CU INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

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, we, us, or the Company) during the nine months ended September 30, 2018.

This MD&A was prepared as of October 24, 2018, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2018. Additional information, including the Company's previous MD&As, Annual Information Form (2017 AIF), and audited consolidated financial statements for the year ended December 31, 2017, is available on SEDAR at www.sedar.com. Information contained in the 2017 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. (ATCO) 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.

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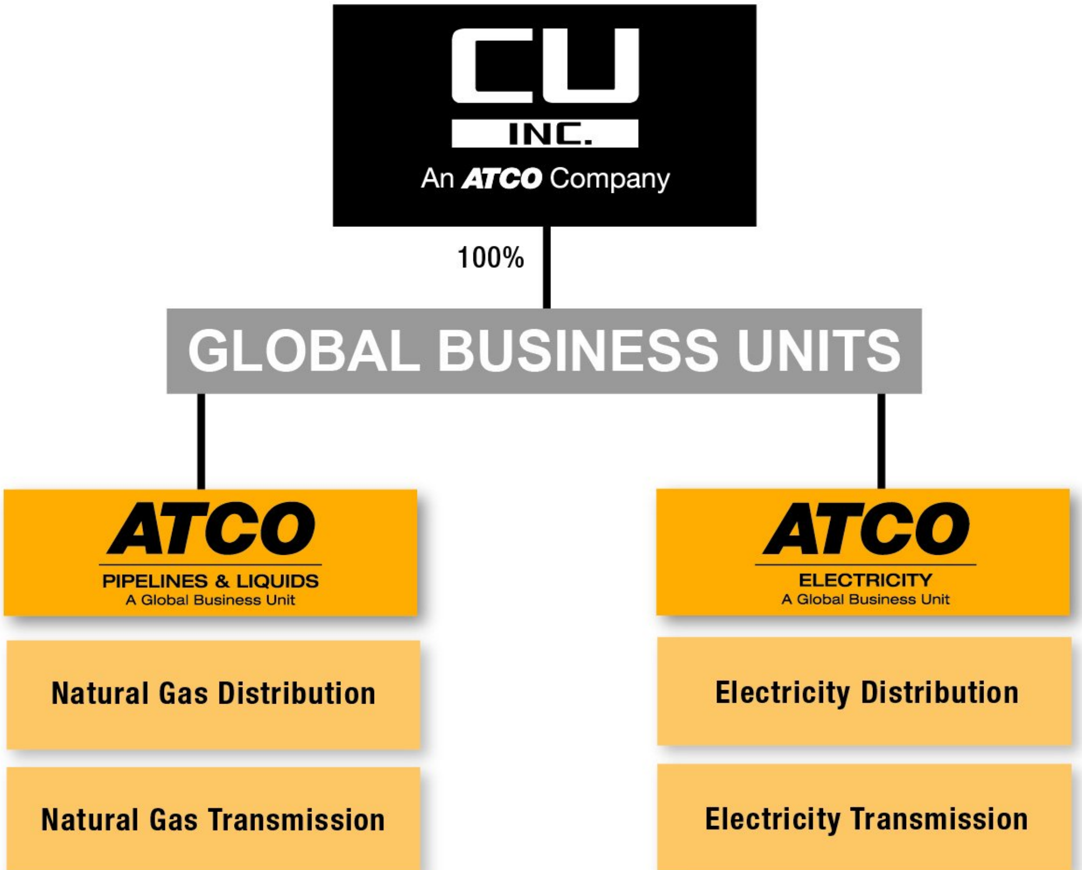
ORGANIZATIONAL STRUCTURE

SIMPLIFIED ORGANIZATIONAL STRUCTURE



The unaudited interim consolidated financial statements include the accounts of CU Inc. and all of its subsidiaries. The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting currency is the Canadian dollar. Certain comparative figures throughout this MD&A have been reclassified to conform to the current presentation.

