately eight years.

The natural gas used to supply generating plants is procured in a variety of ways. Tolling arrangements for the Brighton Beach and Cory generating plants allow the customers to supply gas at their own cost. These combined-cycle facilities convert the gas to electricity for the customer.

At the cogeneration and remaining combined-cycle plants, gas is procured either through a long-term gas supply agreement or directly through the site host. The revenue contracts on these sites result in gas-cost recovery being included in the tariff charged to the customer. For the remaining facilities and the merchant portion of the combined-cycle and cogeneration plants, gas is procured from the Alberta market.

Fuel costs for the thermal units at the Battle River and Sheerness generating plants are mostly for coal, under coal supply agreements with Prairie Mines & Royalty ULC and Westmoreland Coal Company. To protect against volatility in coal prices, ATCO Power has long-term contracts for its Battle River and Sheerness coal-fired generating plants. These contracts are either fixed prices or indexed to inflation. The Battle River coal supply agreement extends until 2022. The coal supply agreement for Sheerness extends to 2026.

Thermal Power Purchase Arrangements

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

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

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

The Balancing Pool may terminate a PPA if it:

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

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

Distributed Generation

In 2017, ATCO Power continued to advance distributed generation projects in Mexico. Distributed generation aligns with the Company's strategy of taking a creative and innovative approach to meeting our customers' needs by building a fleet of portable natural gas-fired units that can be deployed for temporary or permanent projects.

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

Mexico Tula Cogeneration

In October 2014, ATCO Mexico and its Mexican partner, Grupo Hermes S.A. de C.V., were selected by PMX Cogeneracion S.A.P.I de C.V., an affiliate of Mexico's state-owned petroleum company Pemex, to commence the project development and approval process for a natural gas cogeneration plant at the Miguel Hidalgo refinery near the town of Tula in the state of Hidalgo, Mexico. ATCO continues discussions with Pemex on commercial terms.

Non-regulated Electricity Transmission

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

Mexico Hydro Facility

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

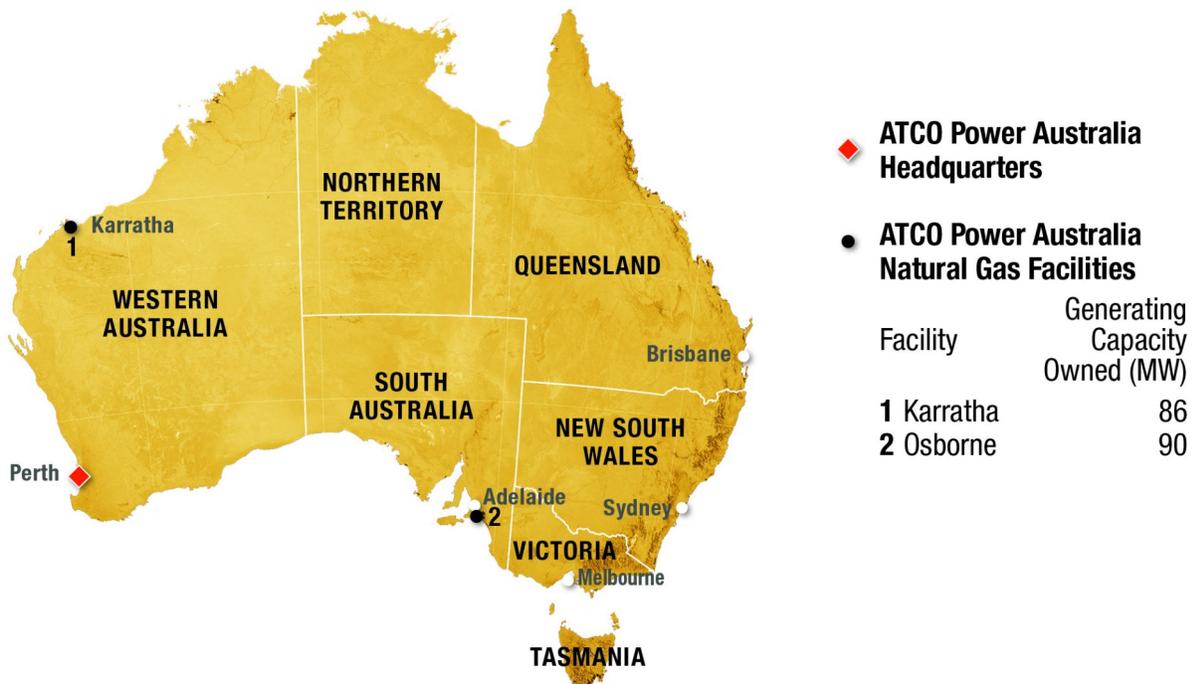
Alberta Electricity Market Reform

On November 23, 2016, the Government of Alberta announced its intention to change the existing energy-only electricity market to a capacity market in 2021. A capacity market includes a market component for the provision of capacity, or the ability to produce electricity, in addition to the market for the production of electricity. The Government of Alberta indicated that it will work closely with industry, consumer groups and other stakeholders to establish the framework and implement the capacity market in 2021. The first version of the Comprehensive Market Design for the capacity market was released on January 26, 2018. The proposed first capacity auction will start in November 2019, for an obligation from November 2021, for a one year term. Multiple aspects of the capacity market design remain under discussion and consultation. The AESO plans to release its second version of the Comprehensive Market Design in March 2018, with a final version expected mid-year 2018.

In the near-term, ATCO will assess the economic viability of converting some of its coal-fired electricity generation to natural gas which will include participating in the development of emissions regulations for natural gas-fired electricity generation.

ATCO POWER AUSTRALIA

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



ATCO Power Australia maintains ownership in and currently operates two generation plants: Karratha in the Pilbara region of Western Australia, and Osborne in Adelaide, South Australia. These facilities collectively generate 266 MW of power, providing energy for thousands of public sector, domestic, industrial and commercial clients across the country, through secure off-take arrangements with credible counterparties for 100 per cent of the capacity.

Karratha Power Station

Commissioned in 2010, the 86 MW Karratha Power Station is one of the most efficient and environmentally friendly power generation facilities in the North West Interconnected System in the Pilbara region of Western Australia. The facility generates electricity to supply residential and business consumers under a long-term (20-year) tolling power off-take contract with Horizon Power. The facility consists of two open cycle dry low-emissions natural gas turbines and meets all performance guarantee requirements, including output, heat rate, noise and nitrous oxide emissions.

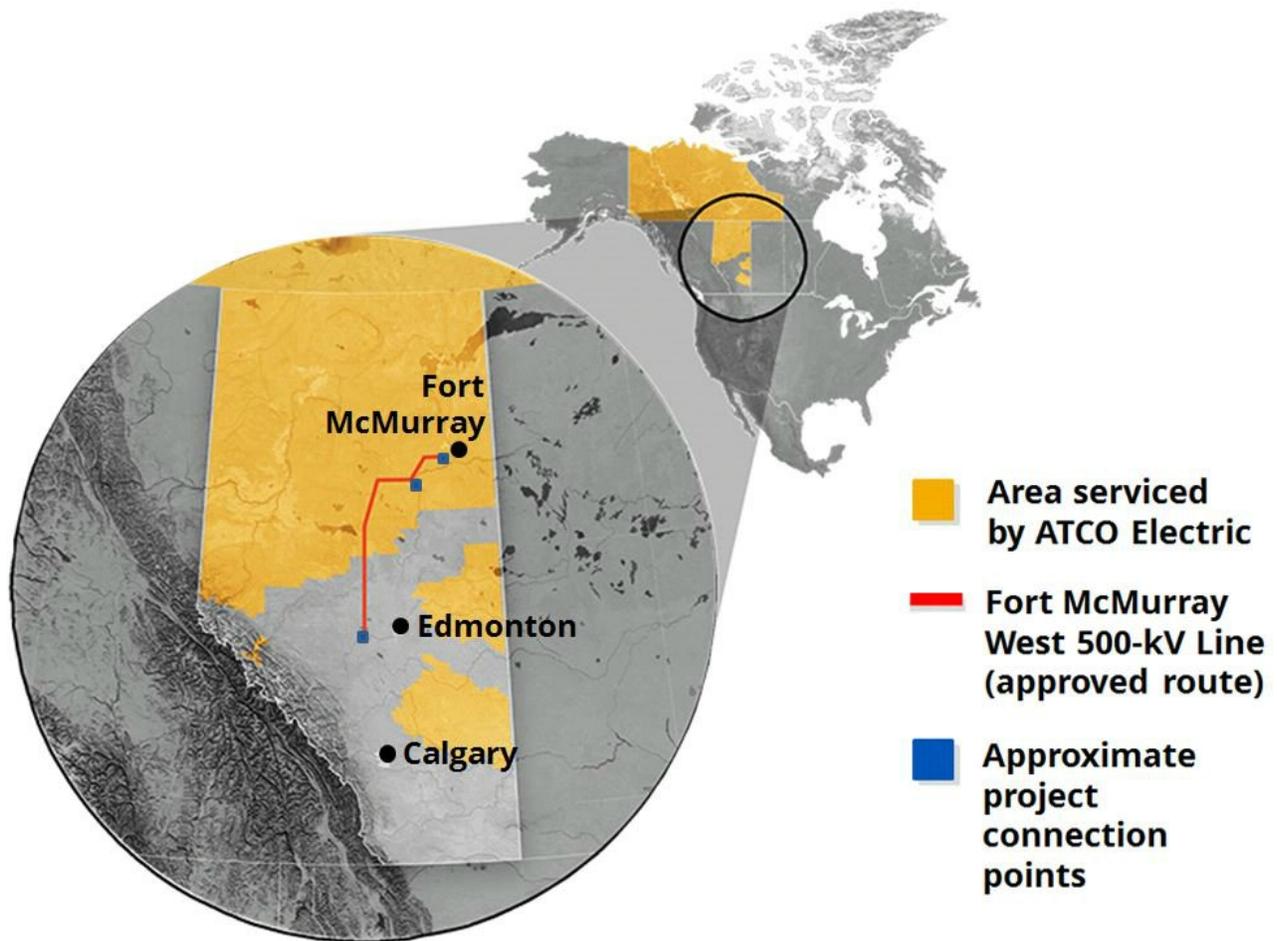
Osborne

Osborne is a 50:50 joint venture between ATCO Power Australia and Origin Energy that commenced commercial operation on December 7, 1998. The 180 MW Osborne plant, operated by ATCO Power Australia, is located near Adelaide, South Australia, and is designed to accommodate operation in both cogeneration and combined cycle modes. Prior to July 2015, Osborne sold its electrical output under a long-term (20-year) PPA to Origin Energy. In July 2015, the PPA was amended to a tolling agreement whereby Origin Energy Electricity Limited (as the electricity off-taker) supplies the natural gas at its own cost, and in turn, utilizes the facility for its required electricity output.

ALBERTA POWERLINE

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

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



Fort McMurray West 500-kilovolt (kV) Transmission Project (Fort McMurray West 500-kV Project)

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

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

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

PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

OVERVIEW

The Pipelines & Liquids Global Business Unit activities are conducted through three regulated businesses: ATCO Gas, ATCO Pipelines, and ATCO Gas Australia, and one non-regulated business: ATCO Energy Solutions. These companies offer complementary products and services that enable them to deliver comprehensive natural gas distribution and transmission services, energy storage, and industrial water solutions to existing and new customers.

