CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2015

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2015 FIRST QUARTER FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2015

TABLE OF CONTENTS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2015

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of Canadian Utilities Limited (the Company) during the three months ended March 31, 2015.

This MD&A was prepared as of April 28, 2015 and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2015. Additional information, including the Company's previous MD&A (2014 MD&A), the Annual Information Form (2014 AIF) and the audited consolidated financial statements for the year ended December 31, 2014, is available on SEDAR at www.sedar.com. Information contained in the 2014 MD&A is not discussed if it remains substantially unchanged.

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

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

TABLE OF CONTENTS

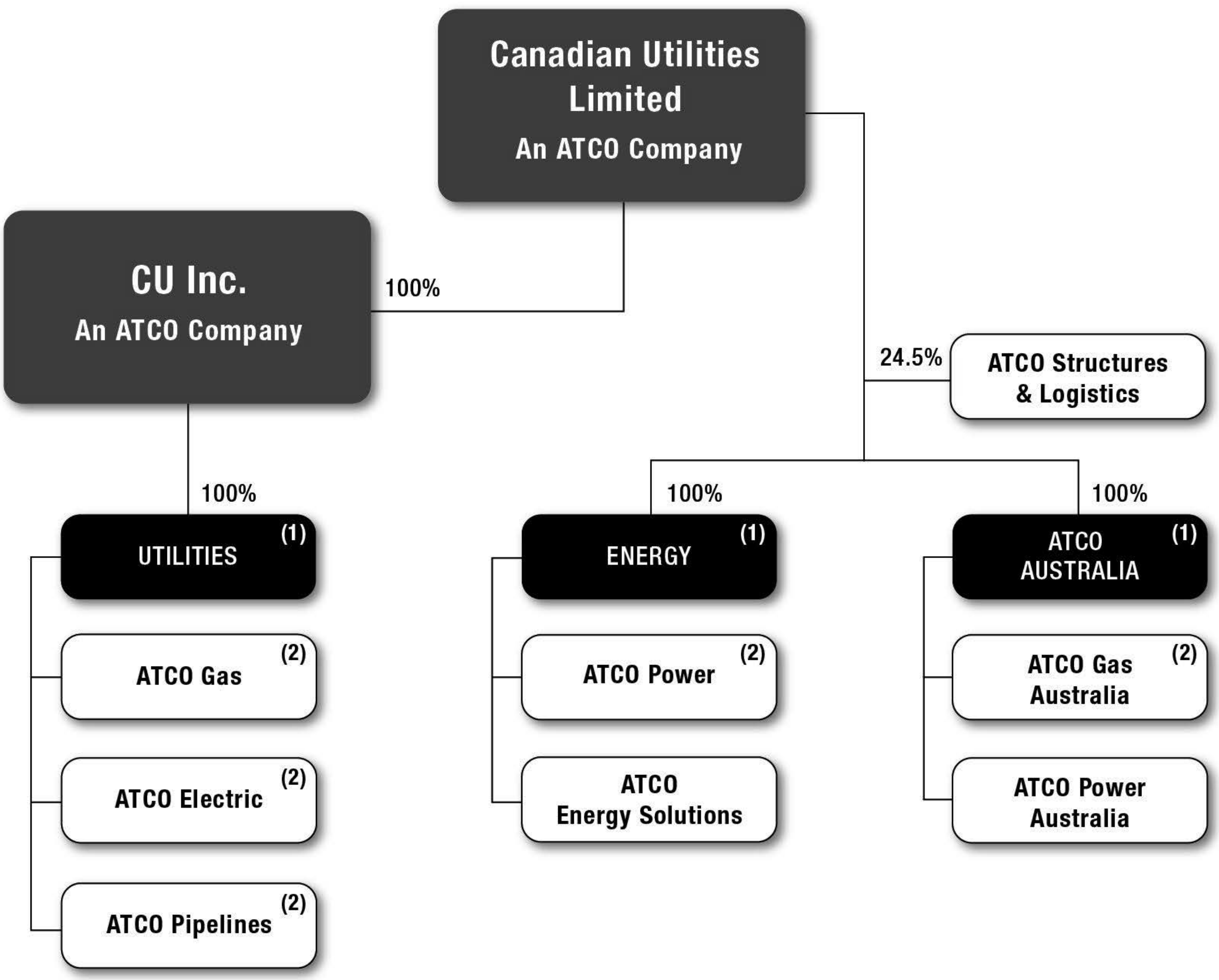
COMPANY OVERVIEW

With more than 6,800 employees and assets of approximately $17 billion, Canadian Utilities Limited, an ATCO company, is a diversified global corporation delivering service excellence and innovative business solutions through leading companies engaged in Utilities (pipelines, natural gas and electricity transmission and distribution) and Energy (power generation and sales, industrial water infrastructure, natural gas gathering, processing, storage and liquids extraction). More information can be found at www.canadianutilities.com.

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

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

SIMPLIFIED ORGANIZATIONAL STRUCTURE



(1) Descriptions of segment business activities are provided in the Segmented Information section of this MD&A.

(2) Regulated operations include ATCO Gas, ATCO Electric, ATCO Pipelines, ATCO Gas Australia and the Battle River unit 5 and Sheerness generating plants of ATCO Power.

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended March 31		
($ millions, except per share data and outstanding shares)	**2015**	**2014**	**Change**
Key Financial Metrics			
Adjusted earnings	**130**	186	(56)
Utilities	**116**	139	(23)
Energy	**11**	33	(22)
ATCO Australia	**12**	8	4
Corporate & Other	**(8)**	5	(13)
Intersegment Eliminations	**(1)**	1	(2)
Revenues	**918**	1,017	(99)
Operating costs	**499**	534	(35)
Earnings attributable to equity owners of the Company	**174**	221	(47)
Capital expenditures (including capitalized interest)	**390**	546	(156)
Cash dividends declared per Class A and Class B share (cents per share)	**29.50**	26.75	2.75
Funds generated by operations	**452**	517	(65)
Other Financial Metrics			
Earnings per Class A and Class B share *($)*:			
Basic	**0.61**	0.80	(0.19)
Diluted	**0.61**	0.80	(0.19)
Weighted average Class A and Class B shares outstanding *(thousands):*			
Basic	**263,599**	260,856	2,743
Diluted	**264,437**	261,739	2,698

ADJUSTED EARNINGS

The Company's adjusted earnings were $130 million in the first quarter of 2015 compared to $186 million in the same period of 2014. Primary drivers of this decrease were as follows:

- Utilities - Adjusted earnings were $116 million in the first quarter of 2015 compared to $139 million in the first quarter of 2014. The Alberta Utilities Commission's (AUC) 2013 Generic Cost of Capital (GCOC) decision and Performance Based Regulation (PBR) Capital Tracker (Capital Tracker) decisions resulted in a reduction of adjusted earnings of $46 million for the period covering January 1, 2013 to March 31, 2015. Of this amount, only $7 million related to the first quarter of 2015 and $39 million related to 2013 to 2014. Without the prior-period amounts related to the decisions, adjusted earnings in the Utilities for the first quarter were $155 million compared to $133 million in the same period of 2014. Higher earnings resulting from growth in rate base were partially offset by the lower recovery of costs due to the timing of ATCO Electric Transmission's interim rate application. The Company expects a decision on this interim rate application in the second quarter of 2015.
- Energy - Adjusted earnings for the first quarter of 2015 were $11 million compared to $33 million in the first quarter of 2014. The decrease was primarily the result of lower Alberta Power Pool prices and reduced spark spreads, which averaged $29.03/MWh and $9.38/MWh, respectively, in the period, compared to $60.60/MWh and $20.83/MWh, respectively, in the first quarter of 2014. Lower natural gas liquids (NGL) frac spreads and lower natural gas storage fees also contributed to decreased earnings. In the first quarter of 2015, average industry frac spreads were $4.74/GJ compared to $12.65/GJ in the same period of 2014. The Company expects improved availability at its Regulated Power Plants after completing planned maintenance outages in the first and second quarters of 2015, and is implementing various cost reduction initiatives in response to these challenging market conditions.

Earnings performance for the Company's other segments is discussed in the Segmented Information section.

REVENUES

Revenues in the first quarter of 2015 were $918 million, $99 million lower than the same period of 2014 mainly due to an $82 million decrease in the Energy segment revenues. This was mainly due to lower NGL revenue resulting from lower frac spreads, lower storage revenues and lower revenues in the Company's power generation business as a result of lower Alberta Power Pool prices.

OPERATING COSTS

Operating costs in the first quarter of 2015 were $499 million, $35 million lower than the same period of 2014 due to reduced activity levels in some business segments and the Company's cost reduction initiatives in response to challenging market conditions. During 2015, the Company will continue to focus on operational efficiencies to further minimize costs.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were $174 million in the first quarter of 2015 compared to $221 million for the same period in 2014. This decrease follows the reduction in adjusted earnings.

Earnings attributable to equity owners of the Company include one-time gains and losses, significant impairments and timing adjustments related to rate-regulated activities that were not included in adjusted earnings. More information on these items is available in the "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" section in this MD&A.

CAPITAL EXPENDITURES

Total capital expenditures in the first quarter of 2015 were $390 million. The Utilities accounted for $311 million of this quarter's capital spending, with the remaining expenditures spread across the Company's other business segments.

The majority of the Utilities' expenditures were in the transmission operations of ATCO Electric and were predominantly for AESO direct-assigned projects. Reduced capital expenditures in the first quarter of 2015 are mainly related to the Eastern Alberta Transmission Line (EATL) as the project nears completion.

DIVIDENDS

On April 16, 2015, the Board of Directors declared a second quarter dividend of 29.50 cents per share. This represents a 10 per cent increase on dividends declared in the same period of last year. Dividends paid to Class A and Class B share owners in the first quarter of 2015 totaled $54 million.

The Company has increased its common share dividend each year since 1972. In each of the last four years, the Company has increased its quarterly dividend by 10 per cent.