UTILITIES PERFORMANCE

REVENUES

Revenues in our Utilities of $547 million in the third quarter of 2018 and $1,830 million in the first nine months of 2018 were $20 million and $100 million lower than the same periods in 2017, mainly due to lower flow-through revenues in natural gas distribution for third party transmission rate recovery from customers as well as the impact of Performance Based Regulation rate rebasing in natural gas distribution and electric distribution.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Electricity						
Electricity Distribution	**26**	32	(6)	**86**	104	(18)
Electricity Transmission	**44**	42	2	**134**	146	(12)
Total Electricity	**70**	74	(4)	**220**	250	(30)
Pipelines & Liquids						
Natural Gas Distribution	**(18)**	(7)	(11)	**46**	84	(38)
Natural Gas Transmission	**16**	17	(1)	**52**	51	1
Total Pipelines & Liquids	**(2)**	10	(12)	**98**	135	(37)
Total Utilities Adjusted Earnings[1]	**68**	84	(16)	**318**	385	(67)

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

In the third quarter and first nine months of 2018, our Utilities earned $68 million and $318 million, $16 million and $67 million lower than the same periods in 2017. Lower earnings were mainly due to rate rebasing under Alberta's regulated model in electricity distribution and natural gas distribution, partially offset by growth in rate base across the utilities.

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

ELECTRICITY

Our Electricity activities are conducted by ATCO Electric Distribution and ATCO Electric Transmission and their subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife). These businesses provide regulated electricity distribution and transmission mainly in northern and central east Alberta, the Yukon and the Northwest Territories.

Electricity Distribution

Our electricity distribution business earned $26 million and $86 million in the third quarter and first nine months of 2018, $6 million and $18 million lower than the same periods in 2017. Lower earnings were mainly due to the impact of operating cost reduction initiatives over the first generation Performance Based Regulation (PBR) period flowing into customer rates under the 2018 to 2022 second generation PBR framework. The lower earnings from PBR rebasing were partially offset by earnings from continued growth in rate base and additional return on equity (ROE) due to the efficiency carry-over mechanism incentive granted to distribution utilities in the first two years of the second generation PBR for demonstrating superior cost savings in the prior PBR period.

Electricity Transmission

Our electricity transmission business earned $44 million in the third quarter of 2018, $2 million higher than the same period in 2017. Higher third quarter 2018 comparative earnings were mainly due to the adverse impact of the 2013 to 2014 Deferral Accounts Decision received in the third quarter of 2017. Third quarter 2018 earnings were impacted by lower interim rates approved by the AUC for the 2018 to 2019 General Tariff Application (GTA).

Earnings of $134 million in the first nine months of 2018 were $12 million lower than the same period in 2017. Lower earnings were mainly due to the impact of lower interim rates approved by AUC in the 2018 to 2019 GTA. Upon receipt of the AUC's decision on the 2018 to 2019 GTA, which is expected in the second quarter of 2019, existing interim rates will be updated to include the impact of the decision. If the AUC decision approves all of the aspects of the GTA, the total potential increase to full year 2018 earnings would be an additional $13 million and would be recognized into adjusted earnings on receipt of the decision in 2019.

PIPELINES & LIQUIDS

Our 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.

Our natural gas distribution business earnings in the third quarter and first nine months of 2018 were $11 million and $38 million lower than the same periods in 2017. Lower earnings were mainly due to the impact of operating cost reduction initiatives over the first generation PBR period flowing into customer rates under the 2018 to 2022 second generation PBR framework. The lower earnings from PBR rate rebasing were partially offset by earnings from growth in rate base and additional ROE due to the efficiency carry-over mechanism incentive granted to distribution utilities in the first two years of the second generation PBR for demonstrating superior cost savings in the prior PBR period.

Natural Gas Transmission

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

Our natural gas transmission business earned $16 million in the third quarter, $1 million lower compared to the same period in 2017. In the first nine months of 2018, our natural gas transmission business earned $52 million, $1 million higher compared to the same period in 2017. Higher earnings were mainly due to continued growth in rate base.