BUSINESS STRATEGY

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

MARKET OPPORTUNITIES

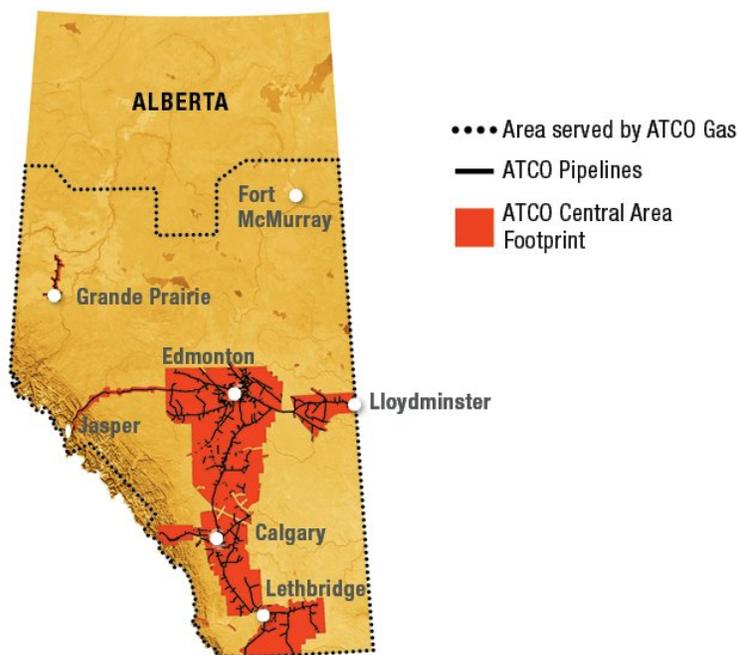
The development of pipelines in Alberta is expected to increase the need for energy storage to manage supply and demand, and the industry trend toward sustainability is expected to increase demand for industrial water solutions. The regulated businesses expect to see continued growth based on projected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

MARKET CHALLENGES

Potential changes in macroeconomic conditions could slow the growth trajectory of these businesses.



The following map shows the areas served by ATCO Gas and ATCO Pipelines in Alberta.



ATCO GAS

ATCO Gas distributes natural gas throughout Alberta and in the Lloydminster area of Saskatchewan and serves approximately 1.2 million customers in nearly 300 Alberta communities. Headquartered in Edmonton, it has more than 70 district offices across the province. ATCO Gas services municipal, residential, business and industrial customers.

ATCO Gas' principal markets for distributing natural gas are in Edmonton, Calgary, Airdrie, Fort McMurray, Grande Prairie, Lethbridge, Lloydminster, Red Deer, Spruce Grove, St. Albert and Sherwood Park. These communities have a combined population of approximately 2.8 million. Approximately 75 per cent of ATCO Gas' customers were located in these 11 communities in 2017. Also served are 279 smaller communities as well as rural areas with a combined population of approximately 752,000.

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

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

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

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

ATCO Gas owns and operates approximately 41,000 km of distribution mains. It also owns service and maintenance facilities in major centres in Alberta.

ATCO Gas distributes natural gas in incorporated communities under the authority of franchises or by-laws and in rural areas under approvals, permits or orders issued through applicable statutes. It currently has 167 franchise agreements with communities throughout Alberta. These franchise agreements detail the rights granted to ATCO Gas and its obligations to deliver natural gas services to consumers in the municipality.

All franchises are exclusive to ATCO Gas and are renewable by agreement for additional periods of up to 20 years. If any franchise is not renewed, it remains in effect until either party, with the approval of the prevailing regulatory authority, terminates it on six months written notice. On termination, the municipality may purchase the facilities used in connection with that franchise at a price to be agreed on or, failing agreement, to be fixed by the prevailing regulatory authority.

In Edmonton, distribution of natural gas is carried on under the authority of an exclusive franchise. ATCO Gas has a 20-year franchise agreement with Edmonton that will expire on July 21, 2030. The franchises under which service is provided in other incorporated communities in Alberta have been granted for up to 20 years.

In Calgary, distribution of natural gas operates under a municipal by-law. The rights of ATCO Gas under this by-law, while not exclusive, are unrestricted as to term. The by-law does not confer any right for Calgary to acquire the facilities used in providing the service.

ATCO PIPELINES

ATCO Pipelines owns and operates natural gas transmission pipelines and facilities in Alberta. The business receives natural gas on its pipeline system from various gas processing plants as well as from connections with other natural gas transmission systems, and transports the gas to end users within the province such as local distribution utilities and industrial customers, or to other transmission pipeline systems, primarily for export out of the province.

ATCO Pipelines owns and operates an extensive natural gas transmission system. The system currently consists of approximately 9,400 km of pipelines, 16 compressor sites, approximately 3,500 receipt and delivery points, and a salt cavern storage peaking facility near Fort Saskatchewan, Alberta. The system has 190 producer receipt points, one interconnection with Alliance Pipeline, and one interconnection with Many Islands Pipelines. Peak delivery capability of the ATCO Pipelines system is 3.7 billion cubic feet per day.

The Alberta System Integration Agreement entered into by ATCO Pipelines and NOVA Gas Transmission Ltd. (NGTL) in 2009 resulted in a single rate and services structure for gas transmission in Alberta. Since October 2011, natural gas transportation rates in Alberta are based on the ATCO Pipelines cost-of-service approved by the AUC plus the NGTL cost-of-service approved by the National Energy Board (NEB). The agreement also required ATCO Pipelines and NGTL to swap ownership of certain physical assets intended to establish distinct operating areas for ATCO Pipelines and NGTL. The asset swap was completed in 2016.

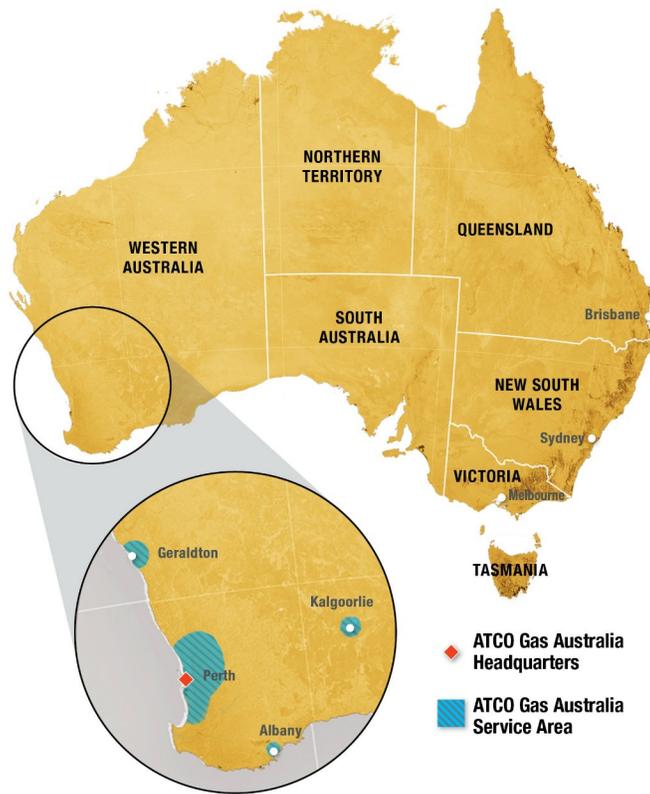
More details on the Alberta System Integration Agreement are provided in the Three Year History section of this AIF.

INTERNATIONAL NATURAL GAS TRANSMISSION - MEXICO TULA PIPELINE

In 2014, ATCO was awarded a 25-year Transportation Services Agreement with the Comisión Federal De Electricidad (CFE) to design, build, own and operate a 16 km natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. ATCO has completed applications for all required permits and continues to work with the Government of Mexico regarding land access and the completion of construction.

ATCO GAS AUSTRALIA

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



ATCO Gas Australia provides natural gas distribution services in Western Australia and serves approximately 753,000 customers in 18 communities, including metropolitan Perth and surrounding regions such as Geraldton, Bunbury, Busselton, Kalgoorlie, Harvey, Pinjarra, Brunswick Junction and Capel. ATCO Gas Australia owns and operates approximately 14,000 km of natural gas pipelines and associated infrastructure and also distributes liquefied propane gas (LPG) to the community of Albany.

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

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

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

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

ATCO ENERGY SOLUTIONS

ATCO Energy Solutions builds, owns and operates non-regulated industrial water, natural gas storage, hydrocarbon storage, and natural gas liquids related infrastructure to serve the midstream sector of Western Canada's energy industry. It operates and owns a one-third interest in a regulated natural gas distribution system in the Northwest Territories. ATCO Energy Solutions also provides natural gas procurement and load balancing services for other Business Units.

In 2014, ATCO Energy Solutions commenced a strategy of repositioning itself as an energy infrastructure provider within Alberta's Industrial Heartland, Canada's largest hydrocarbon processing region. As a result of this new direction, industrial water contracts were executed and a major hydrocarbon storage partnership was announced. By the end of 2017, the Company had disposed or shut-in its interests in gas processing operations except for the remaining interest in the Ikhil Gas Gathering System.

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



Hydrocarbon Storage

ATCO Energy Solutions, together with our partner, is developing four salt caverns with capacity to store approximately 400,000 cubic metres of hydrocarbons at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four salt caverns. The total partnership investment is approximately \$200 million. ATCO Energy Solutions has a 60 per cent partnership interest.

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

Industrial Water Services

Through the ATCO Heartland Industrial Water System, ATCO Energy Solutions' multi-user water system connected to the North Saskatchewan River, ATCO provides integrated water services including pipeline transportation, storage, water treatment, recycling and disposal to industrial customers. This industrial water system also supplies water for the development of salt caverns for the Company's hydrocarbon storage facilities in the region. The Company's river intake system and modern pump station facility has the capacity to withdraw 3,550 cubic metres per hour, with a current deliverability of 1,300 cubic metres per hour.

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

With the addition of these services, we continue to grow the Company's suite of water and wastewater services for industrial customers throughout Alberta's Industrial Heartland.

Natural Gas Storage

ATCO Energy Solutions owns and operates a natural gas storage facility at Carbon, Alberta. The facility is a natural gas reservoir with a seasonal storage cycle capacity of 52 petajoules, a maximum injection rate of 400 terajoules per day, and a maximum withdrawal rate of 600 terajoules per day. The facility is connected to multiple transmission pipeline systems and has been in service more than 45 years.

ATCO Energy Solutions also provides flexible storage, natural gas procurement and transportation services tailored to a customer's specific needs. Services range from daily to multi-year terms and are offered to financial institutions, marketing companies, pipeline operators, retail energy providers and producers.

Natural Gas Liquids Extraction

ATCO Energy Solutions has an interest in one natural gas liquids (NGL) extraction facility as at December 31, 2017. The Empress Gas Liquids Straddle Plant, which ATCO Energy Solutions operates, is currently being decommissioned.

Natural Gas Gathering and Processing

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

Non-regulated Natural Gas Pipeline

ATCO Energy Solutions owns the 116 km Muskeg River non-regulated natural gas pipeline near Fort McMurray.

CORPORATE & OTHER

Corporate & Other includes ATCO Energy Ltd. (ATCOenergy) a retail electricity and natural gas services provider in Alberta, and the commercial real estate owned by the Company in Alberta. Corporate & Other also includes the Company's global corporate head office in Calgary, Canada and ATCO Australia's corporate head office in Perth, Western Australia. Services provided by one or both corporate head offices include: corporate business development, finance, tax, treasury, regulatory, information technology, human resources, corporate communications, investor relations, risk management, internal audit and other administrative services including compliance and governance services.

RETAIL ENERGY

As part of the Company's continued growth strategy, ATCOenergy was launched in early 2016, selling electricity and natural gas to residential and commercial customers through flexible plans offering real savings and exceptional customer service.

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

REAL ESTATE

ATCO Investments Ltd. owns ATCO Centre Phase II and the adjacent parking lot at 919 & 931 - 11th Avenue S.W., Calgary, Alberta. This building contains approximately 139,600 sq. ft. of net rentable area.