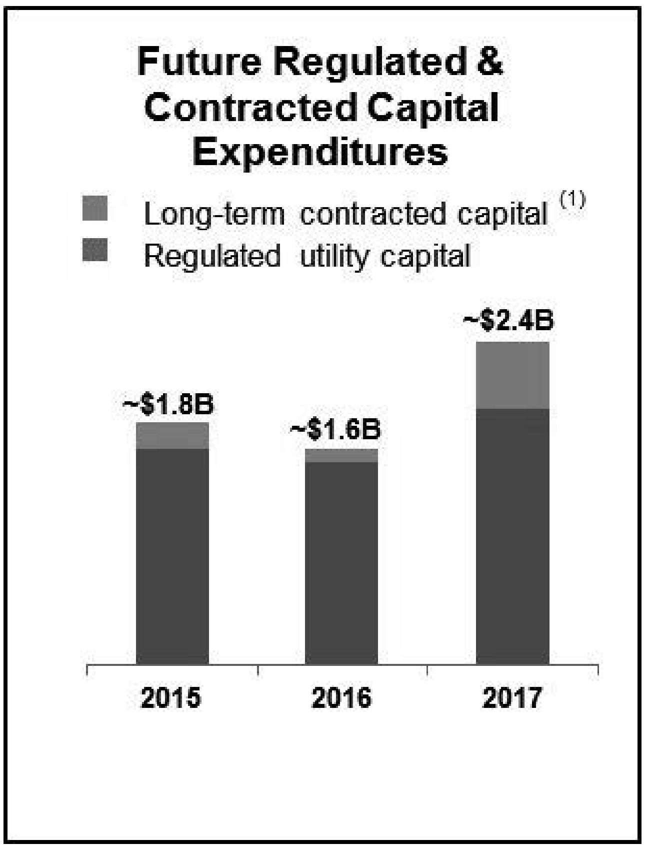
RECENT DEVELOPMENTS IN THE FIRST QUARTER OF 2015

In the 2015 to 2017 period, the Company is investing an additional $5.8 billion in regulated utility and commercially secured capital growth projects.

This investment includes $5.1 billion of planned capital expenditures in the regulated utilities. ATCO Electric is planning to invest $3.1 billion, including $1.2 billion related to projects directly assigned from the Alberta Electric System Operator (AESO) to meet the needs it has identified to reinforce and expand Alberta’s electricity transmission system. ATCO Gas, ATCO Pipelines and ATCO Gas Australia are planning to invest $2 billion from 2015 to 2017.

In addition to capital expenditures in the regulated utilities, the Company intends to invest a further $700 million in long-term contracted capital from 2015 to 2017. Of this $700 million, $500 million is planned capital investment in the Fort McMurray West 500-kilovolt (kV) Transmission Project (Fort McMurray 500 kV Project) and $200 million is planned capital investment in contracted hydrocarbon storage and industrial water infrastructure in Alberta and a natural gas pipeline in Mexico. the Company also continues to pursue various business development opportunities with long-term potential such as the Tula cogeneration power plant in Mexico, which is not included in these capital growth expenditures.

Total capital expenditures in support of the Company's ongoing capital growth program were $390 million in the first quarter of 2015, of which $311 million was in the Utilities segment.



(1) Includes the Company's proportionate share of investments in partnership interests.

Notable recent developments in the Utilities, Energy and Corporate segments include:

Utilities

Regulatory Update

In March 2015, the Company received the AUC's GCOC decision. The decision established the return on equity (ROE) and deemed common equity ratios for the Utilities for 2013 to 2015. The ROE was set at 8.3 per cent for each of 2013, 2014 and 2015, which is a reduction from the 8.75 per cent previously approved. The GCOC decision also reduced the Utilities' deemed common equity ratios by 1 per cent from what was previously approved. These rates will remain in place on an interim basis for 2016 and subsequent years unless otherwise directed by the AUC.

Also during March 2015, the Company received the AUC's Capital Tracker decisions for 2013 to 2015. These decisions included approval of incremental funding for substantially all of the Company's applied for Capital Tracker programs. However, due to the AUC requiring the Utilities to use the actual cost of debt in the rate determinations, which was lower than the forecast cost of debt that was previously being used, there was a one-time adjustment to first quarter 2015 earnings for amounts previously recognized for 2013 and 2014.

Further details regarding the financial impact of these regulatory decisions is discussed in the Utilities Segmented Information section.

Energy

Hydrocarbon Storage

ATCO Energy Solutions, in partnership with Petrogas Energy Corp., 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. Construction is underway with commercial operation of the first two caverns targeted for the second quarter of 2016 and the two remaining caverns are expected to be completed by the second quarter of 2017.

Industrial Water

In the first quarter of 2015, construction continued on two industrial water projects in Alberta's Industrial Heartland region. The North West Redwater Partnership project and the Air Products Canada Ltd. project are both expected to be in operation in late 2015.

Corporate & Other

Tula Pipeline

In October 2014, Canadian Utilities signed a 25-year Transportation Services Agreement with the Comisión Federal De Electricidad (CFE) to design, build and operate a USD $50 million, 16 km natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. Canadian Utilities has completed applications for all required permits. The pipeline is expected to be in-service later in the year.

Fort McMurray 500 kV Project

In December 2014, Alberta PowerLine (APL) was awarded a 35-year, $1.4 billion contract by the AESO for the Fort McMurray 500 kV Project.

The majority of the project activities to date have centered on stakeholder consultations. APL has completed all planned open houses and has begun consultation efforts with individual landowners, municipalities, industrial companies, government agencies and First Nations. APL plans to file its Facilities Application with the AUC by the end of 2015 and, if approved, construction is expected to commence in 2017 with an expected in-service date in 2019.

SEGMENTED INFORMATION

Utilities

The Utilities' activities are conducted through four regulated businesses within western and northern Canada: ATCO Electric Distribution, ATCO Electric Transmission, ATCO Gas, and ATCO Pipelines.

REVENUES

Revenues in the Utilities were $8 million higher in the first quarter of 2015 compared to the first quarter of 2014 mainly as a result of growth in rate base, higher rates in the distribution utilities under PBR, and higher 2015 interim rates in ATCO Pipelines. These were partially offset by lower revenues resulting from warmer weather.

ADJUSTED EARNINGS

Adjusted earnings for each of the Utilities are shown in the table below.

	Three Months Ended March 31		
($ millions)	**2015**	**2014**	**Change**
ATCO Electric Distribution	**18**	28	(10)
ATCO Electric Transmission	**27**	42	(15)
ATCO Gas	**63**	59	4
ATCO Pipelines	**8**	10	(2)
Total Utilities	**116**	139	(23)

In the first quarter of 2015, adjusted earnings generated by the Utilities of $116 million were $23 million lower than the same period of 2014. The Utilities recorded lower adjusted earnings in the first quarter of 2015 due to prior year adjustments associated with the AUC's GCOC and Capital Tracker decisions. These decisions cover the periods 2013 to 2015.

The GCOC decision reduced first quarter adjusted earnings by $36 million. Of this amount, only $5 million related to the first quarter of 2015 and $31 million related to prior years. The Capital Tracker decisions reduced first quarter earnings by $10 million, $8 million of which related to 2013 and 2014.

Without the prior year amounts related to the GCOC and Capital Tracker decisions, adjusted earnings were $22 million higher than the first quarter of 2014.

To facilitate comparison to the prior year, adjusted earnings for each of the Utilities, excluding the 2013 and 2014 impacts of the GCOC and Capital Tracker decisions, are presented below. The first quarter 2014 earnings in the table below have also been restated to remove the first quarter 2014 impact of the GCOC and Capital Tracker decisions.

	Three Months Ended March 31		
($ millions)	**2015**	**2014**	**Change**
ATCO Electric Distribution	**28**	26	2
ATCO Electric Transmission	**45**	40	5
ATCO Gas	**70**	58	12
ATCO Pipelines	**12**	9	3
Total Utilities	**155**	133	22

More detailed information about the activities and financial results of the Utilities businesses is provided in the following sections.

ATCO ELECTRIC

ATCO Electric and its subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), transmit and distribute electricity mainly in northern and central east Alberta, the Yukon and the Northwest Territories. Its service territory includes the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

ATCO Electric Distribution

ATCO Electric Distribution's adjusted earnings, excluding the prior period impacts of the GCOC and Capital Tracker decisions, of $28 million in the first quarter of 2015 were $2 million higher when compared to the same period of 2014. Increased earnings for the period resulted from growth in rate base partially offset by lower demand for energy.

ATCO Electric Transmission

ATCO Electric Transmission's adjusted earnings, excluding the prior period impacts of the GCOC decision, were $45 million in the first quarter of 2015, $5 million higher than the same period of 2014. Higher earnings resulting from growth in rate base were partially offset by the lower recovery of costs due to the timing of the interim rate application relating to the 2015 - 2017 General Tariff Application. ATCO Electric Transmission filed its interim rate application in April and expects a decision in the second quarter of 2015.

ATCO GAS

ATCO Gas distributes natural gas throughout Alberta and in the Lloydminster area of Saskatchewan. It services municipal, residential, business and industrial customers.

Adjusted earnings in ATCO Gas, excluding the prior period impacts of the GCOC and Capital Tracker decisions, were $70 million in the first quarter of 2015, an increase of $12 million compared to the same period of 2014. Increased earnings for the period resulted from growth in both rate base and customers, and operations and maintenance cost savings.

ATCO PIPELINES

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

Adjusted earnings in ATCO Pipelines, excluding the prior period impact of the GCOC decision, were $12 million in the first quarter of 2015, $3 million higher than the same period in 2014. Increased earnings for the period resulted from growth in rate base.

MAJOR CAPITAL EXPENDITURE PROJECT UPDATES

The Utilities invested $311 million during the first quarter of 2015. The largest capital expenditures were in the transmission operations of ATCO Electric. The AESO has identified the need for major reinforcement and expansion of the electricity transmission system in Alberta, and ATCO Electric is dedicated to improving Alberta’s electrical system through responsible transmission development. Reduced Utilities capital spending in the first quarter of 2015 compared to the same period in 2014 is primarily related to the EATL project as it nears completion.