REGULATORY DEVELOPMENTS

GENERIC COST OF CAPITAL DECISION (2018-2020)

In August 2018, the Alberta Utilities Commission (AUC) issued a decision approving the Return on Equity (ROE) of 8.5 per cent and capital structure of 37 per cent equity for the 2018, 2019 and 2020 periods for all Alberta utilities. This decision presented no change to the 2018 interim approved ROE and the capital structure. Of note, the AUC indicated that it intends to explore the possibility of returning to a formula-based approach to cost of capital matters in the future via a separate proceeding and will notify parties of that process in due course.

PBR RE-OPENER

In June 2018, the AUC initiated a process for electricity distribution and natural gas distribution as the re-opener clause was triggered by both utilities in 2017, the final year of the first generation PBR plan. The PBR re-opener thresholds are triggered if a utility's earnings are +/- 500 bps from the approved ROE in one year or +/- 300 bps from approved ROE in two consecutive years. The AUC has determined that it will proceed with a two-phase process. Within the first phase of the proceeding, the Commission will determine whether a re-opener of the utilities' 2013 to 2017 plans is warranted, and if warranted, it will outline the scope of the second phase.

Electricity distribution and natural gas distribution have filed a submission for the first phase stating that the higher earnings were a direct result of management’s response to the incentive to implement efficiency improvements and not due to a flaw in the PBR framework.

ATCO ELECTRIC 2018-2019 GENERAL TARIFF APPLICATION (GTA)

In June 2017, electric transmission filed a GTA for its operations for 2018 and 2019. In September 2018, electric transmission filed an update to its application as directed by the AUC. The September 2018 application update incorporated, among other things, achieved operating cost efficiencies and resulted in a reduction to the originally applied-for revenues. Due to additional process steps, as directed by the AUC, a decision is now expected in the second quarter of 2019. If decision approves all the aspects of the GTA as filed, the favorable earnings impact for 2018 would be an additional $13 million and would be recognized into 2019 adjusted earnings on receipt of the decision.

ATCO PIPELINES 2019-2020 GENERAL RATE APPLICATION (GRA)

In July 2018, natural gas transmission filed a GRA for 2019 and 2020. The application requests, among other things, additional revenues due to rate base growth driven by capital expenditures, such as the Pembina-Keephills Pipeline project, and operations and maintenance expenditures. A decision from the AUC is expected in the second quarter 2019.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter 2018 and 2017 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)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Operating costs	**255**	264	(9)	**885**	865	20
Depreciation and amortization	**124**	116	8	**387**	353	34
Net finance costs	**86**	83	3	**258**	250	8
Income taxes	**22**	28	(6)	**81**	125	(44)

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation and amortization, decreased by $9 million in the third quarter compared to the same period in 2017. Lower operating costs were mainly due to salaries and wages.

In the first nine months of 2018, operating costs were $20 million higher than the same period in 2017. Increased costs were mainly due to higher salaries and wages resulting from severance payments, and planned maintenance expenses.

DEPRECIATION AND AMORTIZATION

In the third quarter and first nine months of 2018, depreciation and amortization were $8 million and $34 million higher compared to the same periods in 2017. This increase is mainly due to the ongoing capital investment program in the Utilities.

NET FINANCE COSTS

Net finance costs increased by $3 million and $8 million in the third quarter and first nine months of 2018 when compared to the same periods in 2017, mainly as a result of incremental debt issued to fund the ongoing capital investment program in the Utilities.

INCOME TAXES

Income taxes decreased by $6 million in the third quarter and $44 million in the first nine months of 2018 mainly due to lower earnings before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Utility operations. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations, the debt and preferred share capital markets and injections of equity from Canadian Utilities Limited. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

CREDIT RATINGS

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

On July 13, 2018, Dominion Bond Rating Service affirmed its 'A (high)' long-term corporate credit rating and stable outlook on CU Inc.

On September 27, 2018, S&P Global Ratings affirmed its 'A-' long-term issuer credit rating and stable outlook on CU Inc.