ATCO Investments Ltd. also owns land at the ATCO Commercial Centre in Calgary. The ATCO Structures & Logistics manufacturing plant, office, and yard space occupy just over 22 acres of this property. Part of the remainder of the property comprises ATCO Park, Phase I, 230,000 sq. ft. of modern commercial offices, which the Company occupied in the fourth quarter of 2017.

ATCO Real Estate Holdings Ltd., a subsidiary of Canadian Utilities, owns commercial real estate in Calgary, Edmonton, Fort McMurray, Fort Saskatchewan, and Stettler, all in Alberta.

ATCO MEXICO BUSINESS DEVELOPMENT

With an office in Mexico City, the Company has established a presence in Mexico to evaluate and pursue business opportunities in Mexico's energy market. The Mexican government has embarked on a program of reforming the country's energy sector, inviting foreign investment in energy infrastructure such as power generation, electricity and natural gas transmission and distribution facilities. ATCO Mexico is focused on developing, building, owning and operating new energy infrastructure assets to support the development of Mexico's energy infrastructure and also pursuing Structures & Logistics opportunities in Mexico.

PERFORMANCE SUMMARY

COMPARISON OF SEGMENTED REVENUES AND ADJUSTED EARNINGS

Each Global Business Unit's contribution to the Company's consolidated revenues and adjusted earnings is shown in the charts below. The Company's adjusted earnings are presented after non-controlling interests.

| Revenues ⁽¹⁾ | 2017 | | 2016 | |
|------------------------------------|---------------|------------|---------------|------------|
| | (\$ millions) | % | (\$ millions) | % |
| Structures & Logistics | 515 | 11 | 647 | 16 |
| Electricity | 2,341 | 52 | 1,877 | 46 |
| Pipelines & Liquids | 1,630 | 36 | 1,496 | 37 |
| Corporate & Other and Eliminations | 55 | 1 | 25 | 1 |
| Total | 4,541 | 100 | 4,045 | 100 |

| Adjusted Earnings ⁽¹⁾⁽²⁾ | 2017 | | 2016 | |
|-------------------------------------|---------------|------------|---------------|------------|
| | (\$ millions) | % | (\$ millions) | % |
| Structures & Logistics | 6 | 1 | 43 | 12 |
| Electricity | 210 | 63 | 213 | 59 |
| Pipelines & Liquids | 144 | 43 | 136 | 38 |
| Corporate & Other and Eliminations | (25) | (7) | (32) | (9) |
| Total | 335 | 100 | 360 | 100 |

(1) The above data has been extracted from Note 3 ("Segmented Information") of the consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar.

(2) Adjusted earnings are 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.

REVENUES

Revenues in 2017 were \$4,541 million, \$496 million higher than the same period in 2016. These increases were mainly due to revenue recorded for Alberta PowerLine (APL), higher flow-through revenues in natural gas distribution, rate base growth in our Regulated Utilities, and higher revenues from a growing customer portfolio in retail energy. This was partially offset by decreased revenues for Structures & Logistics due to the completion of major projects in our Modular Structures business.

ADJUSTED EARNINGS

Adjusted earnings in the Structures & Logistics Global Business Unit were \$37 million lower in 2017 compared to 2016 mainly due to the completion of major projects in our Modular Structures business and lower profit margins across all business lines, partially offset by cost reduction initiatives.

Adjusted earnings in the Electricity Global Business Unit were \$3 million lower in 2017 compared to 2016 mainly due to lower contributions from forward sales, increased business development expenses and a planned major outage at the Sheerness Thermal PPA plant, partially offset by continued capital investment and growth in rate base within Regulated Electricity.

Adjusted earnings in the Pipelines & Liquids Global Business Unit were \$8 million higher in 2017 compared to 2016. Higher adjusted earnings were mainly due to continued capital investment and growth in rate base within Regulated Pipelines & Liquids.

Corporate & Other adjusted earnings were higher in 2017 compared to 2016. Higher earnings were mainly due to improved results in Retail Energy from a growing customer portfolio.

COMPARISON OF SEGMENTED CAPITAL INVESTMENTS

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

| | 2017 ⁽¹⁾ | | 2016 ⁽¹⁾ | |
|-------------------------|---------------------|-----|---------------------|-----|
| | (\$ millions) | % | (\$ millions) | % |
| Structures & Logistics | 37 | 2 | 97 | 6 |
| Electricity | 918 | 50 | 647 | 40 |
| Pipelines & Liquids | 782 | 43 | 790 | 49 |
| Corporate & Other | 84 | 5 | 75 | 5 |
| Total ⁽²⁾⁽³⁾ | 1,821 | 100 | 1,609 | 100 |

(1) The above data has been extracted from the 2017 MD&A. The reporting currency is the Canadian dollar.

(2) Includes additions to property, plant and equipment, intangibles as well as \$19 million (2016 - \$18 million) of interest capitalized during construction for the year ended December 31, 2017.

(3) Includes capital expenditures in joint ventures, \$17 million (2016 - \$89 million) for the year ended December 31, 2017.

Total capital investments of \$1,821 million in 2017 were \$212 million higher than the \$1,609 million reported in 2016. Of the \$918 million invested by the Electricity Global Business Unit, \$438 million, or 48 per cent, was in regulated businesses and \$456 million or 50 per cent, was in Alberta PowerLine. Of the \$782 million invested by the Pipelines & Liquids Global Business Unit, \$761 million, or 97 per cent, was in regulated businesses. The rise in capital investments was mainly due to increased spending in Alberta PowerLine, the replacement of aging infrastructure, system upgrades, and growth projects for new customers.

THREE YEAR HISTORY

Summarized below are major events that occurred in the Company and the significant conditions that influenced the Company's development during the past three years.

STRUCTURES & LOGISTICS GLOBAL BUSINESS UNIT

Earnings from the Structures & Logistics Global Business Unit are significantly influenced by capital spending cycles in the natural resource, defence and construction sectors.

MODULAR STRUCTURES

The Modular Structures division was awarded a number of significant contracts to manufacture and install workforce housing accommodation in North America and Australia, during the previous three years.

North America

LNG Modular Structures Project

In the third quarter of 2016, Structures & Logistics completed manufacturing 462 modular units. The installation and customer turnover of all the manufactured units occurred in the fourth quarter of 2016. This work was done under a contract to design, construct, transport, install and rent the modular units at a major LNG project near Lake Charles, Louisiana. The units are being used to provide sleeping accommodation for 1,900 persons, kitchen and dining facilities, and a recreation centre.

Under the terms of the agreement, the new workforce housing units are being leased for a 29 month period which commenced in January 2016. At the end of the lease term, the units will be returned to the Company's fleet, thereby expanding its footprint in the U.S. market. The earnings from this contract are being recorded as workforce housing rental income in the Modular Structures business.

Site C Clean Energy Workforce Housing Project

In the third quarter of 2016, Structures & Logistics completed the manufacture and install phase of the 1,600 person workforce housing facility for workers constructing the Site C Clean Energy Project on the Peace River in northeast British Columbia. Structures & Logistics is also providing a full suite of lodge-related services including catering, janitorial, maintenance, medical and fire protection until 2022. The total value for Structures & Logistics' scope of work over the term of the contract is \$470 million. The earnings from the lodge-related services are being recorded in the Lodging & Support Services business.

Shell Carmon Creek Project

In October 2013, the Company was awarded a \$170 million contract to manufacture, install and operate a 1,200-person workforce housing facility for the Shell Carmon Creek Project near the town of Peace River in northern Alberta. The first 616-person phase was completed in 2014 and installation of the second 584-person phase was completed early in the second quarter of 2015.

Infrastructure Project Updates

Structures & Logistics was awarded several modular structures projects and contracts for education, health and correctional facilities in the first half of 2017, which contributed to adjusted earnings beginning in the second quarter of 2017.

South America

Chile Acquisition

In the second quarter of 2016, ATCO announced that it was expanding its international modular structures business by investing \$25 million in Sabinco for a 50 per cent ownership interest. Sitrans Servicios Integrados de Tranportes Ltda. retained 50 per cent ownership of the company, which now operates under the name ATCO-Sabinco S.A.

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

Australia

Wheatstone Project

In May 2013, ATCO Structures & Logistics was awarded a contract by Bechtel to design, manufacture, transport and install a 2,000-person and kitchen facility and 357 blast resistant lunchroom and amenities buildings for the Chevron-operated Wheatstone Project in Western Australia. The initial scope of the project award for AUD \$100 million was completed during the fourth quarter of 2014. The Company was awarded expanded scope to provide additional modular units subsequent to the commencement of the project. In March 2016, ATCO Structures & Logistics completed the Chevron-operated Wheatstone Project in Western Australia. The total value for ATCO Structures & Logistics' scope of work was AUD \$384 million.

FRONTEC

Logistics and Facility O&M Services

Earnings in 2015 and 2016 were comparable with earnings in 2017 decreasing 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. Within the Canadian public sector, ATCO Structures & Logistics provides services to the Department of National Defence. The majority of ATCO Structures & Logistics' international business activities have been and continue to be in support of NATO military operations. The mainstay of the private sector Logistics and Facility O&M Services business in Canada is in the provision of site services to resource based clients (oil and gas and mining customers). A discussion of the principal Logistics and Facility O&M contracts is included in the Business Description section of this AIF.

Lodging & Support Services

Lodges to support Valard's Muskrat Falls Hydroelectric Project

The Company, together with its partner, Nunatsiavut Group of Companies, was awarded a contract by Valard Construction LP in March 2015. Under the 36-month contract, the Company is providing catering, janitorial and commercial laundry services to eight 100 to 200-person lodges that are housing workers constructing the Muskrat Falls Transmission Project in Newfoundland and Labrador.

K+S Potash Canada

The Company was awarded a camp services contract in the first quarter of 2014 by K+S Potash Canada to support a 1,470-person camp at the Legacy Potash mine in southern Saskatchewan. The contract commenced in April 2014 for a period of two-and-a-half years. The contract included catering, housekeeping, janitorial, room management, maintenance and lounge/commissary services.

The Company partnered with the George Gordon First Nation as the K+S Potash Canada Legacy Project, located on the traditional lands of the George Gordon First Nation. The Company has partnered with the George Gordon First Nation on other large projects in Saskatchewan. Building on the success of this cooperation, the Legacy Project partnership demonstrates the Company's commitment to economic development in local First Nations.

Blue Sky Lodge

This services management contract was completed in April, 2016 for the 1,200-person lodging facility that was awarded to the Company by Shell Canada to support its now closed Carmon Creek Project near Peace River, Alberta. The contract contributed to local economic growth and was a joint venture with the Woodland Cree First Nation.

ELECTRICITY GLOBAL BUSINESS UNIT

CAPITAL INVESTMENT

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

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

(1) Includes ATCO Power Australia's capital expenditures in joint ventures of \$0 million (2016 - \$6 million) for the year ended December 31, 2017.

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

The Fort McMurray West 500-kV Project has been accounted for as a service concession arrangement under IFRS because the AESO controls the output of the transmission facilities as a part of the greater Alberta network and the ownership of the transmission facilities will transfer to the AESO at the end of the service agreement. Under a service concession arrangement, revenues and costs relating to the design, planning and construction phases of the project are recognized based on a percentage of completion, and revenues and costs relating to the operating phase will be recognized as the service is rendered. Capital invested in Alberta PowerLine under this service concession arrangement is included in capital investments for Electricity.

