CU INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of CU Inc. (Our, or the Company) during the nine months ended September 30, 2016.

This MD&A was prepared as of October 25, 2016, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2016. Additional information, including the Company's prior MD&As, Annual Information Form and audited consolidated financial statements for the year ended December 31, 2015, is available on SEDAR at www.sedar.com. Information contained in the 2015 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Canadian Utilities Limited, which in turn is controlled by ATCO Ltd. and its controlling share owners, Sentgraf Enterprises Ltd. and the Southern family.

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

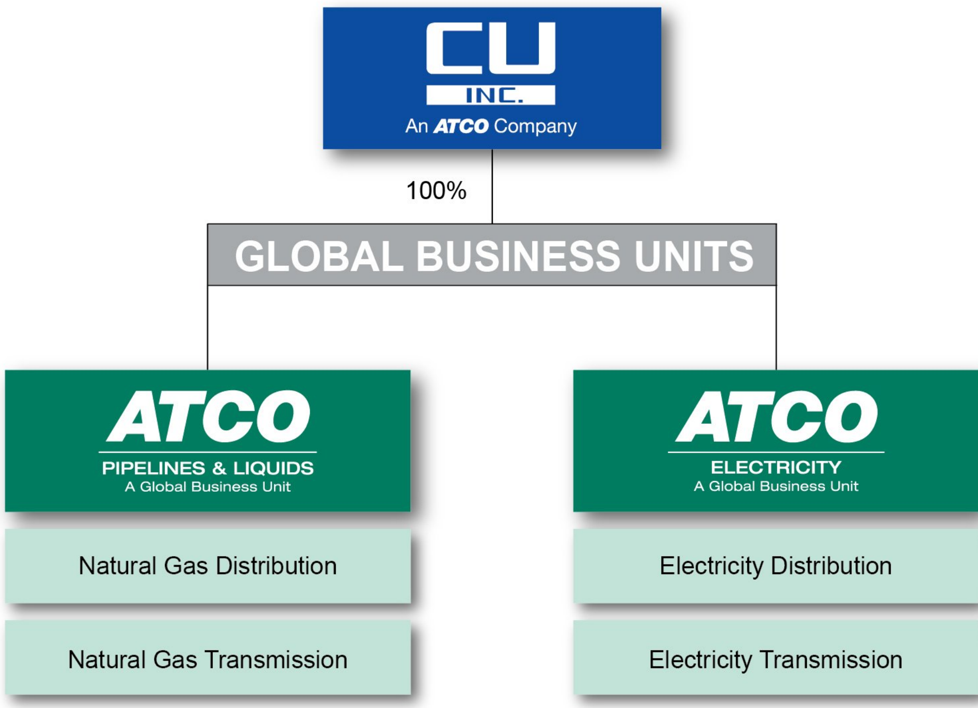
TABLE OF CONTENTS

COMPANY OVERVIEW

CU Inc. is a wholly-owned subsidiary of Canadian Utilities Limited, an ATCO Company. CU Inc. is an Alberta-based corporation with approximately 4,200 employees and assets of $15 billion; 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 regulated businesses in two Global Business Units within western and northern Canada: Electricity, which includes ATCO Electric Distribution and ATCO Electric Transmission, and Pipelines & Liquids, which includes ATCO Gas and ATCO Pipelines.

REVENUES

Revenues in the Utilities of $578 million in the third quarter and $1,835 million in the first nine months of 2016 were $74 million and $123 million higher than same periods in 2015. Increased revenues are primarily attributable to rate base growth.

ADJUSTED EARNINGS

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Electricity						
ATCO Electric Distribution	**28**	24	4	**101**	71	30
ATCO Electric Transmission	**38**	48	(10)	**139**	133	6
Total Electricity	**66**	72	(6)	**240**	204	36
Pipelines & Liquids						
ATCO Gas	**(12)**	(13)	1	**75**	55	20
ATCO Pipelines	**15**	11	4	**44**	30	14
Total Pipelines & Liquids	**3**	(2)	5	**119**	85	34
Total Utilities Adjusted Earnings(1)	**69**	70	(1)	**359**	289	70

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

Adjusted earnings of $69 million in the third quarter of 2016 were $1 million lower than the same period in 2015, primarily due to the prior period impacts associated with the ATCO Electric Transmission 2015 to 2017 General Tariff Application (GTA) decision received in the third quarter of 2016. Excluding the prior period impacts of the GTA decision, normalized adjusted earnings for the Utilities were $81 million in the third quarter of 2016.