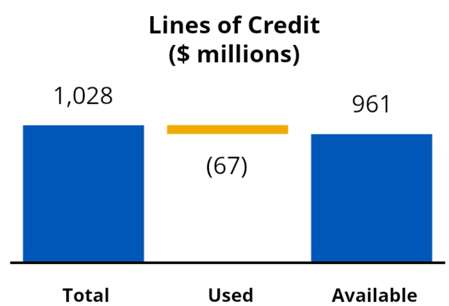
LINES OF CREDIT

At September 30, 2018, CU Inc. and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**900**	1	899
Uncommitted	**128**	66	62
Total	**1,028**	67	961

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 2019 and 2020, 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, 2018, the Company's cash balance was $20 million, a decrease of $9 million compared to December 31, 2017. The decrease was mainly due to cash funding of capital investment during the quarter, partially offset by earnings for the period.

Funds Generated by Operations

Funds generated by operations were $288 million in the third quarter and $939 million in the first nine months of 2018, $15 million and $134 million lower than same periods in 2017. The decrease was mainly due to lower cash earnings as a result of the settlement of regulatory decisions, and the impact of rate re-basing under Alberta's regulated model for natural gas distribution and electric distribution.

Cash Used for Capital Expenditures

Capital expenditures were $235 million in the third quarter and $707 million in the first nine months of 2018, $60 million and $29 million lower than the same periods in 2017.

Capital expenditures for the third quarter of 2018 and 2017 are shown in the table below.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Electricity Distribution	**58**	55	3	**164**	161	3
Electricity Transmission	**39**	46	(7)	**159**	128	31
Natural Gas Distribution	**75**	106	(31)	**210**	259	(49)
Natural Gas Transmission	**63**	88	(25)	**174**	188	(14)
Total (1)	**235**	295	(60)	**707**	736	(29)

(1) Includes additions to property, plant and equipment, intangibles and $5 million and $15 million (2017 - $4 million and $13 million) of interest capitalized during construction for the third quarter and first nine months of 2018.

Base Shelf Prospectuses

On June 11, 2018, 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 23, 2018, 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, 2016 through September 30, 2018.

($ millions)	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Revenues	696	751	532	**547**
Earnings (loss) for the period	114	169	(10)	**60**
Adjusted earnings				
Electricity	80	73	77	**70**
Pipelines & Liquids	77	85	15	**(2)**
Intersegment Eliminations	–	–	–	**4**
Total adjusted earnings	157	158	92	**72**

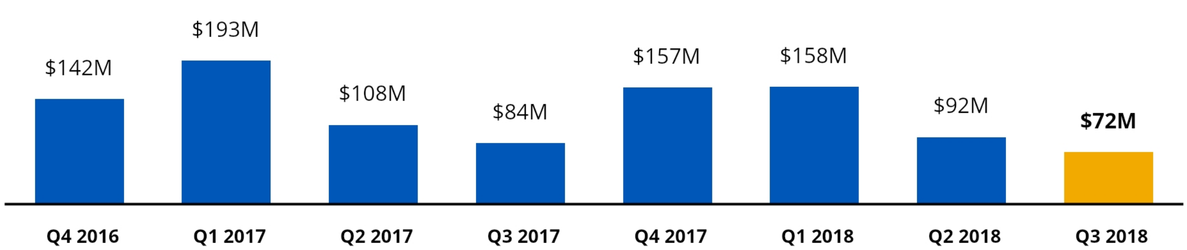
($ millions)	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Revenues	738	775	588	567
Earnings for the period	152	175	86	76
Adjusted earnings				
Electricity	77	95	81	74
Pipelines & Liquids	65	98	27	10
Intersegment Eliminations	–	–	–	–
Total adjusted earnings	142	193	108	84

Adjusted Earnings

Our financial results over the previous eight quarters reflect the large capital expenditure made by the Utilities. These investments earn a return under a regulated business model and drive growth in adjusted earnings. Our earnings have also been impacted by the timing of certain major regulatory decisions. In addition, interim results will vary due to the seasonal nature of demand for electricity and natural gas.