The estimated total capital spend for the Utilities in 2015 remains at approximately $1.5 billion. The Company plans to invest $4.8 billion in capital expenditures in the Utilities during the period 2015 to 2017.

Eastern Alberta Transmission Line (EATL) Project

This 500 kV high voltage direct-current transmission line, with associated converter stations and facilities, extends approximately 485 km along a corridor on the east side of the province of Alberta between Edmonton and Calgary. All line construction activities were complete by the end of the first quarter 2015 with an expected in-service-date by the end of 2015.

REGULATORY DEVELOPMENTS

PBR Capital Tracker (K Factor) Applications

The K Factor is a mechanism included in the PBR regulatory model to allow the Company to recover capital expenditures that meet certain criteria and are not recoverable through the base PBR formula. Final decisions for the 2013, 2014 and 2015 Capital Tracker applications were received in the first quarter of 2015. These decisions included approval of incremental funding for substantially all of the Company's applied for Capital Tracker programs. However, due to the AUC requiring the Utilities to use the actual cost of debt in the rate determinations, which was lower than the forecast cost of debt that was previously being used, there was a one-time adjustment to first quarter 2015 earnings for amounts previously recognized for 2013 and 2014.

Generic Cost of Capital (GCOC)

In 2014, the AUC held a proceeding to review cost of capital matters, including capital structure and ROE for 2013 and 2014. In March 2015, the Company received the AUC 2013 GCOC decision. The decision established the ROE and deemed common equity ratios for the Utilities for 2013 to 2015. The ROE was set at 8.3 per cent for each of 2013, 2014 and 2015, which is a reduction from the 8.75 per cent previously approved. The GCOC decision also reduced the Utilities' deemed common equity ratios by one per cent from what was previously approved. These rates will remain in place on an interim basis for 2016 and subsequent years, unless otherwise directed by the AUC.

The following table compares the ROE and deemed common equity ratios resulting from the 2011 and 2013 GCOC decisions. For ATCO Electric Distribution and ATCO Gas, the 2013 GCOC decision only applies to the K Factor mechanism and does not apply to the base PBR formula.

		Rate of Return on Common Equity (%) [1]	Common Equity Ratio (%) [2]
ATCO Electric Distribution	2011 Decision	**8.75%** [3]	**39.0%** [3]
	2013 Decision	**8.30%** [4]	**38.0%** [4]
ATCO Electric Transmission	2011 Decision	**8.75%** [3]	**37.0%** [3]
	2013 Decision	**8.30%** [4]	**36.0%** [4]
ATCO Gas	2011 Decision	**8.75%** [3]	**39.0%** [3]
	2013 Decision	**8.30%** [4]	**38.0%** [4]
ATCO Pipelines	2011 Decision	**8.75%** [3]	**38.0%** [3]
	2013 Decision	**8.30%** [4]	**37.0%** [4]

(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 rate of return on common equity and common equity ratio was an interim rate based on the last AUC Generic Cost of Capital decision of December 8, 2011.

(4) The AUC released its final Generic Cost of Capital decision for the periods 2013 to 2015 on March 23, 2015.

2015 to 2017 General Tariff Application

In March 2015, ATCO Electric Transmission filed a general tariff application for its operations for 2015, 2016 and 2017. The application requests, among other things, additional revenues to recover higher depreciation, operating costs and financing associated with increased rate base in Alberta.

Energy

Energy's activities are conducted through ATCO Power and ATCO Energy Solutions.

REVENUES

Energy segment revenues of $204 million in the first quarter of 2015 were $82 million lower than the same period of 2014. This was primarily due to lower NGL revenue resulting from lower frac spreads, lower storage revenues and lower revenues in the power generation business as a result of lower Alberta Power Pool prices.

ADJUSTED EARNINGS

Adjusted earnings for ATCO Power and ATCO Energy Solutions are shown in the table below.

	Three Months Ended March 31		
($ millions)	**2015**	**2014**	**Change**
ATCO Power			
Independent Power Plants	**1**	14	(13)
Regulated Power Plants	**13**	11	2
Total ATCO Power	**14**	25	(11)
ATCO Energy Solutions			
Storage Operations	**–**	2	(2)
NGL Extraction and Gas Gathering & Processing	**–**	8	(8)
Other Operations	**(3)**	(2)	(1)
Total ATCO Energy Solutions	**(3)**	8	(11)
Total Energy	**11**	33	(22)

Energy segment adjusted earnings of $11 million for the first quarter of 2015 were $22 million lower than the first quarter of 2014. The decrease was primarily a result of lower realized Alberta Power Pool prices and reduced spark spreads in ATCO Power, and lower frac spreads and storage fees in ATCO Energy Solutions. Lower adjusted earnings also reflected continued investment in business development at ATCO Power, including the pursuit of various project opportunities in growth markets with long-term potential. The Company expects improved availability at its Regulated Power Plants after completing planned maintenance outages in the first and second quarters of 2015, and is implementing various cost reduction initiatives in response to these challenging market conditions.

Detailed information about the activities and financial results of ATCO Power and ATCO Energy Solutions is provided in the following sections.

ATCO POWER

ATCO Power’s businesses include the regulated and non-regulated supply of electricity from natural gas, coal-fired and hydroelectric generating plants in western Canada and Ontario.

Generating Plant Availability

ATCO Power's generating availability in Alberta is shown below.

	Three Months Ended March 31		
	2015	**2014**	**Change**
Independent Power Plants (1)	**98%**	95%	3%
Regulated Power Plants (1) (2) (3)	**81%**	97%	(16%)

(1) Generating plant capacity fluctuates with the timing and duration of outages.
(2) The Sheerness 1 generating plant commenced and completed a major planned maintenance outage in the first quarter of 2015.
(3) The Battle River 5 generating plant commenced a major planned maintenance outage in March of 2015 and is expected to be completed in the second quarter of 2015.

Generating plant availability was lower for the Regulated Power Plants of ATCO Power in the first quarter of 2015 compared to the same period in 2014 due to planned outages in 2015, which did not occur in the first quarter of 2014. Regulated Power Plant availability is expected to improve through 2015 due to the expected completion of the planned maintenance outages in the first and second quarters of this year.

Independent Power Plants

Adjusted earnings in the first quarter of 2015 from Independent Power Plants were $13 million lower than the same period in 2014. The financial results for Independent Power Plants were significantly impacted by lower Alberta Power Pool prices, reduced spark spreads and price volatility, partially offset by realized gains on financial forward contracts. The reduced pool price and price volatility was primarily attributable to the increased supply of electricity in the Alberta market.

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the three months ended March 31, 2015 and 2014, are shown in the table below.

		Three Months Ended March 31	
	2015	**2014**	**Change**
Average Alberta Power Pool electricity price *($/MWh)*	**29.03**	60.60	(52%)
Average natural gas price *($/GJ)*	**2.62**	5.30	(51%)
Average spark spread *($/MWh)*	**9.38**	20.83	(55%)

Regulated Power Plants

The electricity generated by the Battle River 5 and Sheerness plants is sold through PPA. Under the PPA, 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 for that unit from the PPA purchaser.

Earnings from the Regulated Power Plants, which are governed by the PPA, were comparable to the first quarter of 2014. Higher operating expenses related to the planned maintenance outages conducted in the first quarter of 2015 were offset by revenues from the amortization of accumulated incentives associated with PPA arrangements.

ATCO ENERGY SOLUTIONS

ATCO Energy Solutions' businesses include non-regulated natural gas gathering, processing, storage and transmission, natural gas liquids extraction, electricity transmission and industrial water services.

Adjusted earnings in the first quarter of 2015 were $11 million lower than the same period in 2014. This decrease was mainly the result of lower NGL frac spreads. In the first quarter of 2015, average industry frac spreads were $4.74/GJ compared to $12.65/GJ in the same period of 2014. Frac spreads were lower than normal due to significantly weak commodity pricing and warmer weather. In addition, earnings decreased as a result of lower natural gas storage fees primarily due to warmer weather.

ATCO Energy Solutions has entered into an agreement to sell excess natural gas which will generate approximately $10 million in adjusted earnings. These earnings will be realized in the fourth quarter of 2015.

Major Project Updates

Hydrocarbon Storage

ATCO Energy Solutions, in partnership with Petrogas Energy Corp., 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 percent partnership interest.

Construction is underway with commercial operation for the first two caverns targeted for the second quarter of 2016 and the two remaining caverns are expected to be completed by the second quarter of 2017.

Industrial Water

In the first quarter of 2015, construction continued on two industrial water projects in Alberta's Industrial Heartland region. These projects will provide essential water transportation services and other value benefits to customers in the area. The North West Redwater Partnership project and the Air Products Canada Ltd. project are both expected to be in operation and contributing to earnings in late 2015.

ATCO Australia

The ATCO Australia segment consists of two distinct business operations: ATCO Gas Australia and ATCO Power Australia.

REVENUES

Revenues for the first quarter of 2015 were $55 million, or $4 million lower than the same period in 2014. The decrease was mainly due to lower flow-through recovery of carbon taxes, partially offset by higher customer rates from continuing capital investment in utility infrastructure and customer growth.

ADJUSTED EARNINGS

Adjusted earnings for ATCO Australia are shown in the table below.

	Three Months Ended March 31		
($ millions)	**2015**	**2014**	**Change**
ATCO Gas Australia	**7**	3	4
ATCO Power Australia	**7**	7	–
Other (1)	**(2)**	(2)	–
Total ATCO Australia	**12**	8	4

(1) Other includes ATCO I-Tek Australia to mid-August 2014 and ATCO Australia's corporate office.

Detailed information about the activities and financial results of ATCO Australia is provided below.