Adjusted Earnings of $359 million in the first nine months of 2016 were $70 million higher than the same period of 2015, primarily attributable to continued capital investment, rate base growth and business-wide cost reduction initiatives. Excluding the prior period impacts of the GTA decision, normalized adjusted earnings for the Utilities were $366 million in the first nine months of 2016.

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

ELECTRICITY

Electricity's activities are conducted through two regulated businesses, ATCO Electric Distribution and ATCO Electric Transmission and their subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife). These businesses provide regulated electricity distribution, transmission and distributed generation mainly in northern and central east Alberta, the Yukon and the Northwest Territories. The service territory includes the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

Electricity Distribution

ATCO Electric Distribution’s adjusted earnings were $4 million higher in the third quarter and $30 million higher in the first nine months of 2016 when compared to the same periods of 2015. Higher earnings resulted primarily from growth in rate base, business-wide cost reduction initiatives and the adverse earnings impact associated with the GCOC and Capital Tracker regulatory decisions received in 2015.

Electricity Transmission

ATCO Electric Transmission's adjusted earnings of $38 million in the third quarter of 2016 were $10 million lower when compared to the same period in 2015 primarily due to the prior period impacts of the GTA decision received in the third quarter of 2016. Excluding the prior period impacts of the GTA decision, normalized adjusted earnings for Electricity Transmission were $50 million in the third quarter of 2016

Adjusted earnings of $139 million in the first nine months of 2016 were $6 million higher when compared to the same period of 2015 primarily due to the adverse earnings impact of the GCOC regulatory decision received in 2015 as well as growth in rate base and business-wide cost reduction initiatives in 2016, partially offset by the prior period impacts of the GTA decision received in the third quarter of 2016. Excluding the prior period impacts of the GTA decision, normalized adjusted earnings for Electricity Transmission were $146 million in the first nine months of 2016.

PIPELINES & LIQUIDS

Pipelines & Liquids activities are conducted through two regulated businesses, ATCO Gas and ATCO Pipelines.

Natural Gas Distribution

Our natural gas distribution activities throughout Alberta and in the Lloydminster area of Saskatchewan are conducted by ATCO Gas. It services municipal, residential, business and industrial customers.

ATCO Gas' adjusted earnings were $1 million higher in the third quarter and $20 million higher in the first nine months of 2016 when compared to the same periods of 2015. Higher earnings resulted primarily from growth in rate base and customers, business-wide cost reduction initiatives and the adverse earnings impact associated with the GCOC and Capital Tracker regulatory decisions received in the first quarter of 2015.

Natural Gas Transmission

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

ATCO Pipelines' adjusted earnings were $4 million and $14 million higher in the third quarter and first nine months of 2016 when compared to the same periods of 2015. Higher earnings for the periods resulted primarily from growth in rate base.

REGULATORY DEVELOPMENTS

Generic Cost of Capital (GCOC)

In October 2016, the Company received the AUC 2016 GCOC decision. The decision established the return on equity (ROE) and deemed common equity ratios for the Alberta Utilities for 2016 and 2017. The allowed ROE and common equity ratios for 2017 will remain in place on an interim basis for 2018 and for subsequent years until changed by the AUC. For ATCO Electric Distribution and ATCO Gas, the 2016 GCOC decision only applies to the K factor mechanism and does not apply to the base PBR formula. Based on the changes to the allowed ROE and common equity ratios, the net impact is expected to be an improvement to 2017 adjusted earnings for ATCO's Alberta Utilities, mainly due to the increase in the allowed ROE and common equity ratio for ATCO Electric Transmission.

The following table compares the ROE and deemed common equity ratios resulting from the 2013 and 2016 GCOC decisions.

	AUC Decision	Year	Rate of Return on Common Equity (%) (1)	Common Equity Ratio (%) (2)
ATCO Electric Distribution	**2016 GCOC**	**2017**	**8.50** (3)	**37.0** (3)
	2016 GCOC	**2016**	**8.30** (3)	**37.0** (3)
	2013 GCOC	2015	8.30 (4)	38.0 (4)
ATCO Electric Transmission	**2016 GCOC**	**2017**	**8.50** (3) (5)	**37.0** (3) (5)
	2016 GCOC	**2016**	**8.30** (3) (5)	**37.0** (3) (5)
	2013 GCOC	2015	8.30 (4)	36.0 (4)
ATCO Gas	**2016 GCOC**	**2017**	**8.50** (3)	**37.0** (3)
	2016 GCOC	**2016**	**8.30** (3)	**37.0** (3)
	2013 GCOC	2015	8.30 (4)	38.0 (4)
ATCO Pipelines	**2016 GCOC**	**2017**	**8.50** (3)	**37.0** (3)
	2016 GCOC	**2016**	**8.30** (3)	**37.0** (3)
	2013 GCOC	2015	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 AUC released its Generic Cost of Capital decision for the periods 2016 to 2017 on October 7, 2016.