In 2017, higher earnings were mainly due to rate base growth. Higher first quarter earnings were in part due to lower operating costs. Lower second quarter earnings were in part due to the timing of operating and other costs in electric distribution, and the impact of the 2015 to 2017 GTA Compliance decision in electric transmission. Lower third quarter earnings were in part due to the impact of the 2013 to 2014 Deferral Accounts decision in electric transmission. Higher fourth quarter earnings were mainly due to growth in rate base across our Utilities and growth in customers in our natural gas distribution business.

In the first quarter of 2018, higher seasonal demand in natural gas distribution and growth in rate base across the Utilities were partially offset by rate rebasing under Alberta's regulated model in electricity distribution, electricity transmission, and natural gas distribution. In the second and third quarters of 2018, lower earnings were mainly due to rate rebasing under Alberta's regulated model in electricity distribution and natural gas distribution, partially offset by growth in rate base across the Utilities.



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. 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 year is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 4 of the 2018 unaudited 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 and Australia than IFRS earnings.

($ millions)				Three Months Ended September 30
2018				
2017	**Electricity**	**Pipelines & Liquids**	**Intersegment Eliminations**	**Consolidated**
Revenues	**329**	**218**	**–**	**547**
	313	255	(1)	567
Adjusted earnings	**70**	**(2)**	**4**	**72**
	74	10	–	84
Rate-regulated activities	**(3)**	**(12)**	**–**	**(15)**
	(19)	8	–	(11)
Dividends on equity preferred shares of the Company	**1**	**2**	**–**	**3**
	1	2	–	3
Earnings for the period	**68**	**(12)**	**4**	**60**
	56	20	–	76

($ millions)				Nine Months Ended September 30
2018				
2017	**Electricity**	**Pipelines & Liquids**	**Intersegment Eliminations**	**Consolidated**
Revenues	**945**	**885**	**–**	**1,830**
	952	979	(1)	1,930
Adjusted earnings	**220**	**98**	**4**	**322**
	250	135	–	385
Restructuring and other costs	**(25)**	**(14)**	**–**	**(39)**
	–	–	–	–
Rate-regulated activities	**(69)**	**(3)**	**–**	**(72)**
	(80)	24	–	(56)
Dividends on equity preferred shares of the Company	**4**	**4**	**–**	**8**
	4	4	–	8
Earnings for the period	**130**	**85**	**4**	**219**
	174	163	–	337

RESTRUCTURING AND OTHER COSTS

In the second quarter of 2018, restructuring and other costs not in the normal course of business of $39 million after tax were recorded. These costs mainly relate to staff reductions and associated severance costs, as well as costs related to decisions to discontinue certain projects that no longer represent long-term strategic value to the Company.

RATE-REGULATED ACTIVITIES

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

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. In the absence of this guidance, the utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

The Company uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles to account for rate-regulated activities in its internal reporting provided to the CODM. The CODM believes that earnings presented in accordance with the FASB standards are a better representation of the operating results of the Company's rate-regulated activities. Therefore, the Company presents adjusted earnings as part of its segmented disclosures on this basis. Rate-regulated accounting (RRA) standards impact the timing of how certain revenues and expenses are recognized when compared to non-rate regulated activities, to appropriately reflect the economic impact of a regulators' decisions on revenues.

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**19**	16	3	**58**	54	4
Impact of colder temperatures (2)	**6**	–	6	**18**	–	18
Revenues to be billed in future periods						
Deferred income taxes (3)	**(20)**	(19)	(1)	**(78)**	(73)	(5)
Impact of warmer temperatures	**–**	(1)	1	**–**	(4)	4
Regulatory decisions received	**–**	9	(9)	**–**	16	(16)
Settlement of regulatory decisions and other items (4)	**(20)**	(16)	(4)	**(70)**	(49)	(21)
	(15)	(11)	(4)	**(72)**	(56)	(16)

(1) Removal and site restoration costs are billed to customers over the estimated useful life of the related assets based on forecast costs to be incurred in future periods.

(2) ATCO Gas' customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below the normal in the current period are refunded to or recovered from customers in future periods.

(3) Income taxes are billed to customers when paid by the Company.