ATCO GAS AUSTRALIA

ATCO Gas Australia is a regulated provider of natural gas distribution services in Western Australia. It serves metropolitan Perth and surrounding regions.

ATCO Gas Australia's adjusted earnings of $7 million in the first quarter of 2015 were $4 million higher than the first quarter of 2014 primarily due to interest savings related to the Company's refinancing of its long-term debt at favourable rates, continued growth in rate base, and savings due to cost reduction initiatives.

ATCO Gas Australia continues to recognize earnings based on the rates approved in the Economic Regulatory Authority's (ERA) approved Access Arrangement relating to January 1, 2010 to July 1, 2014. The ERA is expected to publish its Final Decision in the second quarter of 2015 regarding the Access Arrangement for the period July 1, 2014 to December 31, 2019.

ATCO POWER AUSTRALIA

ATCO Power Australia supplies electricity from three natural gas-fired generation plants in Adelaide, South Australia; Brisbane, Queensland; and Karratha, Western Australia. Additionally, the Bulwer Island plant in Brisbane provides co-generation steam. As a result of British Petroleum's (BP) announcement to close its Brisbane oil refinery in mid-2015, the Bulwer Island plant is expected to close in the second quarter of 2015.

Adjusted earnings for ATCO Power Australia were comparable in the first quarter of 2015.

Availability of the plants can affect ATCO Power Australia Earnings. Availability fluctuates with timing and duration of outages. Availability in the first quarter of 2015 of 97.2 per cent and was comparable to the same period of 2014.

Corporate & Other

The Corporate & Other segment includes the strategic growth investments in long-term contracted electricity transmission infrastructure in Alberta and geographical expansion into Mexico as well as the Company's 24.5 per cent share of ATCO Structure & Logistics. In addition, the segment includes the commercial real estate owned by the Company in Alberta and also included ATCO I-Tek until August 2014. ATCO I-Tek was sold by the Company in August 2014 to Wipro Ltd., a global information technology, consulting and business process services company.

Corporate and other adjusted earnings in the first quarter of 2015 were $13 million lower than the same period in 2014. The decreased earnings resulted from forgone earnings due to the sale of ATCO I-Tek in the third quarter of 2014. In addition, the Company recognised lower ATCO Structures & Logistics earnings primarily as a result of reduced projects activity quarter-over-quarter. The reduced earnings were partially offset by lower corporate office costs.

MAJOR PROJECT UPDATES

Long-Term Contracted Electricity Transmission - Fort McMurray 500 kV Project

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

The majority of the project activities to date have centered on stakeholder consultations. APL has completed all planned open houses and has begun consultation efforts with individual landowners, municipalities, industrial companies, government agencies and First Nations. APL has also begun consultation activities with seven of the 13 First Nations that APL has been directed by the Government of Alberta’s Aboriginal Consultation Office (ACO) to consult with.

APL has engaged consultants to undertake environmental field studies and historical resource assessments for the project. This work began in mid-March and will continue over the next several months culminating in the necessary third party reports to be included in APL’s Facilities Application to the AUC, which is anticipated to be filed with the AUC by the end of 2015. If the Facilities Application is approved, construction is expected to commence in 2017 and the project is anticipated to be in service in 2019.

Mexico

In October 2014, Canadian Utilities was named the successful bidder by the Comisión Federal De Electricidad (CFE) to design, build and operate a natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. In respect of that award, Canadian Utilities signed a 25-year Transportation Services Agreement with the CFE to provide the natural gas transportation services requested in the tender. Canadian Utilities will be responsible for the design and construction of the 16 km pipeline that will transport natural gas to fuel the existing Francisco Pérez Rios power plant near Tula. The cost of the pipeline is estimated at USD $50 million. Canadian Utilities has completed applications for all required permits. The pipeline is expected to be in-service later in the year.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the three months ended March 31, 2015 and 2014, is given below.

	Three Months Ended March 31		
($ millions)	**2015**	**2014**	**Change**
Operating costs	**499**	534	(35)
Earnings from investment in joint ventures	**6**	5	1
Depreciation, amortization and impairment	**123**	119	4
Net finance costs	**71**	74	(3)
Income taxes	**56**	73	(17)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, decreased by $35 million in the first quarter of 2015. Lower expenses resulted from reduced activity levels in the Energy segment, as well as the Company's cost reduction initiatives in response to challenging marketing conditions. These savings were partially offset by higher plant and equipment maintenance costs in ATCO Power as a result of the major planned maintenance outages at its generating plants in the first quarter of 2015.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures were comparable to the same period of 2014.

DEPRECIATION AND AMORTIZATION

In the first quarter of 2015, depreciation and amortization expense increased by $4 million compared to the same period in 2014. The increased expense was mainly due to the ongoing significant capital investment program in the Utilities.

NET FINANCE COSTS

Net finance costs decreased by $3 million for the first quarter of 2015 as a result of lower finance costs in ATCO Australia due to its strategic refinancing at favourable rates. These lower costs were partially offset by higher interest expense for incremental debt raised in 2014 to fund the Utilities' significant capital investment program.

INCOME TAXES

Income taxes decreased by $17 million in the first quarter of 2015, which primarily reflected the lower earnings before income-taxes year-over-year.

LIQUIDITY AND CAPITAL RESOURCES

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

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

LINES OF CREDIT

At March 31, 2015, the Company and its subsidiaries had the following lines of credit:

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,235**	634	1,601
Uncommitted	**53**	–	53
Total	**2,288**	634	1,654

Of the $2,288 million in total credit lines, $53 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,235 million in credit lines were committed, with $600 million maturing in 2016. The remaining lines of credit mature between 2017 and 2019 and may be extended at the option of the lenders.

The majority of the $634 million of credit line usage was associated with ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. Credit lines for ATCO Gas Australia are provided by Australian banks, with the majority of all other credit lines provided by Canadian banks.

CONSOLIDATED CASH FLOW

At March 31, 2015, the Company’s cash position was $413 million, an increase of $66 million since December 31, 2014. The main drivers for the increase are earnings achieved in the period, and receipt of customer contributions, which are provided as payment in advance for future utility services, partly offset by cash used for capital expenditures.

Funds generated by operations

Funds generated by operations for the first quarter of 2015 of $452 million were $65 million lower than the same period in 2014. The decrease was mainly the result of reduced earnings, partly offset by increased customer contributions.

Cash used for capital expenditures

Cash used for capital expenditures in the first quarter of 2015 was $390 million compared to $546 million in the same period of 2014. This $156 million decrease was primarily due to reduced spending on EATL as the project nears completion, partly offset by increased expenditures for the Tula Pipeline in the Corporate & Other segment.

Capital Expenditures

($ millions) [1]	Three Months Ended March 31 2015	2014	Change
Electric Transmission	**133**	329	(196)
Electric Distribution	**91**	80	11
Gas Distribution	**57**	56	1
Pipeline Transmission	**30**	41	(11)
Energy	**29**	15	14
ATCO Australia	**16**	18	(2)
Corporate & Other	**34**	7	27
Total	**390**	546	(156)

(1) Includes additions to property, plant and equipment and intangibles as well as $24 million (2014 - $19 million) of interest capitalized during construction for the three months ended March 31, 2015.

Base Shelf Prospectuses

CU Inc. Debentures

On July 24, 2014, the Company's subsidiary, CU Inc., filed a base shelf prospectus that permits it to issue up to an aggregate of $2.6 billion of debentures over the 25-month life of the prospectus. As of April 27, 2015, aggregate issuances of debentures were $1.2 billion.

Debt Securities and Preferred Shares

On December 4, 2013, the Company filed a base shelf prospectus that permits it to issue up to an aggregate of $2 billion of debt securities and preferred shares over the 25-month life of the prospectus. No debt securities or preferred shares have been issued to date under this base shelf prospectus.

Dividends

The Company has increased its common share dividend each year since 1972. In each of the last four years, the Company has increased its quarterly dividend by 10 per cent. Dividends paid to Class A and Class B share owners in the first quarter of 2015 totaled $54 million. On April 16, 2015, the Board of Directors declared a second quarter dividend of 29.50 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on the Company's financial condition and other factors.

10% increase in quarterly dividend for the fourth consecutive year

Dividend Reinvestment Plan

In the first quarter of 2015, the Company issued 606,255 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $25 million.

SHARE CAPITAL

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

At April 27, 2015, the Company had outstanding 189,372,262 Class A shares, 75,164,235 Class B shares, and options to purchase 1,040,450 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

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

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

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

Of the 12,800,000 Class A shares authorized for grant of options under the Company's stock option plan, 5,449,150 Class A shares were available for issuance at March 31, 2015. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2013, through March 31, 2015. Per share amounts have been restated to reflect the two-for-one share split that occurred in the second quarter of 2013.

($ millions except for per share data)	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Revenues	856	802	925	**918**
Earnings attributable to equity owners of the Company	115	224	151	**174**
Earnings per Class A and Class B share *($)*	0.39	0.81	0.52	**0.61**
Diluted earnings per Class A and Class B share *($)*	0.39	0.80	0.53	**0.61**
Adjusted earnings				
Utilities	52	89	129	**116**
Energy	13	21	32	**11**
ATCO Australia	13	17	13	**12**
Corporate & Other	7	(5)	8	**(9)**
Total adjusted earnings	85	122	182	**130**

($ millions except for per share data)	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Revenues	845	755	905	**1,017**
Earnings attributable to equity owners of the Company	160	127	117	**221**
Earnings per Class A and Class B share *($)*	0.57	0.45	0.40	**0.80**
Diluted earnings per Class A and Class B share *($)*	0.57	0.44	0.40	**0.80**
Adjusted earnings				
Utilities	57	60	95	**139**
Energy	56	38	29	**33**
ATCO Australia	10	9	16	**8**
Corporate & Other	8	5	9	**6**
Total adjusted earnings	131	112	149	**186**

The financial results for the previous eight quarters reflect continued growth in the Company's utility operations and fluctuating commodity prices in the power generation and sales, natural gas gathering, processing, storage and liquids extraction operations. In addition, interim results will vary due to the seasonal nature of demand for electricity and natural gas, and the timing of utility regulatory decisions.