PERFORMANCE OVERVIEW

ATCO Electric

In addition to the continued investment in utility infrastructure in Alberta, the financial results of ATCO Electric have been influenced by several regulatory decisions. The regulatory decisions are described in the Regulatory Developments section of this AIF and in the Regulatory Developments section in the Company's Management's Discussion and Analysis (MD&A) and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

ATCO Power

ATCO Power's financial results in the last three years were affected by forward sales, power pool prices, price volatility, natural gas prices and power generating plant availability.

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

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

Plant Availability

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

ATCO Power Australia

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

Closure of Bulwer Island Power Plant

In April 2014, British Petroleum (BP) announced that it planned to cease refining operations at its oil refinery in Brisbane by mid-2015, resulting in the planned closure and transfer of ownership of the Company's 33 MW Bulwer Island power station to BP on June 23, 2015. Bulwer Island Energy Partnership (BIEP) was a 33 MW cogeneration plant located at the BP refinery in Brisbane, which commenced commercial operation on January 1, 2000. BIEP was an equal joint venture partnership between ATCO Power Australia and Origin Energy. The closure of this power plant was the main reason for modestly lower earnings in 2016.

Alberta PowerLine (APL)

In December 2014, APL was awarded a 35-year, \$1.6 billion contract by the AESO to design, build, own, and operate the Fort McMurray West 500-kV Project. This project will increase the capacity of the electricity system in northeast Alberta and help to ensure that this economically vital area of the province has the power it needs.

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

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

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

PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

CAPITAL INVESTMENT

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

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

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

Pipelines & Liquids' total capital investment over the last three years amounted to \$2.4 billion. The largest expenditures were in the AUC-approved Urban Pipeline Replacement (UPR) program and ATCO Gas' Mains Replacement Program. Continued investment in utility infrastructure in Alberta has been a primary driver of an overall upward trend in earnings in the last three years.

Urban Pipeline Replacement Program

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

Plastic Mains Replacement Program

The Plastic Mains Replacement program within ATCO Gas is a 20-year program aimed at replacing polyvinyl chloride (PVC) and early generation polyethylene (PE) pipe. The pipe has been identified for replacement due to risks associated with brittle cracking. Overall, approximately 8,000 km of main gas line, impacting roughly 27,500 services, will be replaced. The program began in 2011 with a target completion date of no later than 2030. Natural gas distribution replaced 286 km of plastic pipe in 2017 and 1,727 km since the program's inception.

Steel Mains Replacement Program

ATCO Gas has 9,000 km of steel pipe which it continues to replace as it identifies pipe at the end of its useful life. The pipe that is being replaced is generally more than 60 years old and a portion of this pipe is replaced every year. ATCO Gas will see an increase in this required replacement activity as the steel mains age. Natural gas distribution replaced 57 km of steel pipe in 2017 and 288 km since the program's inception.

PERFORMANCE OVERVIEW

ATCO Gas

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

Regulatory decisions are described in the Regulatory Developments section of this AIF and in the Regulatory Developments section in the Company's MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

ATCO Pipelines

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

Regulatory decisions are described in the Regulatory Developments section of this AIF and in the Regulatory Developments section in the Company's MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

International

ATCO Gas Australia

During the last three years, ATCO Gas Australia's earnings have benefited from continued growth in rate base as a result of increased investment in utility infrastructure, growth in customer base, impacts from the true-up of actual inflation and forecast inflation rates, savings due to cost reduction initiatives, and favourable Access Arrangement Appeal decisions.

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

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

In July 2015, the Western Australia Economic Regulation Authority (ERA) released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. The Australian Competition Tribunal (ACT) decision resulted in a reduced utility ROE from 10.41 per cent (AA3) to 7.21 per cent (AA4).

ATCO Gas Australia lodged an Appeal Application with the ACT on October 1, 2015 seeking leave to appeal a number of key items, including, but not limited to, ROE and the recovery of operating expenses, depreciation and corporate income tax expenses. The ACT decision was received in July 2016 resulting in an increase of approximately \$3 million to 2016 adjusted earnings mainly due to an improvement in the recoverability of certain expenses.

ATCO ENERGY SOLUTIONS

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

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

In 2014, ATCO Energy Solutions commenced a strategy of repositioning itself as an energy infrastructure provider within Alberta's Industrial Heartland, Canada's largest hydrocarbon processing region. As a result of this new direction, industrial water contracts were executed and a major hydrocarbon storage partnership was announced. By the end of 2017, the Company has disposed or shut-in its interests in Gas Processing operations except for the remaining interest in the Nottingham/Wolstitmor and Ikhil Gas Gathering System.

Hydrocarbon Storage

Together with our partner, we are developing four salt caverns with capacity to store approximately 400,000 cubic metres of hydrocarbons at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four salt caverns. The total partnership investment is approximately \$200 million. We are the facility operator and have a 60 per cent partnership interest.

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

Industrial Water

In anticipation of the growing demand for industrial water transportation services in Alberta's Industrial Heartland, ATCO Energy Solutions upgraded its water infrastructure in 2011 and 2012, positioning the Company as a leading supplier of comprehensive industrial water infrastructure and energy-related services in the region.

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

CORPORATE & OTHER

RETAIL ENERGY

As part of the Company's continued growth strategy, ATCOenergy was launched in early 2016, selling electricity and natural gas to residential and commercial customers through flexible plans offering real savings and exceptional customer service. The ATCO Blue Flame Kitchen (BFK) was integrated with ATCOenergy in 2016.

OTHER EVENTS

Participation in Canadian Utilities Dividend Reinvestment Plan

The Canadian Utilities Dividend Reinvestment Plan (DRIP) allows eligible Class A and Class B share owners of Canadian Utilities to reinvest all or a portion of their dividends in additional Class A shares.

In the year ended December 31, 2017, ATCO Ltd. elected to receive 862,822 Class A non-voting shares in lieu of cash dividends of \$32 million in 2017.

In the year ended December 31, 2016, ATCO Ltd. did not participate in the DRIP.

In the year ended December 31, 2015, ATCO Ltd. elected to receive 1,479,752 Class A shares in lieu of cash dividends of \$52 million.

CAPITAL REDEPLOYMENT

The Company continuously reviews its holdings to evaluate opportunities to sell mature assets and redeploy the proceeds into growing areas of the Company. The viability of such opportunities depends on the outlook of each business as well as general market conditions. This ongoing focus supports the optimal allocation of capital across the Company.

STRUCTURES & LOGISTICS

In December 2015, Structures & Logistics completed the sale of its Emissions Management business. Included in the sale were Emissions Management's operations in Canada, the United States and Mexico and the transfer of current contracts and employees. Proceeds of the sale totaled \$60 million, resulting in a gain of \$16 million. The proceeds from the sale were redeployed to finance the Company's future growth initiatives.

PIPELINES & LIQUIDS

In the first quarter of 2016, ATCO Energy Solutions sold its 51.3 per cent ownership in the Edmonton Ethane Extraction Plant. The \$21 million of proceeds from the sale were deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

REGULATORY DEVELOPMENTS

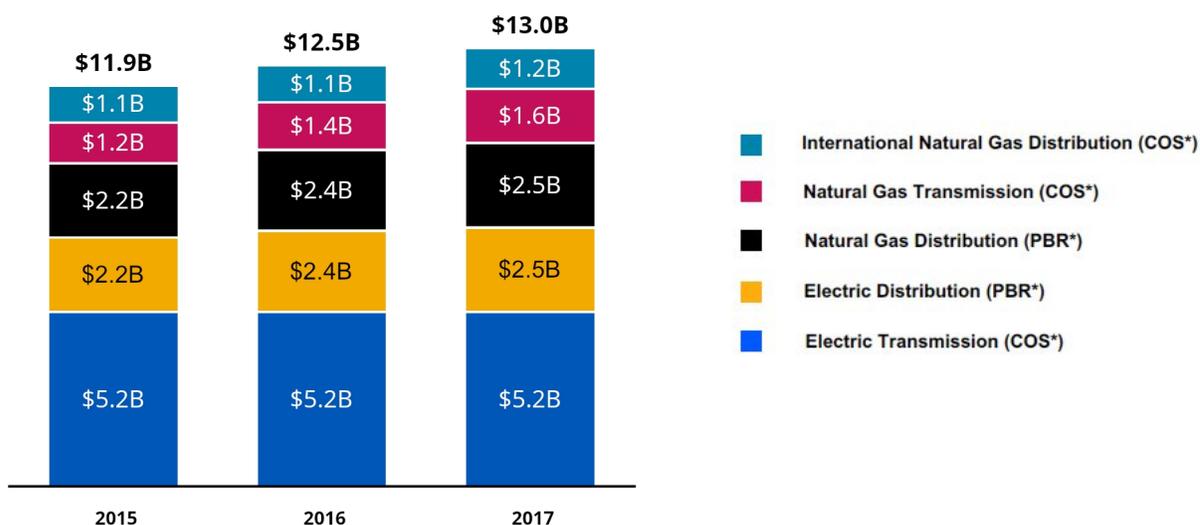
REGULATED BUSINESS MODELS

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

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

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

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



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

GENERIC COST OF CAPITAL (GCOC)

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

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

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

(1) Rate of return on common equity is the rate of return on the portion of rate base considered to be financed by common equity.

(2) The common equity ratio is the portion of rate base considered to be financed by common equity.

(3) The AUC released its GCOC decision for the periods 2016 to 2017 on October 7, 2016.

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

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

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

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

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

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

International Natural Gas Distribution Access Arrangement Decision

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

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

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

(1) Rate of return on common equity is the rate of return on the portion of rate base considered to be financed by common equity.

(2) The common equity ratio is the portion of rate base considered to be financed by common equity.

(3) The ERA released its AA4 Amended Final Decision on September 10, 2015. This was superseded when the ERA released its AA4 Revised Final Decision on October 25, 2016.

NEXT GENERATION OF PERFORMANCE BASED REGULATION

On December 16, 2016, the AUC released its decision on the second generation PBR plan framework for electricity and natural gas distribution utilities in Alberta. Under the 2018 to 2022 second generation PBR framework, utility rates will continue to be adjusted by a formula that estimates inflation annually and assumes productivity improvements. The framework also contains modified provisions for supplemental funding of capital expenditures that are not recovered as part of the base inflation less productivity formula. On February 5, 2018, the AUC released a regulatory decision that provides determinations for the going-in rates and incremental capital funding for the second generation of PBR.

The following table compares the key aspects of the PBR First Generation with the PBR Second Generation based on the AUC's February 5, 2018 decision.

| | PBR First Generation | PBR Second Generation |
|--|--|--|
| Timeframe | 2013 to 2017 | 2018 to 2022 |
| Inflation Adjuster (I Factor) | Inflation indexes (AWE and CPI) adjusted annually | Inflation indexes (AWE and CPI) adjusted annually |
| Productivity Adjuster (X Factor) | 1.16% | 0.30% |
| O&M | Based on approved 2012 forecast O&M levels; inflated by I-X thereafter over the PBR term | Based on the lowest annual actual O&M level during 2013-2016, adjusted for inflation, growth and productivity to 2017 dollars; inflated by I-X thereafter over the PBR term |
| Treatment of Capital Costs | <ul style="list-style-type: none"> Recovered through going-in rates inflated by I-X Significant capital costs not fully recovered by the I-X formula and meeting certain criteria recovered through a K Factor | <ul style="list-style-type: none"> Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2013-2016. The K Bar is calculated annually and adjusted for the actual WACC Significant capital costs that are extraordinary, not previously incurred and required by a third party recovered through a "Type I" K Factor |
| ROE Used for Going-in Rates | 8.75% | 8.5% + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019 |
| Efficiency Carry-over Mechanism (ECM) | ECM up to 0.5% additional ROE for the years 2018 and 2019 based on certain criteria | ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria |
| Reopener | +/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year | +/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year |
| ROE Used for Reopener Calculation | 2013 to 2016: 8.3% 2017: 8.5% | 8.5% Placeholder At approved ROE pending future GCOC proceeding decisions |

ALBERTA UTILITIES REGULATORY DEVELOPMENTS

Utility Asset Disposition

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

ELECTRIC TRANSMISSION REGULATORY DEVELOPMENTS

ATCO Electric Transmission 2013 to 2014 Deferral Accounts Application

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

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

Review and Variance

On March 16, 2017, the AUC issued a decision on the Review and Variance Application relating to the 2015 to 2017 GTA. The application requested that the AUC review and vary the 2015 to 2017 GTA decision findings for severance costs, line insurance, head office allocations, 2015 capital maintenance costs and 2013-2014 tax deductions. While the decision denied the review and vary request for the tax deductions, line insurance and head office allocations, the AUC agreed with our positions on 2015 capital maintenance costs and a variety of calculation errors. The impact of this decision was an increase to first quarter 2017 adjusted earnings of \$2 million, most of which related to prior years.