(4) The ROE and common equity ratio were based on the last AUC Generic Cost of Capital decision of March 23, 2015.

(5) The ROE and common equity ratio for ATCO Electric Transmission are approved on an interim basis, pending consideration of any relevant information obtained from the results of ATCO Electric Transmission's 2015 to 2017 General Tariff Application.

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

In March 2015, ATCO Electric Transmission filed a general tariff application for its operations for 2015, 2016 and 2017. The application requested, among other things, additional revenues to recover higher financing, depreciation and operating costs associated with growth in rate base in Alberta. In August 2016, the AUC issued a decision on the GTA with final rates that are lower than the approved interim rates from 2015 mainly due to lower approved O&M and G&A costs. The impact of this decision was a reduction to third quarter 2016 adjusted earnings of $15 million of which $3 million relates to third quarter 2016 and $12 million relates to prior periods.

Next Generation of Performance Based Regulation (PBR 2)

The AUC is undertaking a proceeding to establish parameters for the next generation of performance based regulation (PBR 2) as the current term ends December 31, 2017. This proceeding impacts ATCO Electric Distribution and ATCO Gas. The main items under consideration include: rebasing and the establishment of going-in rates; the Productivity or X factor determination; the treatment of incremental funding related to capital additions; and the calculation of annual returns. A decision on these items is anticipated in the fourth quarter of 2016.

CLIMATE CHANGE AND THE ENVIRONMENT

Federal Carbon Price Proposal

In October 2016, the Federal Government passed a motion in the House of Commons to ratify the Paris Climate Change Accord. At the same time, the Federal Government announced a requirement for some form of carbon pricing in all jurisdictions in Canada by 2018; proposing a national benchmark requirement of $10 per tonne of CO_2 by 2018, rising by $10 each year to $50 per tonne in 2022. The Federal Government has stated that it will work with the provinces and territories to implement carbon pricing as part of the Pan-Canadian Framework on Clean Growth and Climate Change.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the three and nine months ended September 30, 2016 and 2015 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Operating costs	**265**	277	(12)	**823**	862	(39)
Depreciation and amortization	**118**	98	20	**344**	289	55
Net finance costs	**82**	55	27	**244**	165	79
Income taxes	**31**	19	12	**115**	165	(50)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, decreased in the third quarter and first nine months of 2016 when compared to the same periods in 2015. The lower costs reflect the Company's restructuring exercise in 2015, leading to ongoing business-wide cost reduction initiatives.

DEPRECIATION AND AMORTIZATION

In the third quarter and first nine months of 2016, depreciation and amortization expense increased by $20 million and $55 million, respectively, compared to the same periods in 2015. The increased expense was mainly due to the ongoing capital investment program by the Utilities.

NET FINANCE COSTS

Net finance costs increased in the third quarter and first nine months of 2016 when compared to the same periods in 2015. These increases are primarily due to interest costs which were previously capitalized now being recorded as interest expense, mainly resulting from the completion of the $1.8 billion Eastern Alberta Transmission Line (EATL) project during the fourth quarter of 2015. Higher interest expense is also the result of incremental debt issued to fund the Regulated Utilities' ongoing capital investment program.

INCOME TAXES

Income taxes increased in the third quarter of 2016 when compared to the same period in 2015, mainly due to higher earnings before taxes driven by continued capital investment and growth in rate base within the Regulated Utilities and business-wide cost reduction initiatives.

Income taxes were lower in the first nine months of 2016, when compared to the same period in 2015. Higher income taxes in the first nine months of 2015 were mainly due to a tax adjustment in the second quarter of 2015, reflecting an increase in Alberta's corporate income tax rate from 10 per cent to 12 per cent effective July 1, 2015.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position is supported by regulated utility 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 14, 2016, DBRS Limited (DBRS) affirmed its rating of the Company as "A" (high) with a stable trend.

LINES OF CREDIT

At September 30, 2016, the Company and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**900**	1	899
Uncommitted	**128**	41	87
Total	**1,028**	42	986

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 2017 and 2018, unless extended at the option of the lenders. The majority of the credit lines are provided by Canadian banks.