Adjusted Earnings

Utilities

The large capital investment made by the Utilities in the previous eight quarters has contributed to a general increase in adjusted earnings. This growth is most evident in ATCO Electric Transmission's operations, where significant capital has been added as a result of the expansion and reinforcement of the transmission network in several regions of Alberta. These expenditures, on which the Utilities earn a regulated return on investment, drive growth in adjusted earnings. Utilities' adjusted earnings have also been affected by the timing of certain major regulatory decisions. The third quarter of 2013 included the positive impact of ATCO Electric's 2013/2014 GTA Decision. Lower adjusted earnings in the second quarter of 2014 reflected the financial impact of the 2010 Evergreen Decision for the entire four-and-a-half year period covered by the decision. Higher adjusted earnings in the third quarter of 2014 reflected the impact of the 2014 Interim Rates Decisions. Lower adjusted earnings in the first quarter of 2015 reflect the financial impact of the GCOC and Capital Tracker decisions for 2013, 2014 and the first quarter of 2015. Without the 2013 and 2014 amounts related to the GCOC and Capital Tracker decisions, adjusted earnings were higher in the first quarter of 2015 compared to the first quarter of 2014.The primary reason for increased earnings was due to the ongoing investment in building Alberta's infrastructure.

Energy

The second and third quarter of 2013 were marked by outages of several large coal-fired plants in Alberta and lower natural gas prices resulting in higher realized power pool prices, higher spark spreads and greater price volatility. As a result of the high availability of the Company's generating plants during these quarters, the Company was able to capitalize on these favourable market conditions with record earnings in the power generation business in 2013.

ATCO Power produced lower earnings in 2014 and the first quarter of 2015 due to unfavourable market conditions. These unfavourable market conditions existed due to increased supply of electricity in the Alberta market resulting in lower Alberta power pool prices, reduced spark spreads and price volatility. In the fourth quarter of 2014, lower ATCO Power earnings were offset by higher ATCO Energy Solutions earnings from the sale of excess natural gas as a result of enhancements to the delivery capability of the facility. Unfavourable NGL frac spreads and storage fees in ATCO Energy Solutions contributed to lower earnings in the first quarter of 2015.

ATCO Australia

ATCO Australia’s gas distribution utility continued to invest in utility infrastructure on which it earns a regulated return. Adjusted earnings over the eight quarters reflect this growth in rate base. Starting in the last quarter of 2013, adjusted earnings also reflect reduced financing costs from the refinancing of debt and a credit rating upgrade. Fluctuations in quarterly earnings are also caused by the timing of power plant outages, the variability in the actual inflation factor applied to the utility’s rate base and the timing of business development expenditures. Weather, which can significantly affect the financial results of the gas distribution business, was warmer than normal over all eight quarters.

Earnings attributable to equity owners of the Company

Earnings attributable to equity owners of the Company include one-time gains and losses and significant impairments recorded at various times over the past eight quarters. These items are excluded from adjusted earnings.

In the third quarter of 2014, the Company recognized a gain on sale of ATCO I-Tek of $138 million. In the third quarter of 2013, ATCO Structures & Logistics recognized a gain on sale of its South American operations, and the Company recognized its 24.5 per cent share of the gain of $15 million.

Partially offsetting these gains were the following significant impairments:

- in the fourth quarter of 2014, the Company recognized an impairment of certain gas gathering, processing and liquids extraction facilities of $14 million;
- in the second quarter of 2014, the Company recognized an impairment for the Bulwer Island power station in Australia of $11 million; and
- in the fourth quarter of 2013, the Company recognized impairments of certain power generation assets in the U.K. and Australia of $35 million and certain natural gas gathering, processing and liquids extraction assets in Canada of $12 million.

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

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

Adjusted earnings are a key measure of segment earnings that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings.

The following table reconciles adjusted earnings to earnings attributable to equity owners of the Company.

($ millions)						Three Months Ended March 31
2015 2014	**Utilities**	**Energy**	**ATCO Australia**	**Corporate & Other**	**Eliminations**	**Total**
Revenues	**662**	**204**	**55**	**7**	**(10)**	**918**
	654	286	59	63	(45)	1,017
Adjusted earnings	**116**	**11**	**12**	**(8)**	**(1)**	**130**
	139	33	8	5	1	186
Adjustments for rate-regulated activities	**33**	**–**	**(3)**	**–**	**2**	**32**
	24	–	(1)	–	–	23
Dividends on equity preferred shares of Canadian Utilities Limited	**1**	**–**	**–**	**11**	**–**	**12**
	1	–	–	11	–	12
Earnings attributable to equity owners of the Company	**150**	**11**	**9**	**3**	**1**	**174**
	164	33	7	16	1	221

ADJUSTMENTS FOR RATE-REGULATED ACTIVITIES

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

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

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

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

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

($ millions)	Three Months Ended March 31 2015	2014	Change
Additional revenues billed in current period			
Future removal and site restoration costs	**11**	15	(4)
Retirement benefits	**–**	2	(2)
Finance costs on major transmission capital projects	**15**	12	3
Impact of colder temperatures on revenues (1)	**–**	8	(8)
Other	**1**	6	(5)
Total	**27**	43	(16)
Revenues to be billed in future period			
Deferred income taxes	**(21)**	(26)	5
Transmission access payments (2)	**(3)**	(1)	(2)
Transmission capital deferral (3)	**(13)**	(2)	(11)
Impact of warmer temperatures on revenues (1)	**(9)**	–	(9)
Impact of inflation on rate base for ATCO Gas Australia	**(3)**	(3)	–
Other	**(4)**	(1)	(3)
Total	**(53)**	(33)	(20)
Regulatory decisions related to current and prior periods			
GCOC decision (4)	**36**	–	36
Capital Tracker decisions (5)	**10**	–	10
Transmission access payments recoveries (2)	**7**	14	(7)
ATCO Gas Australia appeal decision	**–**	2	(2)
Weather (refunds)	**(4)**	–	(4)
Other	**7**	(1)	8
Total	**56**	15	41
Elimination of intercompany profits related to the construction of property, plant and equipment and intangible assets	**2**	(2)	4
Total adjustments	**32**	23	9

Notes:

(1) Weather

ATCO Gas' customer rates are based on a forecast of normal temperatures. In the first quarter of 2015, warmer weather caused lower revenues to be collected than forecast. These lower revenues will be recovered from customers in future periods.

(2) Transmission access payments recoveries

Transmission access payments are billed to customers by ATCO Electric on a forecast basis; payments are expensed when incurred. Under rate-regulated accounting, differences between actual costs incurred and forecast costs billed to customers are deferred for collection from or refunded to customers in future periods. In the first quarter of 2015 and 2014, actual payments for transmission access paid by ATCO Electric Distribution exceeded forecast costs included in billings to customers. These excess costs are subsequently recovered from customers.

(3) Transmission capital deferral refunds

For major transmission capital projects, ATCO Electric's billings to AESO include a return on forecast rate base. When actual capital costs vary from forecast capital costs, the return on rate base, and the resulting billings to the AESO, will be higher or lower than expected. Under rate-regulated accounting, differences between billings to the AESO and the return on actual rate base are deferred for future recovery or refund. In the first quarter of 2015 and 2014, actual capital costs were higher than forecast costs billed to AESO. Recoveries from the AESO for these higher costs are expected to occur in subsequent years.

(4) GCOC decision

The Utilities recorded a reduction in adjusted earnings of $36 million in the first quarter of 2015 for an AUC decision which reduced the Utilities' ROE and deemed common equity ratios from 2013 to 2015. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings.

(5) Capital Tracker decisions

ATCO Electric Distribution and ATCO Gas recorded a reduction in adjusted earnings of $10 million in the first quarter of 2015 for an AUC decision which reduced Capital Tracker rates from 2013 to 2015. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings.

ACCOUNTING CHANGES

Certain new or amended standards or interpretations issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) do not have to be adopted in the current period. These standards or interpretations are substantially unchanged from those reported in the 2014 MD&A, with the exception of IFRS 9 (2013) *Financial Instruments*, which was early adopted effective January 1, 2015. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and previous versions of IFRS 9. The standard provides revised guidance on the classification and measurement of financial assets and liabilities adding guidance on general hedge accounting. The adoption of this standard did not have a material impact on the Company's financial results.

There were no new or amended standards issued by the IASB or IFRIC in the first quarter of 2015 that the Company anticipates will have a material effect on the unaudited interim consolidated financial statements or note disclosures.

CONTROLS AND PROCEDURES

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2015, and ended on March 31, 2015, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital. In management's opinion, funds generated by operations is a significant performance indicator of the Company's ability to generate cash during a period to fund capital expenditures without changes in non-cash working capital. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies.

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

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to equity owners of the Company is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 to the 2015 unaudited interim consolidated financial statements.

FORWARD LOOKING INFORMATION

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

GLOSSARY

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

AESO means the Alberta Electric System Operator.

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

AUC means the Alberta Utilities Commission.

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

Class A Shares means Class A non-voting shares of the Company.

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

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

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

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

GAAP means Canadian generally accepted accounting principles.

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

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

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

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

PBR means Performance Based Regulation.

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

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

U.K. means United Kingdom.

U.S. means United States of America.