Compliance Filing

On June 19, 2017, the AUC issued a decision on Electric Transmission's Compliance Filing relating to its 2015 to 2017 GTA. The decision adjusted Electric Transmission's 2016 and 2017 forecast allocation of labour costs between operating and maintenance expense and capital, which resulted in a decrease to second quarter 2017 adjusted earnings of \$4 million, of which \$2 million related to prior years.

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

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

Electric Transmission Asset Utilization Proceeding

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

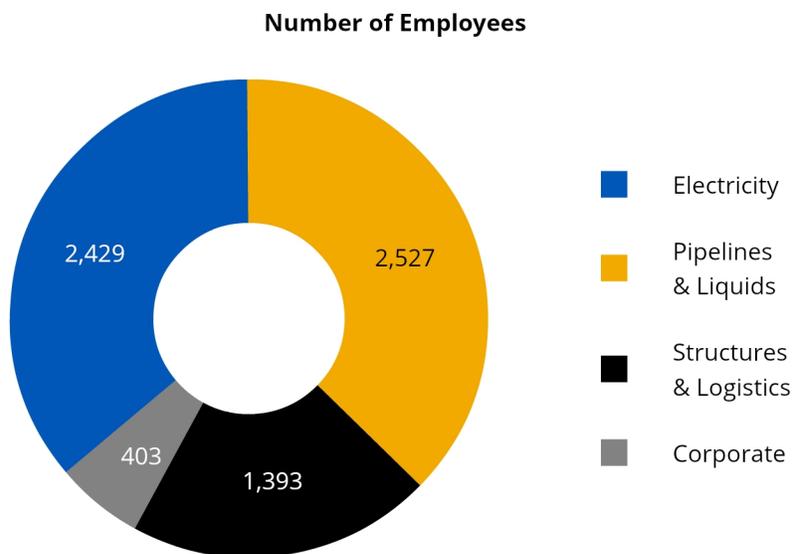
NATURAL GAS TRANSMISSION REGULATORY DEVELOPMENTS

ATCO Pipelines 2017 to 2018 General Rate Application (GRA)

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

EMPLOYEE INFORMATION

At December 31, 2017, the Company had 6,752 employees. The accompanying chart represents the employee numbers in each segment. The chart does not include 24 employees in ATCO Power Australia joint ventures and 514 employees in Structures & Logistics joint ventures.



SUSTAINABILITY, CLIMATE CHANGE AND THE ENVIRONMENT

Sustainability, Climate Change and the Environment is described in the "Sustainability, Climate Change and the Environment" section in ATCO Ltd.'s MD&A and is incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

BUSINESS RISKS

Business risks are described in the "Global Business Unit Information" and "Business Risks and Risk Management" sections in ATCO Ltd.'s MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

DIVIDENDS

Cash dividends declared during the past three years for all series and classes of shares were as follows.

| <i>(Canadian dollars per share)</i> | 2017 | 2016 | 2015 |
|-------------------------------------|------|------|------|
| Class I and Class II Shares | 1.31 | 1.14 | 0.99 |

The Company's practice is to pay dividends quarterly on its Class I and Class II Shares. The Company has increased its common share dividend each year since 1993. On January 11, 2018, the Board of Directors declared a first quarter dividend of 37.66 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on the Company's financial condition, among other factors.

CAPITAL STRUCTURE

SHARE CAPITAL

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

| Share Description | Authorized | Outstanding |
|--|-------------|-------------|
| Preferred Shares issuable in series | 20,000,000 | – |
| Junior Preferred Shares issuable in series | 8,000,000 | – |
| Class I Shares | 300,000,000 | 101,336,273 |
| Class II Shares | 50,000,000 | 13,323,455 |

PREFERRED SHARES AND JUNIOR PREFERRED SHARES

The Preferred Shares and Junior Preferred Shares are issuable from time to time in one or more series with rights, restrictions, conditions and limitations as may be determined by the Board of Directors. Both the Preferred Shares and Junior Preferred Shares have priority over the Class I Shares and Class II Shares in the payment of dividends and the distribution of assets on the liquidation, dissolution or winding up of the Company.

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, 2,632,550 Class I Shares were available for issuance at December 31, 2017. Options may be granted to our officers and key employees at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

NORMAL COURSE ISSUER BID

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

On March 1, 2016, we commenced a normal course issuer bid to purchase up to 3,043,884 outstanding Class I Shares. The bid expired on February 28, 2017. On March 8, 2017 we commenced a normal course issuer bid to purchase up to 3,037,065 outstanding Class I Shares. The bid will expire on March 7, 2018.

During the year ended December 31, 2017, 35,000 shares were purchased for \$2 million.

All purchases were made by means of open market transactions through the facilities of the TSX. A copy of the notices filed with the TSX may be obtained by any share owner without charge by contacting the Corporate Secretary at the head office of the Company.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

To the Company's knowledge, none of the securities of the Company are held in escrow or are subject to a contractual restriction on transfer as at the date hereof.

CREDIT RATINGS

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

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

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

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

DBRS Limited

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

Standard & Poor's

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

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

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

Alberta PowerLine Limited Partnership

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

ISSUER CREDIT RATINGS AND LONG-TERM DEBT

An "A" issuer rating by DBRS is the third highest of 10 categories. An issuer rated "A" is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than "AA". A-rated issuers may be vulnerable to future events, but qualifying negative factors are considered manageable. Each rating category other than "AAA" and "D" contains the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

An "A" issuer rating by S&P is the third highest of 12 categories. An entity rated "A" by S&P has a strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than an entity in higher-rated categories. Ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

A "BBB" issuer rating by S&P is the fourth highest of 12 categories. An obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. Ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

An "A" issuer rating by Moody's is the third highest of 9 categories. An obligation rated "A" by Moody's is considered upper-medium-grade and is subject to low credit risk. Ratings from "Aa" to "Caa" are modified by the addition of a 1, 2, or 3 numerical modifier to show relative standing within the generic rating categories.

COMMERCIAL PAPER AND SHORT-TERM DEBT CREDIT RATINGS

An "R-1 (low)" rating by DBRS is the lowest subcategory in the highest of six categories and is granted to short-term debt of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favourable as higher rating subcategories and may be vulnerable to future events, but qualifying negative factors are considered manageable. Rating categories "R-1" and "R-2" are further denoted by the subcategories "high", "middle", and "low".

An "A-1 (Low)" rating by S&P is the third highest of eight categories in its Canadian commercial paper ratings scale. A short-term obligation rated "A-1 (Low)" is slightly more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

PREFERRED SHARE CREDIT RATINGS

A "PFD-2" rating by DBRS is the second highest of six categories granted by DBRS. Preferred shares rated in this category are considered of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as "Pfd-1" rated companies. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

A "P-2" rating by S&P is the second highest of eight categories S&P uses in its Canadian preferred share rating scale. An obligation rated "P-2" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. A "high" or "low" designation shows relative standing within a rating category. The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

CREDIT RATINGS GENERALLY

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The ratings indicate the likelihood of payment and an issuer's capacity and willingness to meet its financial commitment on an obligation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization.

As is customary, the Company makes payments to the credit ratings organizations for the assignment of ratings as well as other services. The Company expects to make similar payments in the future.

MARKET FOR SECURITIES OF THE COMPANY

The Company's Class I Shares and Class II Shares are listed on the Toronto Stock Exchange (TSX).

TRADING PRICE AND VOLUME

The following table sets forth the high and low prices and volume of the Company's shares, traded on the TSX under the symbols ACO.X for Class I shares and ACO.Y for Class II shares during 2017 as reported by the TSX:

| 2017 | Class I Shares | | | Class II Shares | | |
|-----------|----------------|----------|-----------|-----------------|----------|--------|
| | High (\$) | Low (\$) | Volume | High (\$) | Low (\$) | Volume |
| January | 46.52 | 44.25 | 2,427,400 | 46.10 | 44.33 | 13,680 |
| February | 46.65 | 44.63 | 2,443,293 | 46.25 | 44.75 | 8,190 |
| March | 53.37 | 45.01 | 5,031,427 | 52.75 | 45.10 | 23,048 |
| April | 51.46 | 49.23 | 3,978,845 | 51.49 | 49.25 | 13,099 |
| May | 51.66 | 49.01 | 3,180,101 | 51.40 | 49.30 | 7,372 |
| June | 51.69 | 49.72 | 2,435,679 | 51.35 | 49.75 | 7,304 |
| July | 50.79 | 46.41 | 2,031,661 | 50.55 | 46.50 | 6,826 |
| August | 47.22 | 45.70 | 3,703,771 | 46.99 | 45.85 | 6,707 |
| September | 46.25 | 44.02 | 2,896,694 | 46.35 | 44.30 | 2,911 |
| October | 47.40 | 45.21 | 2,653,345 | 47.25 | 45.35 | 4,603 |
| November | 46.78 | 44.25 | 2,223,899 | 46.15 | 44.40 | 5,803 |
| December | 46.14 | 44.32 | 1,924,212 | 46.00 | 44.50 | 3,525 |

DIRECTORS AND OFFICERS

DIRECTORS ⁽¹⁾



ROBERT T. BOOTH, Q.C. ⁽²⁾

| | |
|-------------------|--|
| Primary residence | Calgary, Alberta, Canada |
| Director since | 2008 |
| Age | 65 |
| Not Independent | Mr. Booth is not independent because he is a partner in the firm that is ATCO's legal counsel. |

Mr. Booth is a partner in the law firm Bennett Jones LLP, based in Calgary, Alberta. He is a member of the Law Society of Alberta and the Canadian Bar Association. Mr. Booth is honorary counsel to the Royal Military Colleges of Canada Foundation, the Conference of Defence Associations and the CDA Institute.

Mr. Booth's legal practice covers many areas of the natural resources, energy, defence and security fields, including client representation in oil and gas exploration, production and marketing, major pipeline transportation and liquefied natural gas projects, uranium mining and production, power generation and transmission, and energy utility businesses.

Mr. Booth obtained a B.Eng. degree from the Royal Military College of Canada in 1974, and an LL.B. from Dalhousie University in 1977. In 2009, he obtained his ICD.D certification from the Director Education Program of the Institute of Corporate Directors.



DENIS M. ELLARD

| | |
|-------------------|--------------------------|
| Primary residence | Calgary, Alberta, Canada |
| Director since | 2014 |
| Age | 71 |
| Independent | |

Prior to his retirement in 2003, Mr. Ellard was Senior Vice President Business Development, ATCO. Over his 35 year career, Mr. Ellard held several senior positions within the organization, including Senior Vice President and General Manager, Northwestern Utilities Limited; Senior Vice President, Canadian Utilities Limited; and President, ATCO Singlepoint Ltd. His responsibilities included oversight of operations, management, and regulatory matters, as well as reviews of risk, general safety, and environmental issues. Mr. Ellard has served in various capacities on several community and industry boards, including the Alberta Economic Development Authority.

