CU INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 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 CU Inc. (the Company) during the six months ended June 30, 2015.

This MD&A was prepared as of July 28, 2015 and should be read with the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2015. Additional information, including the Company's prior MD&As, 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 Canadian Utilities Limited, which in turn 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.

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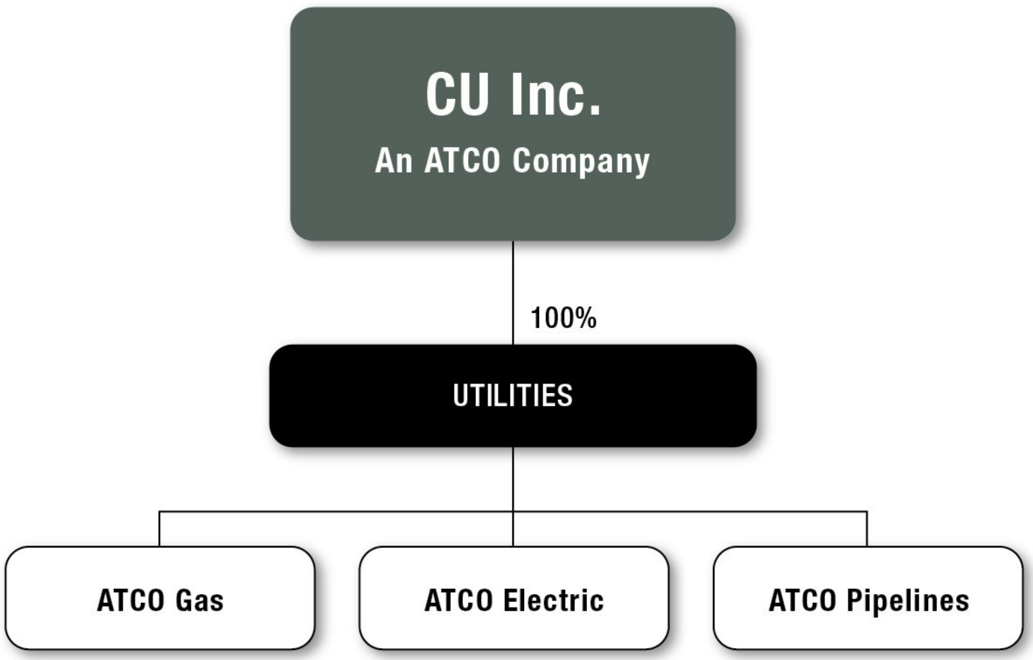
COMPANY OVERVIEW

CU Inc. is a wholly owned subsidiary of Canadian Utilities Limited, an ATCO company. An Alberta-based corporation with more than 5,400 employees and assets of approximately $14 billion, CU Inc. is comprised of rate regulated utility operations in pipelines, natural gas and electricity transmission and distribution. More information about CU Inc. can be found on the Canadian Utilities Limited website at www.canadianutilities.com.

The unaudited interim consolidated financial statements include the accounts of CU Inc. and all of its subsidiaries. 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



UTILITIES INFORMATION

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 $23 million and $31 million higher in the second quarter and first half of 2015 compared to the same periods 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 Electric Transmission and ATCO Pipelines.

ADJUSTED EARNINGS

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
ATCO Electric Distribution	**29**	19	10	**47**	47	_
ATCO Electric Transmission	**58**	39	19	**85**	81	4
ATCO Gas	**5**	(14)	19	**68**	45	23
ATCO Pipelines	**11**	8	3	**19**	18	1
Total Utilities	**103**	52	51	**219**	191	28

In the three and six months ended June 30, 2015, adjusted earnings generated by the Utilities of $103 million and $219 million were $51 million and $28 million higher than the same periods of 2014. The Utilities recorded higher adjusted earnings due to growth in rate base and operations and maintenance cost savings and were partially impacted by the prior period adjustments associated with several regulatory decisions.

To facilitate comparison, adjusted earnings for the second quarter and the first half of 2015 and 2014 for each of the Utilities have been normalized in the table below for prior period impacts of the following regulatory decisions:

- The Generic Cost of Capital (GCOC) decision received in the first quarter of 2015, which decreased the Utilities' return on equity (ROE) and deemed common equity ratios, reduced earnings in the first half of 2015 by $41 million. Of this amount, $31 million related to 2013 and 2014.
- The Capital Tracker decisions received in the first quarter of 2015, which decreased Capital Tracker rates, reduced earnings in the first half of 2015 by $12 million. Of this amount, $8 million related to 2013 and 2014.
- The 2010 Evergreen decision received in the second quarter of 2014, which disallowed a portion of the information technology and customer care and billing cost, reduced earnings in the first half of 2014 by $26 million. Of this amount, $22 million related to 2010 to 2013.
- The 2014 Interim Rates decisions received in the third quarter of 2014, which increased interim rates from 60 per cent to 90 per cent of incremental Capital Tracker funding, increased earnings in the first six months of 2014 by $18 million. Of this amount, $11 million related to 2013.