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2015

CANADIAN UTILITIES LIMITED
CONSOLIDATED STATEMENT OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Three Months Ended March 31 2015	2014
Revenues		**918**	1,017
Costs and expenses			
Salaries, wages and benefits		**(104)**	(118)
Energy transmission and transportation		**(48)**	(42)
Plant and equipment maintenance		**(70)**	(46)
Fuel costs		**(87)**	(129)
Purchased power		**(21)**	(18)
Materials and consumables		**(11)**	(17)
Depreciation and amortization		**(123)**	(119)
Franchise fees		**(68)**	(76)
Property and other taxes		**(24)**	(27)
Other		**(66)**	(61)
		(622)	(653)
		296	364
Earnings from investment in ATCO Structures & Logistics		**1**	4
Earnings from investment in joint ventures		**6**	5
Operating profit		**303**	373
Interest income		**2**	2
Interest expense		**(73)**	(76)
Net finance costs		**(71)**	(74)
Earnings before income taxes		**232**	299
Income taxes		**(56)**	(73)
Earnings for the period		**176**	226
Earnings attributable to:			
Equity owners of the Company		**174**	221
Equity preferred share owners of subsidiary company		**2**	5
		176	226
Earnings per Class A and Class B share	7	**$ 0.61**	$ 0.80
Diluted earnings per Class A and Class B share	7	**$ 0.61**	$ 0.80

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CANADIAN UTILITIES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(millions of Canadian Dollars)	Three Months Ended March 31 2015	2014
Earnings for the period	**176**	226
Other comprehensive loss, net of income taxes:		
Items that will not be reclassified to earnings:		
Re-measurement of retirement benefits (1)	**(10)**	(67)
Share of other comprehensive income of joint ventures (2)	**(3)**	-
	(13)	(67)
Items that are or may be reclassified subsequently to earnings:		
Cash flow hedges (3)	**(3)**	5
Cash flow hedges reclassified to earnings (4)	**(1)**	-
Foreign currency translation adjustment (4)	**14**	37
Share of other comprehensive income of ATCO Structures & Logistics (4)	**5**	4
	15	46
	2	(21)
Comprehensive income for the period	**178**	205
Comprehensive income attributable to:		
Equity owners of the Company	**176**	200
Equity preferred share owners of subsidiary company	**2**	5
	178	205

(1) Net of income taxes of $3 million for the three months ended March 31, 2015 (2014 – $21 million).

(2) Net of income taxes of $1 million for the three months ended March 31, 2015 (2014 – nil).

(3) Net of income taxes of $1 million for the three months ended March 31, 2015 (2014 – $(2) million).

(4) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CANADIAN UTILITIES LIMITED
CONSOLIDATED BALANCE SHEET

(millions of Canadian Dollars)	Note	March 31 2015	December 31 2014
ASSETS			
Current assets			
Cash and cash equivalents		**413**	351
Accounts receivable		**421**	485
Finance lease receivables		**20**	20
Inventories		**75**	85
Prepaid expenses and other current assets		**52**	63
		981	1,004
Non-current assets			
Property, plant and equipment	4	**14,926**	14,608
Intangibles		**399**	396
Investment in ATCO Structures & Logistics		**208**	203
Investment in joint ventures		**124**	119
Finance lease receivables		**291**	290
Other assets		**81**	82
Total assets		**17,010**	16,702
LIABILITIES			
Current liabilities			
Bank indebtedness		**-**	4
Accounts payable and accrued liabilities		**745**	829
Asset retirement obligations and other provisions		**31**	30
Other current liabilities		**18**	19
Short-term debt	5	**140**	-
Long-term debt		**3**	83
Non-recourse long-term debt		**15**	15
		952	980
Non-current liabilities			
Deferred income tax liabilities		**778**	740
Asset retirement obligations and other provisions		**192**	171
Retirement benefit obligations		**426**	411
Deferred revenues		**1,591**	1,512
Other liabilities		**50**	64
Long-term debt		**7,200**	7,105
Non-recourse long-term debt		**108**	112
Total liabilities		**11,297**	11,095
EQUITY			
Equity preferred shares		**1,115**	1,115
Equity preferred shares of subsidiary company		**187**	187
Class A and Class B share owners' equity			
Class A and Class B shares	7	**934**	909
Contributed surplus		**12**	16
Retained earnings		**3,481**	3,411
Accumulated other comprehensive income		**(16)**	(31)
		4,411	4,305
Total equity		**5,713**	5,607
Total liabilities and equity		**17,010**	16,702

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CANADIAN UTILITIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class A and Class B Shares	Equity Preferred Shares (1)	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
December 31, 2013		803	1,458	15	3,157	(39)	5,394
Earnings for the period		-	-	-	226	-	226
Shares issued		38	-	-	-	-	38
Dividends	8	-	-	-	(87)	-	(87)
Share-based compensation		-	-	(2)	-	-	(2)
Other comprehensive loss		-	-	-	-	(21)	(21)
Losses on retirement benefits transferred to retained earnings		-	-	-	(67)	67	-
March 31, 2014		841	1,458	13	3,229	7	5,548
December 31, 2014		909	1,302	16	3,411	(31)	5,607
Earnings for the period		**-**	**-**	**-**	**176**	**-**	**176**
Shares issued		**25**	**-**	**-**	**-**	**-**	**25**
Dividends	8	**-**	**-**	**-**	**(93)**	**-**	**(93)**
Share-based compensation		**-**	**-**	**(4)**	**-**	**-**	**(4)**
Other comprehensive income		**-**	**-**	**-**	**-**	**2**	**2**
Losses on retirement benefits transferred to retained earnings		**-**	**-**	**-**	**(13)**	**13**	**-**
March 31, 2015		**934**	**1,302**	**12**	**3,481**	**(16)**	**5,713**

(1) Includes equity preferred shares and equity preferred shares of subsidiary company.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CANADIAN UTILITIES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of Canadian Dollars)	Three Months Ended March 31 2015	2014
Operating activities		
Earnings for the period	**176**	226
Adjustments for:		
Depreciation and amortization	**123**	119
Earnings from investment in ATCO Structures & Logistics, net of dividends received	**1**	(2)
Earnings from investment in joint ventures, net of dividends and distributions received	**(6)**	2
Income taxes	**56**	73
Unearned availability incentives	**(15)**	2
Contributions by customers for extensions to plant	**91**	77
Amortization of customer contributions	**(12)**	(12)
Net finance costs	**71**	74
Income taxes paid	**(27)**	(29)
Other	**(6)**	(13)
	452	517
Changes in non-cash working capital	**66**	(24)
Cash flow from operations	**518**	493
Investing activities		
Additions to property, plant and equipment	**(353)**	(504)
Proceeds on disposal of property, plant and equipment	**1**	-
Additions to intangibles	**(13)**	(23)
Changes in non-cash working capital	**(74)**	53
Other	**-**	(4)
	(439)	(478)
Financing activities		
Issue of short-term debt	**140**	11
Issue of long-term debt	**-**	9
Repayment of non-recourse long-term debt	**(4)**	(8)
Dividends paid on equity preferred shares	**(12)**	(12)
Dividends paid on equity preferred shares of subsidiary company	**(2)**	(5)
Dividends paid to Class A and Class B share owners	**(54)**	(32)
Interest paid	**(82)**	(68)
Other	**(1)**	-
	(15)	(105)
Foreign currency translation	**2**	4
Cash position (1)		
Increase (decrease)	**66**	(86)
Beginning of period	**347**	496
End of period	**413**	410

(1) Cash position consists of cash and cash equivalents less current bank indebtedness and includes $40 million (2014 - $47 million) which is not available for general use by the Company.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CANADIAN UTILITIES LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

MARCH 31, 2015

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

1. THE COMPANY AND ITS OPERATIONS

Canadian Utilities Limited was incorporated under the laws of Canada and is listed on the Toronto Stock Exchange. Its head office is at 700, 909 - 11th Avenue SW, Calgary, Alberta, T2R 1N6 and its registered office is 20th Floor, 10035 – 105 Street, Edmonton, Alberta T5J 2V6. The Company is controlled by ATCO Ltd. and its controlling share owner, R.D. Southern.

Canadian Utilities Limited is engaged in the following business activities:

- Utilities (pipelines, natural gas and electricity transmission and distribution); and
- Energy (power generation and sales, industrial water infrastructure, natural gas gathering, processing, storage and liquids extraction).

The unaudited interim consolidated financial statements include the accounts of Canadian Utilities Limited and its subsidiaries (the Company). The statements also include the accounts of a proportionate share of the Company's investments in joint operations and its equity-accounted investments in ATCO Structures & Logistics (24.5 per cent) and joint ventures.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014, prepared according to IFRS.

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

The unaudited interim consolidated financial statements were authorized for issue by the Audit Committee, on behalf of the Board of Directors, on April 28, 2015.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for derivative financial instruments, defined benefit pension and other employee retirement benefit liabilities and cash-settled share-based compensation liabilities.

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

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

CHANGE IN ACCOUNTING POLICIES

Financial Instruments

The Company adopted IFRS 9 (2013) *Financial Instruments* effective January 1, 2015. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and previous versions of IFRS 9. It includes revised guidance on the classification and measurement of financial assets and liabilities and adds guidance on general hedge accounting.

Previously, the Company classified financial assets when they were first recognized as fair value through profit or loss, available for sale, held to maturity investments or loans and receivables. Under IFRS 9 (2013), the Company classifies financial assets under the same two measurement categories as financial liabilities; amortized cost or fair value through profit and loss. Financial assets are classified as amortized cost if the purpose of the Company's business model is to hold the financial assets for collecting cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. All other financial assets are classified as fair value through profit or loss. All of the Company's financial assets and financial liabilities as at December 31, 2014 will continue to be classified and measured at amortized cost with the exception of derivative financial instruments disclosed below. The adoption of this standard has not resulted in any changes to comparative figures.

The Company has not yet adopted IFRS 9 (2014) *Financial Instruments* that incorporates the new impairment model that assesses financial assets based on expected losses rather than incurred losses as applied in IAS 39. This final standard will replace IFRS 9 (2013) and is effective for annual periods on or after January 1, 2018.

Derivative Financial Instruments

As part of the early adoption of IFRS 9 (2013), the accounting for derivative financial instruments, including hedge accounting, is now addressed under the new standard.