Mr. Ellard has a B.Sc. in Mechanical Engineering and an MBA with a major in Finance from the University of Alberta.



C. ANTHONY FOUNTAIN

| | |
|-------------------|--------------------------------|
| Primary residence | Wadhurst, East Sussex, England |
| Director since | 2015 |
| Age | 57 |
| Independent | |

Mr. Fountain is Chairman of Essar Oil Limited, a major oil and gas refining and marketing company headquartered in Mumbai, India. Prior to this role he was Chairman of Sellafield Ltd., a U.K. company responsible for reprocessing spent nuclear fuel, storage and decommissioning with some 12,000 employees. Mr. Fountain was previously Chief Executive Officer of the Nuclear Decommissioning Authority, owner of the U.K.'s legacy civil nuclear assets and was previously Chief Executive Officer of Refining and Marketing at Reliance Industries in India. Mr. Fountain had a 25-year career with British Petroleum, with his last role as Group Vice President, COO, Fuels Value Chains. He brings extensive operational, strategic, risk, health and safety, and environmental experience to the Board.

Mr. Fountain graduated in Economics and International Studies from Warwick University and also holds a M.Phil. in Economics from Oxford University. Mr. Fountain has also attended several Executive Education Programs at Stanford, Harvard and Cambridge.

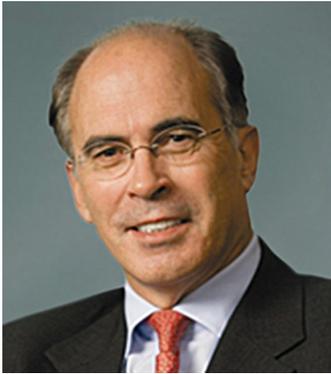


MICHAEL R.P. RAYFIELD ⁽³⁾

| | |
|-------------------|--------------------------|
| Primary residence | Toronto, Ontario, Canada |
| Director since | 2009 |
| Age | 75 |
| Independent | |

Mr. Rayfield was Vice Chair, Investment and Corporate Banking, BMO Capital Markets until 2013. He was responsible for senior corporate relationships in Canada, the U.S. and the U.K., and management of BMO's investment banking business in China and India. Mr. Rayfield was also on the Canadian Management Committee. He has extensive international banking experience in Latin America, Australia and Japan. Mr. Rayfield is also a director of ATCO Structures & Logistics Ltd.

Mr. Rayfield is a graduate of The Chartered Institute of Bankers in the U.K.; the Senior Manager's Program at Harvard Business School; and the Advanced Executive Program at J.L. Kellogg Graduate School, Northwestern University. He studied at Cambridge University and is a graduate of the Director Education Program at the Institute of Corporate Directors where he obtained extensive enterprise risk and financial strategy knowledge.



ROBERT J. ROUTS, PhD ⁽²⁾⁽³⁾

| | |
|-------------------|----------------------|
| Primary residence | Brunnen, Switzerland |
| Director since | 2012 |
| Age | 71 |
| Independent | |

Until his retirement in 2008, Dr. Routs was an Executive Board Member at Royal Dutch Shell plc. He was responsible for the global refining, chemical, marketing, trading and renewable businesses. During his career, he held various senior management positions in the U.S., Canada and The Netherlands, including Chairman of Shell Canada prior to the buyout of the public shareholding by Royal Dutch Shell plc. Dr. Routs is also a director of ATCO Australia Pty Ltd.

Dr. Routs has substantial experience in the refining and chemical industry with a strong focus on operational safety and sustainable operations to reduce the industry's impact on the environment.

Dr. Routs is an emeritus member of the International Advisory Council to the Economic Development Board of Singapore and received the Distinguished Citizen of Singapore medal.

Dr. Routs graduated in Chemical Engineering from the Technical University of Eindhoven in The Netherlands, where he also obtained a PhD in Technical Sciences. He completed the Program for Management Development at Harvard Business School in 1991.



NANCY C. SOUTHERN

| | |
|-------------------|--|
| Primary residence | Calgary, Alberta, Canada |
| Director since | 1989 |
| Age | 61 |
| Not Independent | Ms. Southern is not independent because she has a material relationship with ATCO. She is ATCO's Chair, President & Chief Executive Officer. |

Ms. Southern was appointed Chair of ATCO and Canadian Utilities effective December 1, 2012 and has been President & Chief Executive Officer of ATCO since January 1, 2003. Ms. Southern has also been Chief Executive Officer of Canadian Utilities since January 1, 2003 and was President of Canadian Utilities from 2003 to 2015. Previously, she was Deputy Chair of each of ATCO and Canadian Utilities from 2008 until 2012, Co-Chair and Co-Chief Executive Officer of each company from 2000 until 2002, Deputy Chief Executive Officer of each company from 1998 to 1999, and Deputy Chair of each company from 1996 to 1999. Ms. Southern has full responsibility for the strategic direction and the operations of ATCO and reports to the Board of Directors. Ms. Southern is a founding director and is a member of the Board of Directors of AKITA Drilling Ltd. She is also a director of Sentgraf Enterprises Ltd. and an Honorary Director of the Bank of Montreal.

Ms. Southern is a member of The U.S. Business Council, a member of the American Society of Corporate Executives, and a Canadian member of The Trilateral Commission. She is also a member of the Business Council of Canada and the Rideau Hall Foundation Board of Directors.



LINDA A. SOUTHERN-HEATHCOTT

Primary residence Calgary, Alberta, Canada

Director since 2012

Age 54

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

Ms. Southern-Heathcott is President & Chief Executive Officer of Spruce Meadows Ltd., an internationally recognized equestrian facility in Calgary, Alberta. As a former professional equestrian rider, Ms. Southern-Heathcott was a member of the Canadian Equestrian Team for nine years and competed in the 1996 Olympic Summer Games in Atlanta, Georgia. Ms. Southern-Heathcott brings significant management and business experience to the Board and was appointed Vice Chair of the Board of Directors of ATCO in November 2016 and of Canadian Utilities and CU Inc. on March 1, 2017. Ms. Southern-Heathcott is a founding director, and currently serves as Board Chair, of AKITA Drilling Ltd. Ms. Southern-Heathcott also serves on the Boards of ATCO Structures & Logistics Ltd. and Sentgraf Enterprises Ltd.

In 2010, Ms. Southern-Heathcott received her ICD.D certification from the Director Education Program of the Institute of Corporate Directors.



ROGER J. URWIN, PhD, C.B.E. ⁽²⁾⁽³⁾

Primary residence London, England

Director since 2014

Age 71

Independent

Dr. Urwin is the Chair of ATCO Australia Pty Ltd. He has worked in gas, electric and telecom utilities throughout his career. He retired at the end of 2006 as Group Chief Executive of National Grid plc. He played a key role in establishing National Grid's international strategy and its successful expansion into the U.S., creating one of the largest investor-owned utility companies in the world. Dr. Urwin was the Managing Director and Chief Executive of London Electricity from 1990 to 1995. He was non-executive Chairman of Utilico Investments Limited until October 2015 and has been a special advisor to Global Infrastructure Partners, an international infrastructure investment fund. He was Chair of Alfred McAlpine plc from 2006 to 2008.

Dr. Urwin is a Commander of the Order of the British Empire.

Dr. Urwin has a Physics degree and a PhD from the University of Southampton, U.K.



SUSAN R. WERTH ⁽²⁾

| | |
|-------------------|---|
| Primary residence | Calgary, Alberta, Canada |
| Director since | 2014 |
| Age | 61 |
| Not Independent | Ms. Werth is not independent as she accepts consulting fees from ATCO in addition to the fees earned as a director of ATCO. |

Ms. Werth retired as Senior Vice President & Chief Administration Officer, ATCO Ltd. and Canadian Utilities Limited in May 2014. In this role Ms. Werth was responsible for Human Resources, Corporate Secretarial, Marketing and Communications, Security, Real Estate, Aviation and Administration. She was Chair of ATCO's Disclosure, Management Pension, Crisis Management, and Donations & Sponsorship Committees. She was Vice President, Administration, ATCO Group from 1995 to 2000. During her career, Ms. Werth has gained a wealth of experience and brings significant insight into all aspects of ATCO's business. Ms. Werth is also on the Board of ATCO Structures & Logistics Ltd. and Sentgraf Enterprises Ltd.



CHARLES W. WILSON ⁽²⁾⁽³⁾

| | |
|-------------------|----------------------------------|
| Primary residence | Boulder, Colorado, United States |
| Director since | 2002 |
| Age | 78 |
| Independent | |

Mr. Wilson is Lead Director for the Board of Directors of ATCO Ltd. and is a director of ATCO Australia Pty Ltd. He was President and Chief Executive Officer of Shell Canada from 1993 to 1999, and Executive Vice President, U.S. Downstream Oil and Chemical of Shell Oil Company from 1988 to 1993. Prior to 1988, he was Vice President, U.S. Exploration and Production of Shell Oil Company, and also held various executive positions in the domestic and international natural resource operations of Shell.

As the former Head of the Environment Committee of the Canadian Association of Petroleum Producers, Mr. Wilson was actively involved in climate change matters and emerging regulatory policies related to the petroleum industry.

Mr. Wilson holds a B.Sc. in Civil Engineering and an M.Sc. in Engineering.

(1) All directors hold office until the close of the annual meeting of share owners of the Company or until their successors are elected or appointed.

(2) Member of the Corporate Governance - Nomination, Compensation and Succession Committee

(3) Member of the Audit & Risk Committee

OFFICERS (IN ALPHABETICAL ORDER)

| Name, Province and Country of Residence | Position Held and Principal Occupation |
|---|--|
| C.J. Ackroyd Alberta, Canada | Vice President, Marketing & Communications ATCO Ltd. and Canadian Utilities Limited |
| D.A. DeChamplain Alberta, Canada | Senior Vice President & Chief Financial Officer ATCO Ltd. and Canadian Utilities Limited |
| C.M.D. Field Alberta, Canada | Vice President, Human Resources ATCO Ltd. and Canadian Utilities Limited |
| C. Gear Alberta, Canada | Corporate Secretary ATCO Ltd. and Canadian Utilities Limited |
| D.M. Girard Alberta, Canada | Vice President, People Development ATCO Ltd. and Canadian Utilities Limited |
| E.M. Kiefer ⁽¹⁾ Alberta, Canada | Senior Vice President & Chief Administration Officer ATCO Ltd. and Canadian Utilities Limited |
| S.W. Kiefer Alberta, Canada | Chief Strategy Officer, ATCO Ltd. & Canadian Utilities Limited President, Canadian Utilities Limited |
| G.J. Lidgett Alberta, Canada | Managing Director, Pipelines & Liquids ATCO Ltd. and Canadian Utilities Limited |
| A.L. Maher Alberta, Canada | Vice President, Controller ATCO Ltd. and Canadian Utilities Limited |
| R.C. Neumann Alberta, Canada | Vice President, Internal Audit ATCO Ltd. and Canadian Utilities Limited |
| K.J. Patrick Alberta, Canada | Vice President, Finance & Risk ATCO Ltd. and Canadian Utilities Limited |
| S.F. Policicchio Alberta, Canada | Managing Director, Customer Services ATCO Ltd. and Canadian Utilities Limited |
| A.M. Skiffington Alberta, Canada | Vice President & Chief Information Officer ATCO Ltd. and Canadian Utilities Limited |
| N.C. Southern Alberta, Canada | Chair, President & Chief Executive Officer, ATCO Ltd. and Chair & Chief Executive Officer, Canadian Utilities Limited |
| W.K. Stensby Alberta, Canada | Managing Director, Electricity ATCO Ltd. and Canadian Utilities Limited |
| P.C. Tait Alberta, Canada | Vice President, Real Estate Strategies ATCO Ltd. and Canadian Utilities Limited |

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

POSITIONS HELD BY OFFICERS WITHIN PRECEDING FIVE YEARS

All the officers have been engaged for the last five years in the indicated principal occupations, or in other capacities with the companies or firms referred to, or with their affiliates or predecessors, except for Mrs. Girard, Ms. Patrick and Mr. Tait. Mrs. Girard has held several senior management roles specializing in human resources, including recent positions as Director, Human Resources at ATCO Structures & Logistics, Manager, Recruitment at Nexen Inc., and Director, Human Resources at Bell Canada. Ms. Patrick has held several senior management roles specializing in strategy and finance, including her recent positions as Senior Director, Mergers & Acquisitions and Strategic Development at ATCO Group, Director, Mergers & Acquisitions and Senior Manager and Economist, Corporate Strategy and Development, at Bunge Limited. Mr. Tait has held several senior management and executive level roles specializing in national and international corporate real estate, including his most recent position as Global Director of Real Estate and Construction at Magna International (a Canadian automotive supplier).