Normalized Utility Adjusted Earnings

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
ATCO Electric Distribution	**29**	24	5	**57**	53	4
ATCO Electric Transmission	**58**	38	20	**103**	78	25
ATCO Gas	**5**	_	5	**75**	60	15
ATCO Pipelines	**11**	9	2	**23**	18	5
Total Utilities	**103**	71	32	**258**	209	49

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, Capital Tracker, 2010 Evergreen and 2014 Interim Rates decisions, were $5 million higher in the second quarter and $4 million higher in the first six months of 2015, when compared to the same periods in 2014. Increased earnings resulted primarily from growth in rate base.

ATCO Electric Transmission

ATCO Electric Transmission's adjusted earnings, excluding the prior period impacts of the GCOC and 2010 Evergreen decisions, were $20 million and $25 million higher in the second quarter and first six months of 2015, when compared to the same periods in 2014. Higher earnings resulted from a growth in rate base.

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, Capital Tracker, 2010 Evergreen and 2014 Interim Rates decisions, were $5 million and $15 million higher in the second quarter and first six months of 2015, when compared to the same periods in 2014. Increased earnings 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 impacts of the GCOC and 2010 Evergreen decisions, were $2 million and $5 million higher in the second quarter and first six months of 2015, when compared to the same periods in 2014. Increased year-over-year earnings resulted from growth in rate base.

MAJOR CAPITAL EXPENDITURE PROJECT UPDATES

The Utilities invested $306 million during the second quarter and $617 million in the first six months of 2015. The estimated total capital spend for the Utilities in 2015 remains at approximately $1.5 billion.

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 in the first quarter 2015. Converter station construction activities continue with an expected project in-service-date by the end of 2015.

REGULATORY DEVELOPMENTS

ATCO Electric Transmission 2015 to 2017 General Tariff Application

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

The Alberta Utilities Commission (AUC) issued a decision in June 2015 on ATCO Electric Transmission's interim rates and approved the 2015 interim revenue requirement at 90 per cent of the applied for amount.

ATCO Electric Distribution and ATCO Gas 2014 and 2016/2017 Capital Tracker Applications

In the second quarter of 2015, ATCO Electric Distribution filed its 2014 True-up and 2016 and 2017 Capital Tracker application. Early in the third quarter of 2015, ATCO Gas filed its 2014 True-up and 2016 and 2017 Capital Tracker application. Decisions from the AUC on these applications are not expected until the first quarter of 2016.

Generic Cost of Capital (2016) (GCOC)

In July 2015, the AUC issued notice that it will hold a full GCOC proceeding to set the approved ROE and capital structure for the years 2016 and 2017 for the Alberta Utilities. The AUC will establish the scope and procedural steps for the proceeding through a series of pre-proceeding processes, with the intent to have these aspects complete before the end of the third quarter 2015. The ROE and capital structure awarded in the 2013-2015 GCOC issued in March 2015 will remain in place on an interim basis for 2016 and subsequent years until changed by the AUC through the upcoming process.

Information Technology Common Matters

The AUC has initiated a proceeding to review the costs associated with the Master Services Agreements for information technology services with Wipro Ltd., which commenced effective January 1, 2015. The AUC has not yet finalized the scope or process schedule for this proceeding.

FINANCING

On July 27, 2015 CU Inc., issued $400 million of 3.964 per cent 30-year debentures. Proceeds from this issue will be used to finance capital expenditures, to repay existing indebtedness, and for other general corporate purposes of the Utilities.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the three and six months ended June 30, 2015 and 2014, is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Operating costs	**277**	274	3	**585**	567	18
Depreciation and amortization	**96**	85	11	**191**	171	20
Net finance costs	**54**	48	6	**110**	97	13
Income taxes	**95**	29	66	**146**	86	60

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, increased by $3 million in the second quarter and by $18 million in the first half of 2015. These higher operating costs are associated with the Company's growing asset base.

DEPRECIATION AND AMORTIZATION

In the second quarter and first six months of 2015, depreciation and amortization expense increased by $11 million and $20 million, respectively, compared to the same periods in 2014. The increased expense was mainly due to the ongoing significant capital investment program in the Utilities.

NET FINANCE COSTS

Net finance costs increased by $6 million in the second quarter and by $13 million in the first half of 2015 compared to the same periods in the prior year. Higher interest expenses resulted from the incremental debt raised in 2014 to fund the Utilities' significant capital investment program.