Previously, all derivative financial instruments, including derivatives embedded in other financial instruments or host contracts, were measured at fair value. Under IFRS 9 (2013), derivatives embedded in financial asset host contracts are no longer required to be separated. Instead, the contract is required to be classified in its entirety at either amortized cost or fair value. For those measured at fair value, the gain or loss that results from changes in fair value of the derivative is recognized in earnings immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in earnings depends on the hedging relationship.

By early adopting hedge accounting under IFRS 9 (2013), the Company is able to better align its hedge accounting policy with its risk management objectives. Hedge documentation of the relationship between the derivative and the hedged item at inception of the hedge is still required. Assessment at each reporting period can be performed qualitatively if both the critical terms of the hedging relationship and the economic relationship between the hedged item and hedging instrument continue to remain the same or similar. If the mismatch in terms is significant, a quantitative assessment is required. Ineffectiveness, if any, is measured at the end of each reporting period.

If the risk management hedge ratio used to form the economic relationship of the hedged item and hedging instrument changes, rebalancing of the hedging relationship is required. Under this circumstance, an adjustment to the quantities of the hedged item or hedging instrument would be allowed to realign the hedging relationship to its original risk management hedge ratio. The Company can only discontinue hedge accounting prospectively if there is no longer an economic relationship between the hedged item and hedging instrument, the risk management objective changes, the derivative no longer is designated as a hedging instrument, or the underlying hedged item is derecognized.

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

Results by operating segment for the three months ended March 31, 2015 and 2014 are shown below.

THREE MONTHS ENDED MARCH 31

2015 2014	Utilities	Energy	ATCO Australia	Corporate and Other	Intersegment Eliminations	Consolidated
Revenues – external	**658**	**203**	**55**	**2**	**–**	**918**
	653	285	59	20	–	1,017
Revenues – intersegment	**4**	**1**	**–**	**5**	**(10)**	**–**
	1	1	–	43	(45)	–
Revenues	**662**	**204**	**55**	**7**	**(10)**	**918**
	654	286	59	63	(45)	1,017
Operating expenses (1)	**(308)**	**(167)**	**(26)**	**(9)**	**11**	**(499)**
	(293)	(215)	(24)	(48)	46	(534)
Depreciation and amortization	**(95)**	**(19)**	**(9)**	**(1)**	**1**	**(123)**
	(86)	(20)	(10)	(4)	1	(119)
Earnings from investment in ATCO Structures & Logistics	**–**	**–**	**–**	**1**	**–**	**1**
	–	–	–	4	–	4
Earnings from investment in joint ventures	**–**	**4**	**2**	**–**	**–**	**6**
	–	2	3	–	–	5
Net finance costs	**(56)**	**(7)**	**(10)**	**3**	**(1)**	**(71)**
	(49)	(8)	(18)	2	(1)	(74)
Earnings before income taxes	**203**	**15**	**12**	**1**	**1**	**232**
	226	45	10	17	1	299
Income taxes	**(51)**	**(4)**	**(3)**	**2**	**–**	**(56)**
	(57)	(12)	(3)	(1)	–	(73)
Earnings for the period	**152**	**11**	**9**	**3**	**1**	**176**
	169	33	7	16	1	226
Adjusted earnings	**116**	**11**	**12**	**(8)**	**(1)**	**130**
	139	33	8	5	1	186
Total assets (2,3)	**13,584**	**1,642**	**1,331**	**534**	**(81)**	**17,010**
	13,389	1,652	1,296	470	(105)	16,702
Capital expenditures (4)	**311**	**29**	**16**	**29**	**5**	**390**
	506	15	18	7	–	546

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

(2) Total assets do not reflect adjustments for rate-regulated activities included in adjusted earnings.

(3) 2014 comparative total assets are at December 31, 2014.

(4) Includes additions to property, plant and equipment and intangibles and $24 million (2014 – $19 million) of interest capitalized during construction for the three months ended March 31, 2015.

ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses for rate-regulated activities and dividends on equity preferred shares of the Company. Adjusted earnings also exclude one-time gains and losses, significant impairments and items that are not in the normal course of business or a result of day-to-day operations. Adjusted earnings are a key measure of segment earnings used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended March 31 is shown below.

2015 **2014**	**Utilities**	**Energy**	**ATCO Australia**	**Corporate and Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings	**116**	**11**	**12**	**(8)**	**(1)**	**130**
	139	33	8	5	1	186
Adjustments for rate-regulated activities	**33**	**–**	**(3)**	**–**	**2**	**32**
	24	–	(1)	–	–	23
Dividends on equity preferred shares of Canadian Utilities Limited	**1**	**–**	**–**	**11**	**–**	**12**
	1	–	–	11	–	12
Earnings attributable to equity owners of the Company	**150**	**11**	**9**	**3**	**1**	**174**
	164	33	7	16	1	221
Earnings attributable to equity preferred share owners of subsidiary company						**2**
						5
Earnings for the period						**176**
						226

Adjustments for rate-regulated activities

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. Consequently, the Company does not recognize assets and liabilities arising from rate-regulated activities under IFRS.

Before adopting IFRS, the Company used standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles (GAAP) to account for rate-regulated activities. The CODM believes that earnings presented in accordance with the FASB standards are a better representation of the operating results of the Company's rate-regulated activities. Therefore, the Company presents adjusted earnings as part of segment disclosures on this basis.

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

	Rate-Regulated Accounting Treatment	**IFRS Treatment**
1.	The Company defers the recognition of cash received in advance of future expenditures.	The Company records revenues when amounts are billed to customers and recognizes costs when they are incurred.
2.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company records costs when incurred, but does not recognize their recovery until changes to customer rates are reflected in future customer billings.
3.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company recognizes earnings when customer rates are changed and amounts are billed to customers.
4.	Intercompany profits on the manufacture or construction of facilities for a regulated public utility in the consolidated group are deemed to have been realized to the extent that the transfer price on such facilities is recognized for rate-making purposes by a regulator.	Intercompany profits are eliminated upon consolidation. The Company then recognizes those profits in earnings as amounts are billed to customers over the life of the related asset.

Timing adjustments for rate-regulated activities are as follows:

	Three Months Ended March 31	
	2015	**2014**
Additional revenues billed in current period:		
Future removal and site restoration costs [1]	**11**	15
Retirement benefits [2]	**–**	2
Finance costs on major transmission capital projects [3]	**15**	12
Impact of colder temperatures on revenues [4]	**–**	8
Other	**1**	6
	27	43
Revenues to be billed in future period:		
Deferred income taxes [5]	**(21)**	(26)
Transmission access payments [6]	**(3)**	(1)
Transmission capital deferral [7]	**(13)**	(2)
Impact of warmer temperatures on revenues [4]	**(9)**	–
Impact of inflation on rate base for ATCO Gas Australia [8]	**(3)**	(3)
Other	**(4)**	(1)
	(53)	(33)
Regulatory decisions related to current and prior periods:		
Generic cost of capital and capital tracker decisions [9]	**46**	–
Transmission access payments recoveries [9]	**7**	14
ATCO Gas Australia appeal decision	**–**	2
Weather refunds [4]	**(4)**	–
Other	**7**	(1)
	56	15
Intercompany profits:		
Intercompany profits related to construction of property, plant and equipment and intangibles [10]	**2**	(2)
	32	23

Descriptions of the adjustments, and the timing of recovery or refund for each, are as follows:

	Description	Timing of Recovery or Refund
1.	Removal and site restoration costs billed to customers are based on the costs forecast to be incurred in future periods. Customers fund these expected costs over the estimated useful life of the related assets. Under rate-regulated accounting, billings to customers in excess of costs incurred in the current period are deferred.	The deferred revenues will be recognized in adjusted earnings when removal and site restoration costs are incurred.
2.	Contributions to defined benefit pension plans and other post-employment benefit plans are billed to customers when paid by the Company, whereas the costs of retirement benefits are accrued over the service life of the employees. Under rate-regulated accounting, contributions paid and billed to customers in excess of costs accrued in the current period are deferred.	The deferred revenues will be recognized in adjusted earnings as the variances between contributions and costs reverse over the life of the plans.

	Description	Timing of Recovery or Refund
3.	Finance costs incurred by ATCO Electric during construction of major transmission capital projects are billed to customers when incurred. Under rate-regulated accounting, the finance costs billed to customers are deferred.	The deferred revenues will be recognized in adjusted earnings over the service life of the related assets.
4.	ATCO Gas' customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Under rate-regulated accounting, revenues above or below the norm in the current period are deferred and refunded to or recovered from customers in future periods.	ATCO Gas may apply to the Alberta Utilities Commission (AUC) for recoveries from or refunds to customers when the net revenue variances exceed $7 million at April 30th of any year for either of its North or South systems.
5.	Deferred income taxes are a non-cash expense resulting from temporary differences between the book value and the tax value of assets and liabilities. Income taxes are billed to customers when paid by the Company. Deferred income taxes are not billed to customers unless directed to do so by the regulator. Under rate-regulated accounting, revenues are recognized in the current period for the deferred income taxes to be billed to customers in future periods.	The revenues will reverse when the temporary differences that gave rise to the deferred income taxes reverse in future periods.
6.	Transmission access payments billed to customers by ATCO Electric are based on the forecast payments to be incurred. Under rate-regulated accounting, differences between actual costs incurred and forecast costs billed to customers are deferred for collection from or refund to customers in future periods.	Recoveries from or refunds to customers of the differences between transmission access payments billed to customers and paid by ATCO Electric are expected to occur in the next 6 to 12 months.
7.	For major transmission capital projects, ATCO Electric's billings to customers include a return on forecast rate base. When actual capital costs vary from forecast capital costs, the return on rate base, and the resulting billings to the Alberta Electric System Operator (AESO), will be higher or lower than expected. Under rate-regulated accounting, differences between billings to the AESO and the return on actual rate base are deferred.	Recoveries from or refunds to the AESO of variances between forecast and actual returns on rate base are expected to occur in the following year.
8.	ATCO Gas Australia earns a return on rate base that excludes inflation. Inflation is accounted for by adjusting the rate base in subsequent periods by the actual rate of inflation; the impact of inflation is billed to customers through recovery of depreciation. Under rate-regulated accounting, an adjustment is made to recognize the inflation component of rate base when it is earned in the current period. Differences between the amounts earned and the amounts billed to customers are deferred.	The inflation-indexed portion of rate base will be recovered from customers over the life of the assets comprising rate base through the recovery of depreciation.