DIRECTORS' AND OFFICERS' INTEREST IN THE COMPANY

At December 31, 2017, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), 11,512,235 (86.4 per cent) of the issued and outstanding Class II Shares of the Company. In addition, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), 66,604,518 (89.9 per cent) of the issued and outstanding Class B common shares of Canadian Utilities Limited.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Since January 1, 2017, there has been no indebtedness outstanding to the Company from any of its directors, executive officers, senior officers or associates of any such directors, nominees or senior officers.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On February 20, 2018, there were 13,323,455 Class II Shares outstanding. To the knowledge of the directors and officers of the Company, the only person who beneficially owns, controls or directs, either directly or indirectly, 10 per cent or more of the Class II Shares is the Margaret E. Southern Spousal Trust (the "Spousal Trust"). Ms. Nancy Southern, Ms. Linda Southern-Heathcott and Mrs. Margaret E. Southern are trustees of the Spousal Trust. All actions regarding the Class II Shares owned by the Spousal Trust require the approval of a majority of the trustees.

The Spousal Trust owns 4,000 Class II Shares. The Spousal Trust is also the controlling share owner of Sentgraf Enterprises Ltd. ("Sentgraf"), which owns 11,447,520 Class II Shares. These combined shareholdings represent 86 per cent of the outstanding Class II Shares. The Spousal Trust and Sentgraf are collectively referred to as the "Majority Share Owner".

No director or executive officer of the Company, person or company that beneficially owns, or controls or directs, directly or indirectly, greater than 10 per cent of the Company's Class II voting common shares, nor any associate or affiliate of the foregoing, has, or has had, any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES OR SANCTIONS

Corporate Cease Trade Orders

Except as otherwise disclosed herein, no director, executive officer or controlling security holder of the Company is, as at the date of this AIF, or has been, within the past 10 years before the date hereof, a director or executive officer of any other issuer that, while that person was acting in that capacity:

- i. was the subject of a cease trade or similar or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- ii. was subject to an event that resulted, after the person ceased to be a director or executive officer, in the Company being the subject of a cease trade or similar order or an order that denied the relevant company access to an exemption under securities legislation for a period of more than 30 consecutive days; or
- iii. within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

No director, executive officer or controlling security holder of the Company has, within the years before the date hereof, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Penalties or Sanctions

No current director, executive officer or controlling security holder of the Company has:

- i. been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or
- ii. been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Circumstances may arise where members of the Board serve as directors or officers of corporations which are in competition to the interests of the Company. No assurances can be given that opportunities identified by any such member of the Board will be provided to the Company. However, the Company's procedures provide that each director and executive officer must comply with the disclosure requirements of the Alberta Business Corporations Act (ABCA) regarding any material interest. If a declaration of material interest is made, the declaring director shall not vote on the matter if put to a vote of the Board. In addition, the declaring director and executive officer may be requested to recuse himself or herself from the meeting when such matter is being discussed.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Class I Shares and Class II Shares is AST Trust Company (Canada) at its principal offices in Calgary, Vancouver, Toronto and Montreal.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is occasionally named as a party in claims and legal proceedings which arise during the normal course of its business. The Company reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. There can be no assurance that any particular claim will be resolved in the Company's favour or that such claim may not have a material adverse effect on the Company. For further information, please refer to Note 33 of our audited consolidated financial statements for the year ended December 31, 2017.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business (unless otherwise required by applicable securities requirements to be disclosed), there were no material contracts entered into by the Company or its subsidiaries during the most recently completed financial year, or before the most recently completed financial year that are still in effect.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has prepared the auditor's report for the Company's annual consolidated financial statements. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Adjusted earnings are defined as earnings attributable to Class 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 the Company's MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the 2017 Annual Financial Statements.

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

FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate," "plan," "estimate," "expect," "may," "will," "intend," "should," and similar expressions. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, is contained in the Company's most recent Management Proxy Circular dated March 7, 2017. Additional financial information is provided in the Company's audited consolidated financial statements and the Company's MD&A for the financial year ended December 31, 2017.

Information relating to Canadian Utilities or CU Inc. may be obtained on request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street SW, Calgary, Alberta, T3E 8B4, or by telephone (403) 292-7500 or fax (403) 292-7532. Corporate information is also available on the Company's website: www.ATCO.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

AEY means ATCO Electric Yukon.

AGP means ATCO Gas and Pipelines Ltd.

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

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

APL means Alberta PowerLine.

ATCO means ATCO Ltd. and its subsidiaries.

ATCO Electric means ATCO Electric Ltd.

ATCO Energy means ATCO Energy Ltd.

ATCO Energy Solutions means ATCO Energy Solutions Ltd.

ATCO Gas means the natural gas distribution division of AGP.

ATCO Gas Australia means ATCO Gas Australia LP

ATCO Pipelines means the natural gas transmission division of AGP.

ATCO Pipelines Mexico means ATCO Pipelines S.A. de C.V.

ATCO Power means ATCO Power (2010) Ltd. with its subsidiaries.

ATCO Power Australia means ATCO Power Australia (Energy) Limited Partnership.

ATCO Structures & Logistics means ATCO Structures & Logistics Ltd. with its subsidiaries.

AUC means the Alberta Utilities Commission.

Board means ATCO's Board of Directors.

Canadian Utilities means Canadian Utilities Limited.

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

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

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

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

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

EUA means the Electric Utilities Act (Alberta).

GAAP means Canadian generally accepted accounting principles.

Gigawatt hour (GWh) is a measure of electricity consumption equal to the use of 1 billion watts of power over a one-hour period.

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

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

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

Merchant means uncontracted generating plant capacity that is offered into the spot electricity market in which the generating plant is located.

NEB means National Energy Board.

NGL means natural gas liquids, such as ethane, propane, butane and pentanes plus, that are extracted from natural gas and sold as distinct products or as a mix.

NGTL means NOVA Gas Transmission Ltd.

NUY means Northland Utilities (Yellowknife) Limited.

NWT means Northland Utilities (NWT) Limited.

Petajoule (PJ) is a unit of energy equal to approximately 948.2 billion British thermal units.

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

REA means Rural Electrification Association. REAs are constituted under the Rural Utilities Act (Alberta) by groups of persons carrying on farming operations. Each REA purchases electric power for distribution to its members through a distribution system owned by that REA.

Regulated Utilities means Electric Distribution (ATCO Electric Distribution), Electric Transmission (ATCO Electric Transmission), Natural Gas Distribution (ATCO Gas), Natural Gas Transmission (ATCO Pipelines) and International Natural Gas Distribution (ATCO Gas Australia).

ROE means Return on Equity.

Spark spread is the difference between the selling price of electricity and the marginal cost of producing electricity from natural gas. In this MD&A, spark spreads are based on an approximate industry heat rate of 7.5 GJ per MWh.

Terajoule (TJ) is a unit of energy equal to approximately 948.2 million British thermal units.

APPENDIX 1

DETAILS OF GENERATING PLANTS

DOMESTIC GENERATING PLANTS

| Name & Location | Type | Date In Service | MW ⁽¹⁾ | Ownership (%) | Capacity Share (MW) | Contracted Capacity (MW) | Partner(s) ⁽²⁾ | Customer(s) ⁽²⁾ | Contract Expiry Date |
|---|--------------------------|-----------------|-------------------|---------------|---------------------|--------------------------|---------------------------|--|----------------------|
| Battle River 3, 4 Forestburg, AB | Coal-Fired Thermal | 1969 & 1975 | 304 | 100 | 304 | | - | Merchant | - |
| Battle River 5 Forestburg, AB | Coal-Fired Thermal | 1981 | 385 | 100 | 385 | 368 | - | Balancing Pool | 2020 |
| Sheerness 1, 2 Hanna, AB | Coal-Fired Thermal | 1986 & 1990 | 790 | 50 | 395 | 378 | TransAlta | Balancing Pool | 2020 |
| Cory Saskatoon, SK | Gas-Fired Cogeneration | 2003 | 260 | 50 | 130 | 130 | SPI | SPC | 2028 |
| Joffre Red Deer, AB | Gas-Fired Cogeneration | 2000 | 480 | 40 | 192 | 54 | Capital Power / NOVA | NOVA/ Merchant | 2020 |
| McMahon Taylor, BC | Gas-Fired Cogeneration | 1993 | 120 | 50 | 60 | 60 | Spectra Energy | BC Hydro | 2029 |
| Muskeg River Ft. McMurray, AB | Gas-Fired Cogeneration | 2003 | 170 | 70 | 119 | 119 | SPI | AOSP/ Merchant | 2042 |
| Primrose Primrose, AB | Gas-Fired Cogeneration | 1998 | 85 | 50 | 42 | 21 | CNRL | CNRL/ Merchant | 2018 |
| Rainbow Lake 4, 5 Rainbow Lake, AB | Gas-Fired Cogeneration | 1999 | 90 | 50 | 45 | - | Husky Energy | Husky Energy/ Merchant | 2034 |
| Scotford Ft. Saskatchewan AB | Gas-Fired Cogeneration | 2003 | 170 | 100 | 170 | 140 | - | AOSP/ Merchant | 2043 |
| Brighton Beach Windsor, ON | Gas-Fired Combined-Cycle | 2004 | 580 | 50 | 290 | 290 | OPG | Shell Energy | 2024 |
| Poplar Hill Grande Prairie, AB | Gas-Fired Open-Cycle | 1998 | 45 | 100 | 45 | - | - | Merchant / TMR ⁽³⁾ contract | 2020 |
| Valleyview 1, 2 Valleyview, AB | Gas-Fired Open-Cycle | 2001 & 2008 | 90 | 100 | 90 | - | - | Merchant | - |
| Oldman River Pincher Creek, AB | Hydroelectric | 2003 | 32 | 75 | 24 | - | Piikani Nation | Merchant | - |
| Distributed Generation House Mountain, AB | Gas-Fired | 2016 | 6 | 100 | 6 | 6 | - | Cardinal Energy Ltd. | 2026 |
| Distributed Generation Karr, AB | Gas-Fired | 2016 | 3 | 100 | 3 | 3 | - | Various | 2026 |
| Total (A) | | | 3,610 | | 2,300 | 1,569 | | | |

INTERNATIONAL GENERATING PLANTS

| Name & Location | Type | Date In Service | MW ⁽¹⁾ | Ownership (%) | Capacity Share (MW) | Contracted Capacity (MW) | Partner(s) ⁽²⁾ | Customer(s) ⁽²⁾ | Contract Expiry Date |
|--|--------------------------|-----------------|-------------------|---------------|---------------------|--------------------------|---------------------------|----------------------------|----------------------|
| AUSTRALIA | | | | | | | | | |
| Osborne South Australia | Gas-Fired Combined-Cycle | 1998 | 180 | 50 | 90 | 90 | Origin Energy | Origin Electricity | 2018 |
| Karratha Western Australia | Gas-Fired Open-Cycle | 2010 | 86 | 100 | 86 | 86 | - | Horizon Power | 2030 |
| Total - Australia | | | 266 | | 176 | 176 | | | |
| MEXICO | | | | | | | | | |
| Distributed Generation San Luis Potosi | Gas-Fired | 2016 | 11 | 50 | 6 | 6 | Grupo Ranman | Various | 2026 |
| Electricidad del Golfo Veracruz ⁽⁴⁾ | Hydroelectric | 2014 | 35 | 100 | 35 | - | - | Various | - |
| Total - Mexico | | | 46 | | 41 | 6 | | | |
| Total (B) | | | 312 | | 217 | 182 | | | |
| Total (A + B) | | | 3,922 | | 2,517 | 1,751 | | | |

(1) Name plate capacity.