CONSOLIDATED CASH FLOW

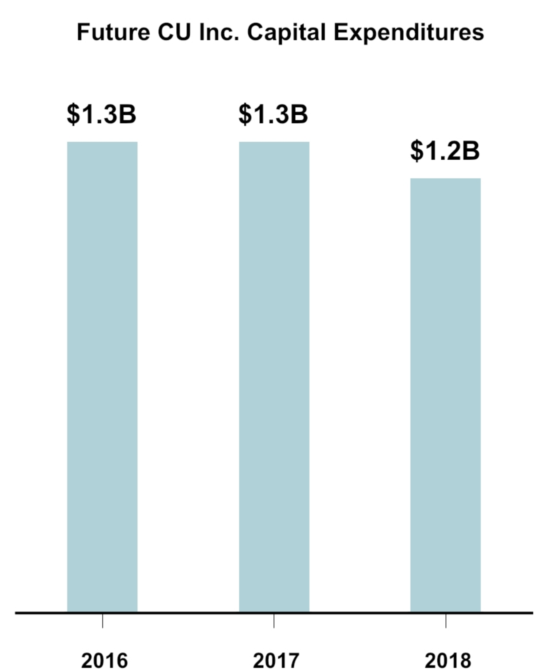
At September 30, 2016, the Company's cash deficit was $62 million, an decrease of $53 million from December 31, 2015. The main drivers for the decrease are cash used for capital investments, and higher interest paid on the debt issued to fund these capital investments. Partially offsetting the reduced cash position were higher earnings achieved by the Company in the period.

Funds generated by operations

Funds generated by operations (see "Non-GAAP and Additional GAAP Measures" section of this MD&A) were $311 million in the third quarter and $1,023 million in the first nine months of 2016, compared to $245 million and $955 million, in the same periods of 2015. The increases were mainly as a result of higher earnings attributable to equity owners of the Company driven by capital investment and rate base growth in the Regulated Utilities and business-wide cost reduction initiatives.

Capital Expenditures

In the 2016 to 2018 period, CU Inc. expects to invest approximately $3.8 billion in regulated utility capital growth projects. This capital investment is expected to contribute significant earnings and cash flow and create long-term value for investors. ATCO Electric is planning to invest approximately $2.1 billion, and ATCO Gas and ATCO Pipelines are planning to invest approximately $1.7 billion from 2016 to 2018.



Cash used for capital expenditures

Cash used for capital expenditures was $262 million in the third quarter and $725 million in the first nine months of 2016, compared to $329 million and $946 million in the same periods of 2015. The decreases were primarily due to previously disclosed and planned lower capital spending in ATCO Electric Distribution and ATCO Electric Transmission year-over-year.

Capital expenditures for the three and nine months ended September 30, 2016 and 2015 are shown in the following table.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
ATCO Electric Distribution	**66**	80	(14)	**184**	255	(71)
ATCO Electric Transmission	**47**	93	(46)	**160**	330	(170)
ATCO Gas	**89**	90	(1)	**244**	231	13
ATCO Pipelines	**60**	66	(6)	**137**	130	7
Total (1)	**262**	329	(67)	**725**	946	(221)

(1) Includes additions to property, plant and equipment, intangibles and $5 million and $13 million (2015 - $27 million and $76 million) of interest capitalized during construction for the third quarter and first nine months of 2016.

Base Shelf Prospectus

On May 16, 2016, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.5 billion of debentures over the 25-month life of the prospectus. No debentures have been issued to date under this base shelf prospectus.

SHARE CAPITAL

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

At October 24, 2016, 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 December 31, 2014 through September 30, 2016.

($ millions)	**Q4 2015**	**Q1 2016**	**Q2 2016**	**Q3 2016**
Revenues	659	686	571	**578**
Earnings for the period	81	149	78	**82**
Adjusted earnings				
Electricity	44	88	86	**66**
Pipelines & Liquids	62	92	24	**3**
Total adjusted earnings	106	180	110	**69**
($ millions)	**Q4 2014**	**Q1 2015**	**Q2 2015**	**Q3 2015**
Revenues	601	662	546	504
Earnings for the period	104	152	24	55
Adjusted earnings				
Electricity	66	45	87	72
Pipelines & Liquids	63	71	16	(2)
Total adjusted earnings	129	116	103	70

The large capital expenditures 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 investments earn a return under a regulated business model and drive growth in adjusted earnings. Utilities' adjusted earnings have also been affected by the timing of certain major regulatory decisions. Earnings in the first quarter of 2015 are reflective of the financial impact of the GCOC and Capital Tracker decisions. Lower earnings in the fourth quarter of 2015 were mainly due to regulatory lag which required an update to the forecast costs as compared to prospective costs originally filed in ATCO Electric Transmission's GTA. 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. Higher earnings in the first half of 2016 are reflective of continued capital investment and rate base growth and business-wide cost reduction initiatives. Lower earnings in the third quarter of 2016 reflect the financial impact of ATCO Electric Transmission's GTA decision.