INCOME TAXES

Income taxes increased by $66 million and $60 million in the second quarter and first six months of 2015, respectively. These increases primarily reflected a tax adjustment for the change in Alberta's corporate tax rates from 10 per cent to 12 per cent effective July 1, 2015, partially offset by the lower earnings before income taxes year-over-year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position is supported by regulated utility 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, the debt and preferred share capital markets and injections of equity from Canadian Utilities Limited.

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.

On July 7, 2015, Standard & Poor's Rating Services affirmed its 'A' long-term corporate credit rating and revised its outlook from stable to negative on CU Inc.

LINES OF CREDIT

At June 30, 2015, the Company had the following lines of credit:

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**900**	145	755
Uncommitted	**128**	21	107
Total	**1,028**	166	862

Of the $1,028 million in total credit lines, $128 million was in the form of uncommitted credit facilities with no set maturity date. The other $900 million in credit lines were committed with maturities between 2016 and 2017, unless extended at the option of the lenders. The majority of the credit lines are provided by Canadian banks. Of the $166 million credit line usage, $145 million was related to issuances of commercial paper that are back-stopped by the corporate credit facilities.

CONSOLIDATED CASH FLOW

At June 30 2015, the Company’s cash position was $10 million, an decrease of $12 million since December 31, 2014. The main drivers for the decrease was cash used for capital expenditures, partly offset by earnings achieved in the period and receipt of customer contributions, which are provided as payment in advance for future utility services.

Funds generated by operations

Funds generated by operations was $287 million in the second quarter and $710 million in the first half of 2015, compared to $261 million and $676 million in the same periods of 2014. The increases were mainly the result of increased contributions received from customers, partially offset by reduced earnings.

Cash used for capital expenditures

Cash used for capital expenditures was $306 million in the second quarter and $617 million in the first half, compared to $501 million and $1,007 million in the same periods of 2014. The decreases were primarily due to previously disclosed and planned lower capital spending in ATCO Electric Transmission.

	Three Months Ended June 30			**Six Months Ended June 30**		
($ millions) [(1)]	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Electric Transmission	**104**	303	(199)	**237**	632	(395)
Electric Distribution	**84**	86	(2)	**175**	166	9
Gas Distribution	**84**	73	11	**141**	129	12
Pipeline Transmission	**34**	39	(5)	**64**	80	(16)
Total	**306**	501	(195)	**617**	1,007	(390)

(1) Includes additions to property, plant and equipment and intangibles as well as $25 million and $49 million (2014 - $21 million and $40 million) of interest capitalized during construction for the three month and six months ended June 30, 2015.

Debt Issuance

On July 27, 2015 CU Inc., issued $400 million of 3.964 per cent 30-year debentures. Proceeds from this issue will be used to finance capital expenditures, to repay existing indebtedness, and for other general corporate purposes of the Utilities.

Base Shelf Prospectus

On July 24, 2014, the Company 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 July 27, 2015, aggregate issuances of debentures were $1.6 billion.

SHARE CAPITAL

CU Inc. equity securities consist of Class A shares and Class B shares.

At July 27, 2015, the Company had outstanding 3,570,322 Class A shares and 2,188,262 Class B shares.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended September 30, 2013, through June 30, 2015.

($ millions)	**Q3 2014**	**Q4 2014**	**Q1 2015**	**Q2 2015**
Revenues	468	601	662	**546**
Earnings for the period	47	104	152	**24**
Adjusted earnings	89	129	116	**103**

($ millions)	**Q3 2013**	**Q4 2013**	**Q1 2014**	**Q2 2014**
Revenues	443	572	654	**523**
Earnings for the period	54	110	169	**87**
Adjusted earnings	60	95	139	**52**

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. Lower adjusted earnings in the second quarter of 2014 reflected the financial impact of the 2010 Evergreen 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. Due to the seasonal nature of demand for natural gas, ATCO Gas typically achieves lower earnings in the second and third quarters of any year which impacts overall Utilities earnings.

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS FOR THE PERIOD

Adjusted earnings are earnings for the period 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 than IFRS earnings.

The following table reconciles adjusted earnings to earnings for the period.

		Three Months Ended June 30			Six Months Ended June 30	
($ millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Adjusted earnings	**103**	52	51	**219**	191	28
Restructuring costs	**(2)**	–	(2)	**(2)**	–	(2)
Rate-regulated activities:						
Change in income taxes	**(63)**	–	(63)	**(63)**	–	(63)
Other	**(17)**	31	(48)	**16**	55	(39)
Dividends on equity preferred shares of the Company	**3**	4	(1)	**6**	10	(4)
Earnings for the period	**24**	87	(63)	**176**	**256**	**(80)**

RESTRUCTURING COSTS

In the second quarter of 2015, the Company incurred restructuring costs of $2 million after-tax that were not in the normal course of business. These costs were primarily related to severance costs. In the third quarter of 2015, the Company intends to continue its review of cost reduction initiatives that may result in further restructuring costs.