(2) Full names of customers and partners:

- AOSP means Athabasca Oil Sands Project
- BC Hydro means BC Hydro and Power Authority
- Capital Power means Capital Power (Alberta) Limited Partnership
- CNRL means Canadian Natural Resources Limited
- Grupo Ranman means RANMAN Energy Inc.
- Husky Energy means Husky Energy Inc.
- NOVA means NOVA Chemicals Corporation
- OPG means Ontario Power Generation Inc.
- Piikani Nation means Piikani Resource Development Inc.
- Shell Energy means Shell Energy North America (Canada) Inc.
- SPC means SaskPower Corporation
- Spectra Energy means Spectra Energy Corporation
- SPI means SaskPower International Inc.
- TransAlta means TransAlta Corporation
- Origin Electricity means Origin Energy Electricity Limited
- Origin Energy means Origin Energy Limited

(3) TMR means Transmission Must Run and represents an arrangement between a group of generators and the AESO whereby transmission constraints around the location of the facility require the generators to generate a required level of electricity at all times. Compensation is provided to the generators through a TMR contract.

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

APPENDIX 2

AUDIT & RISK COMMITTEE INFORMATION

AUDIT & RISK COMMITTEE MANDATE

PURPOSE

The Audit & Risk Committee (the "Committee") of ATCO Ltd. is responsible for contributing to the effective stewardship of the Corporation by assisting the Board of Directors of the Corporation ("Board") in fulfilling its oversight of:

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

AUTHORITY

The Committee is empowered to:

- determine the public accounting firm to be recommended to the Board for appointment as external auditors, and be directly responsible for the compensation and oversight of the work of the external auditors. The external auditors will report directly to the Committee;
- pre-approve all auditing and permitted non-audit services performed by the Corporation's external auditors;
- conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee, and to communicate directly with the internal and external auditors;
- inspect all the books and records of the Corporation and its subsidiary entities and to discuss such books and records in any manner relating to the financial position and/or risk related issues of the Corporation and its subsidiary entities with the officers, employees and internal and external auditors of the Corporation and its subsidiary entities. All employees are directed to cooperate with the Committee's requests;
- meet with the Corporation's officers, external auditors or outside counsel, as necessary;
- delegate authority, to the extent permitted by applicable legislation and regulation, to one or more designated members of the Committee, including the authority to pre-approve all auditing and permitted non-audit services provided by the Corporation's external auditor.

COMPOSITION

The Board shall elect annually from among its members an Audit & Risk Committee comprised of not less than three directors. Each member of the Committee must be:

- a director of the Corporation;
- independent (within the meaning of sections 1.4 and 1.5 of National Instrument 52-110);
- financially literate (within the meaning of section 1.6 of National Instrument 52-110).

In order to be considered to be independent for the purposes of membership on the Committee, a director must have been determined by the Board to have no direct or indirect material relationship with the Corporation and must satisfy all other applicable legal and regulatory requirements.

The Board will appoint one member of the Committee as Chair. Any member of the Committee may be removed or replaced at any time by the Board, and a member shall cease to be a member of the Committee upon ceasing to be a director of the Corporation or upon ceasing to be independent.

MEETINGS

The Committee shall meet at least four times per year and whenever deemed necessary by the Chair of the Committee or at the request of a Committee member or the Corporation's external or internal auditor. Matters related specifically to Risk Management as described under "Duties and Responsibilities" will be on the agenda for two of the Committee meetings each year.

The chair of the committee shall prepare and/or approve an agenda in advance of each meeting. Reasonable notification of meetings, which may be held in person, by telephone or other communication device, shall be sent to the members of the Committee, the external auditor and any additional attendees as determined by the Chair of the Committee. The external auditor has the right to appear before and be heard at any meeting of the Committee. Meetings will be scheduled to permit timely review of Committee materials. A majority of the Committee will constitute a quorum. Minutes of each meeting will be prepared by the person designated by the Committee to act as secretary and will be kept by the Corporate Secretarial Department.

DUTIES AND RESPONSIBILITIES

Financial and Operating

- Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include: complex or unusual transactions and highly judgmental areas; major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles; and the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.
- Review analyses prepared by management and/or the external auditors, setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including analyses of the effects of new or revised IFRS methods on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the Corporation's annual and interim financial statements, MD&A and earnings press releases and the AIF before the Corporation publicly discloses this information.
- Review reports prepared by Designated Audit Directors regarding any significant items pertaining to year-end financial disclosure documents.
- If delegated by the Board, approve the interim financial statements, interim MD&A and interim earnings press releases before the Corporation publicly discloses this information.
- Recommend to the Board the approval of the Corporation's annual financial statements, AIF and annual MD&A.
- Be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of these procedures.
- Be satisfied that the Corporation has implemented appropriate systems of internal control over financial reporting and that these systems are operating effectively.

External Auditor

- Recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation; and the compensation of the external auditor.
- Be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- Pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the external auditor of the Corporation ("Non-audit Services"). The Committee may delegate to one or more of its members the authority to pre-approve Non-audit Services. All Non-audit Services provided by the external auditor shall be summarized and reported to the Audit & Risk Committee on a cumulative basis for the year at each quarterly meeting.
- The Committee shall adopt and periodically review practices and procedures for the engagement of Non-audit Services that are detailed as to the particular service, that do not include delegation of the Committee's responsibilities to management, and that are designed to manage the pre-approval process and comply with all applicable legal and regulatory requirements.
- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

Internal Auditor

- Be satisfied that the internal audit function has been effectively carried out and the internal auditor has adequate resources.
- Review and approve the annual Audit Plan.

Risk Management

- Understand the principal risks of the Corporation: review and consider with management the Corporation's risk taking philosophy; review and discuss with management the Corporation's risk inventory and related mitigation plans; receive presentations, reports and other information about extraordinary risks, emerging risks and significant trends that could materially affect the Corporation's ability to achieve its strategic objectives; review reports prepared by Designated Audit Directors regarding any significant risks identified by management; review and discuss with management a summary of safety and environmental performance.
- Be satisfied that management has appropriate processes in place to identify, assess, manage and monitor risk.
- Review the Corporation's insurance programs for adequacy annually.

Other

- Ensure that the Corporation has appropriate procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.
- Provide a means for confidential and anonymous submission by employees of the Corporation of concerns regarding accounting or auditing matters.
- Review and reassess annually the adequacy of this mandate and recommend any proposed changes to the Board for approval.
- Review and approve annually the Disclosure Committee, Designated Audit Directors, Internal Audit, Risk Management Committee, and Crisis Management Committee mandates.
- The Committee will inquire into any other matters referred to it by the Board.

REPORTING

The Committee shall report to the Board on such matters and questions relating to the financial position or risk management of the Corporation as the Board may from time to time refer to the Committee. A summary of all meetings will be provided to the Board by the Chair of the Committee. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request. The external auditor and the Vice President, Internal Audit of the Corporation shall report directly to the Committee. The Committee is expected to maintain free and open communication with the Corporation's external auditor, internal auditor and management. This communication shall include private sessions, at least annually, with each of these parties.

COMPOSITION AND RELEVANT EDUCATION AND EXPERIENCE OF THE AUDIT & RISK COMMITTEE

The following are the members of the Corporation's Audit & Risk Committee, all of whom are independent and financially literate:

- M.R.P. Rayfield - Mr. Rayfield was Vice Chair, Investment and Corporate Banking, BMO Capital Markets until 2013. He is a graduate of The Chartered Institute of Bankers in the U.K. and held a series of executive roles in the banking sector during his career. He is also a graduate from the Director Education Program at the Institute of Corporate Directors where he obtained extensive enterprise risk and financial literacy knowledge.
- R.J. Routs - Until his retirement in 2008, Dr. Routs was an Executive Board Member at Royal Dutch Shell plc. Prior to that, he held various senior management positions at Royal Dutch Shell in the U.S., Canada and The Netherlands. Additionally, Dr. Routs has been a member of the Audit and Pension Committees for several public companies. Dr. Routs has substantial experience in the refining and chemical industry with a strong focus on operational safety and sustainable operations to reduce the industry's impact on the environment.
- R.J. Urwin (Chair) - Dr. Urwin has been the Chief Executive Officer of major public companies. He was the Group Chief Executive of National Grid plc from 2001 until his retirement in 2006, and was responsible for compliance with the U.S. Sarbanes-Oxley requirements. Dr. Urwin has been a member of the Audit Committees of a number of U.K. public companies.
- C.W. Wilson - Mr. Wilson was President and Chief Executive Officer of Shell Canada from 1993 to 1999, through which he directly supervised a CFO, and Executive Vice President, U.S. Downstream Oil and Chemical of Shell Oil Corporation from 1988 to 1993. Prior to 1988, he was Vice President U.S. Refining and Marketing of Shell Oil Corporation and held various positions in the domestic and international natural resource operations of Shell. As the former Head of the Environment Committee of the Canadian Association of Petroleum Producers, Mr. Wilson was actively involved in climate change matters and emerging regulatory policies related to the petroleum industry. Mr. Wilson has also been a member of five different Canadian Corporations' Audit Committees in the past.

PRE-APPROVAL PROCEDURES

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

The engagement of the external auditor for a range of services defined in the procedure has been pre-approved by the Audit & Risk Committee. If an engagement of the external auditor is contemplated for a particular service that is neither prohibited nor covered under the range of pre-approved services, such engagement must be pre-approved. The Audit & Risk Committee has delegated the authority to grant such pre-approval to the Chairman of the Audit & Risk Committee.

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

EXTERNAL AUDITOR SERVICE FEES

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

| (\$ Millions) | 2017 | 2016 |
|-----------------------------------|------------|------------|
| Audit fees ⁽¹⁾ | 4.2 | 3.6 |
| Audit-related fees ⁽²⁾ | 0.1 | - |
| Tax fees ⁽³⁾ | 0.4 | 0.2 |
| Total | 4.7 | 3.8 |

(1) Audit fees are the aggregate professional fees paid to the external auditor for the audit of the annual consolidated financial statements and other regulatory audits and filings.

(2) Audit related fees are the aggregate fees paid to the external auditor for services related to special purpose audits and audit services including consultations regarding IFRS.

(3) Tax fees are the aggregate fees paid to the external auditor for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and sales tax returns.