	Description	Timing of Recovery or Refund
9.	The Canadian and Australian utilities recognize revenues from regulatory decisions when customer rates are changed and amounts are billed to customers. Under rate-regulated accounting, revenues from regulatory decisions that affect current and prior periods are recognized when the decision is received.	**Generic Cost of Capital and Capital Tracker Decisions** The Utilities recorded a reduction in adjusted earnings of $36 million in the first quarter of 2015 for an AUC decision which reduced the Return on Equity and deemed common equity ratios for 2013 to 2015. Of the $36 million recorded in the first quarter, $31 million related to 2013 and 2014. Also in the first quarter of 2015, ATCO Gas and the distribution operations of ATCO Electric recorded a reduction in adjusted earnings of $10 million for the AUC Performance Based Regulation Capital Tracker decisions for 2013 to 2015. Of the $10 million, $8 million related to 2013 and 2014. Although these decisions included approval of the Company's applied for Capital Tracker programs, the decisions resulted in lower Capital Tracker rates than previously approved due to the AUC requiring the utilities to use the actual cost of debt in the rate determinations, which was lower than the forecast cost of debt that was previously being used. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings. **Transmission Access Payment Recoveries** In the years 2014 and 2013, actual payments for transmission access paid by ATCO Electric exceeded forecast costs included in billings to customers. These excess costs are subsequently recovered from customers.
10.	Under rate-regulated accounting, intercompany profits from transactions with related parties and approved by the regulator for inclusion in rate base are not eliminated on consolidation; they are recognized as earnings in the current period.	Intercompany profits will be recognized as earnings under IFRS as rate base is depreciated and the depreciation is billed to customers over the life of the assets.

4. PROPERTY, PLANT AND EQUIPMENT

The Utilities segment continues to make significant investment in utility infrastructure in Alberta, particularly in electricity transmission facilities.

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

	Utility Transmission & Distribution	Power Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost:						
December 31, 2014	13,529	1,980	606	2,390	1,062	19,567
Additions	**241**	**21**	**2**	**111**	**19**	**394**
Disposals	**(10)**	**(23)**	**–**	**(1)**	**(1)**	**(35)**
Changes to asset retirement costs	**–**	**5**	**–**	**–**	**17**	**22**
Foreign exchange rate adjustment	**21**	**–**	**–**	**–**	**1**	**22**
March 31, 2015	**13,781**	**1,983**	**608**	**2,500**	**1,098**	**19,970**
Accumulated depreciation:						
December 31, 2014	3,136	1,208	132	–	483	4,959
Depreciation	**84**	**16**	**2**	**–**	**13**	**115**
Disposals	**(10)**	**(21)**	**–**	**–**	**(1)**	**(32)**
Foreign exchange rate adjustment	**2**	**–**	**–**	**–**	**–**	**2**
March 31, 2015	**3,212**	**1,203**	**134**	**–**	**495**	**5,044**
Net book value:						
December 31, 2014	10,393	772	474	2,390	579	14,608
March 31, 2015	**10,569**	**780**	**474**	**2,500**	**603**	**14,926**

The additions of property, plant and equipment included $24 million (March 31, 2014 – $19 million) of interest capitalized.

Construction work-in-progress additions are net of transfers of $208 million (March 31, 2014 – $94 million) to other property, plant and equipment categories.

5. SHORT TERM DEBT

At March 31, 2015, the Company had $140 million (December 31, 2014 – nil) of commercial paper outstanding with a weighted average interest rate of 0.97 per cent, maturing in April 2015. The commercial paper is back-stopped by the Company’s long-term committed credit facilities.

6. FAIR VALUE MEASUREMENTS

Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm’s length transaction. Determining fair value requires management judgment. Fair value is based on quoted market prices when available; models using observable market data and transaction specific factors are also used to estimate fair value.

Fair value measurements are categorized into levels within a fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and short-term debt approximate carrying value due to their short-term nature.

The fair values of the Company's non-derivative financial instruments measured at other than fair value are as follows:

		March 31, 2015		December 31, 2014	
Recurring Measurements	**Fair Value Hierarchy Level**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets					
Amortized Cost:					
Lease receivables (1)	Level 2	**311**	**519**	310	504
Financial Liabilities					
Amortized Cost:					
Long-term debt (2)	Level 2	**7,203**	**8,711**	7,188	8,202
Non-recourse long-term debt (2)	Level 2	**123**	**153**	127	156

(1) Recorded at amortized cost. Fair values are determined using a risk-adjusted, pre-tax interest rate to discount future cash receipts.

(2) Recorded at amortized cost. Fair values are determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements.

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of the Company's derivative financial instruments are as follows:

		March 31, 2015		December 31, 2014	
Recurring Measurements	**Fair Value Hierarchy Level**	**Notional Principal or Volume (1)**	**Fair Value Receivable (Payable) (3)**	**Notional Principal or Volume (1)**	**Fair Value Receivable (Payable) (3)**
Subject to Hedge Accounting					
Interest rate swaps	Level 2	**1,480**	**(7)**	728	(1)
Natural gas purchase contracts (2)	Level 2	**3,909,000 GJ**	**(1)**	2,452,000 GJ	(3)
Forward power sales contracts (2)	Level 2	**650,200 MWh**	**3**	580,216 MWh	5
Not Subject to Hedge Accounting					
Natural gas purchase contracts (2)	Level 2	**484,000 GJ**	**–**	–	–
Forward power sales contracts (2)	Level 2	**72,480 MWh**	**(1)**	–	–

(1) The notional principal is not recorded in the consolidated financial statements as it does not represent amounts that are exchanged by the counterparties.

(2) Notional amounts for the natural gas purchase contracts are the maximum volumes that can be purchased over the terms of the contracts. Notional amounts for the forward sale and purchase contracts are the commodity volumes committed in the contracts.

(3) Fair values for the interest rate swaps and foreign currency forward contracts were estimated using period-end market rates. Fair values for the natural gas purchase contracts were estimated using period-end market prices for natural gas and an estimate of implied volatility based on historic market prices. Fair values for forward power sales contracts were estimated using forward period-end market prices. These fair values approximate the amount that the Company would either pay or receive to settle the contracts at March 31, 2015, and December 31, 2014.

The Company's hedging strategies for which hedge accounting is applied consists of the following:

- Interest Rate Risk: The Company has variable interest rates on its long-term debt and non-recourse long-term debt. Interest rate swap agreements are entered into and designated as cash flow hedges to fix interest rates. Consequently, the exposure to fluctuations in market interest rates is limited.
- Commodity Price Risk: The Company's electricity generation business is exposed to commodity price movements, particularly to the market price of electricity and natural gas. The Company entered into natural gas purchase contracts and forward power sales contracts to manage its exposure to electricity and natural gas market price movements.

For the three months ended March 31, 2015, there were no sources of hedge ineffectiveness.

7. CLASS A AND CLASS B SHARES AND EARNINGS PER SHARE

There were 189,363,162 (2014 – 186,788,313) Class A non-voting shares and 75,167,735 (2014 – 75,249,298) Class B common shares outstanding on March 31, 2015. In addition, there were 1,046,050 options to purchase Class A non-voting shares outstanding at March 31, 2015, under the Company's stock option plan. From April 1, 2015, to April 27, 2015, no stock options were granted or cancelled, 5,600 stock options were exercised, and 3,500 Class B common shares were converted to Class A non-voting shares.

EARNINGS PER SHARE

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

	Three Months Ended March 31	
	2015	**2014**
Average shares:		
Weighted average shares outstanding	**263,598,902**	260,856,212
Effect of dilutive stock options	**321,150**	375,572
Effect of dilutive mid-term incentive plan	**516,610**	507,562
Weighted average dilutive shares outstanding	**264,436,662**	261,739,346
Earnings for earnings per share calculation:		
Earnings for the period	**176**	226
Dividends on equity preferred shares of the Company	**(12)**	(12)
Dividends on equity preferred shares of subsidiary company	**(2)**	(5)
	162	209
Earnings and diluted earnings per Class A and Class B share:		
Earnings per Class A and Class B share	**$0.61**	$0.80
Diluted earnings per Class A and Class B share	**$0.61**	$0.80

DIVIDEND REINVESTMENT PLAN

During the three months ended March 31, 2015, 606,255 Class A non-voting shares were issued under the Company's dividend reinvestment plan (2014 – 993,776), using re-invested dividends of $25 million (2014 – $38 million). The shares were priced at an average of $40.63 per share (2014 – $38.48 per share).

8. DIVIDENDS

Cash dividends declared and paid per share are as follows:

	Three Months Ended March 31	
(dollars per share)	**2015**	**2014**
Equity preferred shares:		
4.00% Perpetual Cumulative Second Preferred Shares, Series V	**0.25000**	0.25000
4.00% Cumulative Redeemable Second Preferred Shares, Series Y	**0.25000**	0.25000
4.90% Cumulative Redeemable Second Preferred Shares, Series AA	**0.30625**	0.30625
4.90% Cumulative Redeemable Second Preferred Shares, Series BB	**0.30625**	0.30625
4.50% Cumulative Redeemable Second Preferred Shares, Series CC	**0.28125**	0.28125
4.50% Cumulative Redeemable Second Preferred Shares, Series DD	**0.28125**	0.28125
Class A and Class B shares	**0.2950**	0.2675

The Company's policy is to pay dividends quarterly on its Class A and Class B shares. Increases in the quarterly dividend are addressed by the Board of Directors in the first quarter of each year. The payment of any dividend is at the discretion of the Board of Directors and depends on the financial condition of the Company and other factors.

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