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.

Change in Income Taxes

In the second quarter of 2015, the Government of Alberta announced an increase in the provincial corporate tax rate from 10 per cent to 12 per cent effective July 1, 2015. As a result of this change, the Company increased deferred income taxes and reduced earnings for the three and six months ended June 30, 2015 by $63 million. For purposes of adjusted earnings, rate-regulated accounting results in the recognition of revenues in the current period for the deferred income taxes to be billed to customers in future periods.

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs	**10**	13	(3)	**21**	28	(7)
Finance costs on major transmission capital projects	**17**	12	5	**32**	24	8
Impact of colder temperatures on revenues [1]	**–**	2	(2)	**–**	10	(10)
Other	**2**	1	1	**3**	7	(4)
Total	**29**	28	1	**56**	69	(13)
Revenues to be billed in future period						
Deferred income taxes [2]	**(30)**	(18)	(12)	**(51)**	(44)	(7)
Deferred income taxes due to increase in provincial corporate tax rate [2]	**(63)**	–	(63)	**(63)**	–	(63)
Transmission access payments [3]	**(7)**	–	(7)	**(10)**	(1)	(9)
Transmission capital deferral [4]	**3**	–	3	**(10)**	(2)	(8)
Impact of warmer temperatures on revenues [1]	**(3)**	–	(3)	**(12)**	–	(12)
Other	**2**	(3)	5	**(2)**	(4)	2
Total	**(98)**	(21)	(77)	**(148)**	(51)	(97)
Regulatory decisions related to current and prior periods						
GCOC decision [5]	**5**	–	5	**41**	–	41
Capital Tracker decisions [6]	**2**	–	2	**12**	–	12
2010 Evergreen decision [7]	**–**	26	(26)	**–**	26	(26)
ATCO Electric interim rates decision [8]	**(13)**	–	(13)	**(13)**	–	(13)
Transmission access payments recoveries [3]	**–**	5	(5)	**7**	19	(12)
Weather recoveries (refunds)	**(1)**	–	(1)	**(5)**	–	(5)
Other	**(4)**	(7)	3	**3**	(8)	11
Total	**(11)**	**24**	**(35)**	**45**	**37**	**8**
Total adjustments	**(80)**	**31**	**(111)**	**(47)**	**55**	**(102)**

Notes:

(1) Weather

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

(2) Deferred income taxes

Deferred income taxes are a non-cash expense incurred by the Company for temporary differences between the book value and tax value of assets and liabilities. Unless directed by the regulator, deferred incomes taxes are not billed to customers until income taxes are paid by the Company. The change in deferred income taxes for the quarter ended June 30, 2015, primarily relates to the increase to Alberta's corporate income tax rate from 10 per cent to 12 per cent.

(3) Transmission access payments

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 refund to customers in future periods. In the second quarter and first half of 2015, actual payments for transmission access paid by ATCO Electric exceeded forecast costs included in billings to customers. These excess costs will be subsequently recovered from customers. In the second quarter and first half of 2014, ATCO Electric recovered from customers higher than forecast transmission access payments.

(4) Transmission capital deferral refunds

For major transmission capital projects, ATCO Electric's billings to Alberta Electric System Operator (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 second 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.

(5) GCOC decision

The Utilities recorded a reduction in adjusted earnings of $36 million in the first quarter and $5 million in the second 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.

(6) Capital Tracker decisions

ATCO Electric Distribution and ATCO Gas recorded a reduction in adjusted earnings of $10 million in the first quarter and $2 million in the second 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.

(7) 2010 Evergreen decision

The Utilities recorded a reduction in adjusted earnings of $26 million in the second quarter of 2014 for an AUC decision which disallowed a portion of the information technology and customer care and billing cost incurred in the period January 1, 2010, to June 30, 2014. Under IFRS, earnings are adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings.

(8) ATCO Electric Transmission 2015 Interim Rates

ATCO Electric recorded an increase in adjusted earnings of $13 million in the second quarter of 2015 for an AUC decision which approved interim rates at 90 per cent of the applied for amount. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount receivable from customers is recovered 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 second 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 April 1, 2015, and ended on June 30, 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 earnings for the period 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 for the period 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.

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

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

GLOSSARY

Adjusted earnings means earnings for the period 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 for the Period" section for a description of these items.

AESO means the Alberta Electric System Operator.

AUC means the Alberta Utilities Commission.

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 CU Inc. and, unless the context otherwise requires, includes its subsidiaries.

GAAP means Canadian generally accepted accounting principles.

IFRS means International Financial Reporting Standards.

PBR means Performance Based Regulation.