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 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 2016 unaudited interim consolidated financial statements.

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.

($ millions)					Three Months Ended September 30
2016 **2015 (Restated) (1)**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings	**66**	**3**	**–**	**–**	**69**
	72	(2)	–	–	70
Restructuring costs	**–**	**–**	**–**	**–**	**–**
	(2)	–	–	–	(2)
Rate-regulated activities	**9**	**2**	**–**	**–**	**11**
	(15)	–	–	–	(15)
Dividends on equity preferred shares of the Company	**1**	**1**	**–**	**–**	**2**
	1	1	–	–	2
Earnings for the period	**76**	**6**	**–**	**–**	**82**
	56	(1)	–	–	55

($ millions)					Nine Months Ended September 30
2016 **2015 (Restated) (1)**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings	**240**	**119**	**–**	**–**	**359**
	204	85	–	–	289
Restructuring costs	**–**	**–**	**–**	**–**	**–**
	(4)	–	–	–	(4)
Rate-regulated activities	**(13)**	**(45)**	**–**	**–**	**(58)**
	(40)	(22)	–	–	(62)
Dividends on equity preferred shares of the Company	**4**	**4**	**–**	**–**	**8**
	4	4	–	–	8
Earnings for the period	**231**	**78**	**–**	**–**	**309**
	164	67	–	–	231

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

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 because the Company matches the timing for the recognition of revenues with the timing for the associated costs. Under IFRS, the timing for the recording of revenues does not always match the timing for the recording of associated costs.

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

Finally, under rate-regulated accounting, amounts relating to intercompany profits recognized in rate base by a regulator are included on consolidation. However, under IFRS 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.

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Additional revenues billed in current period [(1)]	**13**	27	(14)	**61**	83	(22)
Revenues to be billed in future period [(2)]	**(22)**	(32)	10	**(122)**	(180)	58
Regulatory decisions related to current and prior periods [(3)]	**20**	(10)	30	**3**	35	(32)
Total adjustments	**11**	(15)	26	**(58)**	(62)	4

Notes:

(1) Additional revenues billed in current period

These adjustments are primarily comprised of future removal and site restoration costs, where customers are billed over the life of the associated assets in advance of future expenditures. Under rate-regulated accounting, the revenues associated with the removal and site restoration costs will be recognized in adjusted earnings when the costs are incurred.

(2) Revenues to be billed in future period

Deferred income taxes are the most significant adjustment item in this category. Under IFRS and rate-regulated accounting, deferred income tax expense is recorded on the income statement. However, under IFRS the regulated revenues associated with deferred income taxes are not recorded on the income statement until they are reflected in customer rates, while rate-regulated accounting recognizes regulated revenues in the current period.

The impact of warmer temperatures in the first nine months of 2016 also had an impact on revenues in this category. ATCO Gas' customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Under rate-regulated accounting, revenues above or below the norm in the current period are deferred and refunded to or recovered from customers in future periods.

(3) Regulatory decisions related to current and prior periods

Under rate regulated accounting, the financial impact of a regulatory decision related to current and prior periods is recorded in the current period. Under IFRS, the financial impact of a regulatory decision is not recognized until customer rates are changed in future periods. For further details on regulatory decisions that caused a timing adjustment financial impact, refer to the Regulatory Developments section in this MD&A as well as the Segmented Information presented in Note 3 of the unaudited interim consolidated financial statements for the nine months ended September 30, 2016.

OTHER FINANCIAL INFORMATION

ACCOUNTING CHANGES

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

There were no new or amended standards issued by the IASB or IFRIC in the third quarter of 2016 that the Company anticipates will have a material effect on the unaudited interim consolidated financial statements or note disclosures.

CONTROLS AND PROCEDURES

Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on July 1, 2016, and ended on September 30, 2016, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD LOOKING INFORMATION

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

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

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

GLOSSARY

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.

Km means kilometre.

PBR means Performance Based Regulation.

Utilities means ATCO Electric Distribution, ATCO Electric Transmission, ATCO Gas and ATCO Pipelines.