(4) During nine months ended September 30, 2018, ATCO Electric recorded a decrease in earnings for the period of $38 million mainly related to the refund of deferral account balances for 2013 and 2014. ATCO Gas also recorded a reduction in earnings for the period of $33 million mainly related to the refund of previously over collected transmission costs.

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

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
Additional revenues billed in current period	Future removal and site restoration costs, impact of colder temperatures.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
Revenues to be billed in future periods	Deferred income taxes, impact of warmer temperatures.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
Regulatory decisions received	For further details on regulatory decisions that caused a timing adjustment financial impact, refer to the Regulatory Developments section in this MD&A as well as the Segmented Information presented in unaudited interim consolidated financial statements.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

For further details on additional revenues billed in the current period, revenues to be billed in future periods, and settlement of regulatory decisions and other items, refer to the Segmented Information presented in Note 4 of the 2018 unaudited interim consolidated financial statements.

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) have been adopted in the current period. These standards or interpretations are substantially unchanged from those reported in the 2017 MD&A.

- IFRS 9 (2014) Financial Instruments - this standard replaces IAS 39 Financial Instruments: Recognition and Measurement and previous versions of IFRS 9. It incorporates IFRS 9 (2013), with a further classification category for financial assets, and includes a new impairment model for financial instruments. The Company early adopted two out of three components of this standard (Classification and Measurement and Hedge Accounting) on January 1, 2015. This standard was effective on January 1, 2018, at which time the Company adopted the final component, Impairments. This component includes a new expected credit loss model for calculating impairment on financial assets and replaces the current incurred loss impairment model. The new standard will increase bad debt provisioning for all trade receivables, however the impact is not material due to current provisioning procedures, the low credit risk with current counterparties, and collateral and parental guarantee arrangements in place for the Company's significant receivables. Additional information regarding the impact of the adoption of IFRS 9 is presented in Note 3 of the unaudited interim consolidated financial statements.
- IFRS 15 Revenue from Contracts with Customers - this standard replaces IAS 18 Revenue and related interpretations and is effective on or after January 1, 2018. It provides a framework to determine when to recognize revenue and at what amount. It applies to new contracts created on or after the effective date and to existing contracts not completed as of the effective date. The Company has applied the full retrospective transition method. The Company is party to numerous contracts with customers that are impacted by the new standard. Under IFRS 15, the timing of revenue recognition for certain contracts is impacted by the new revenue recognition model. Additional information regarding the impact of the adoption of IFRS 15 is presented in Note 3 of the unaudited interim consolidated financial statements.

Certain new or amended standards or interpretations issued by the IASB or the IFRIC do not need to be adopted in the current period. The Company anticipates that this standard issued, but not yet effective, may have a material effect on the consolidated financial statements as described below.

- IFRS 16 Leases - this standard replaces IAS 17 Leases and related interpretations and is effective on or after January 1, 2019. It requires a lessee to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases. It brings most leases on-balance sheet for lessees, eliminating the distinction between operating and finance leases. Lessor accounting under the new standard retains similar classifications to the previous guidance, however the new standard may change the accounting treatment of certain components of lessor contracts and sub-leasing arrangements. The Company continues to gather detailed information on its leases, and analyze the related contract terms and conditions in accordance with its adoption project plan. Current evaluations of adoption impacts are ongoing and it is expected that the adoption will result in a material increase in assets and liabilities within the consolidated financial statements. The Company further expects to utilize transition practical expedients that permit entities to exclude recognition of assets and liabilities on leases of low-value assets and short-term leases that have a lease term of twelve months or less. The Company expects to recognize the lease payments associated with these leases as an expense generally on a straight-line basis over the lease term. As the assessment is currently in process, it is not practicable to quantify the precise impact of adopting the standard.

There are no other new or amended standards issued, but not yet effective, that the Company anticipates will have a material effect on the consolidated financial statements once adopted.

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, 2018, and ended on September 30, 2018, that materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

FORWARD-LOOKING INFORMATION

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

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

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

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.

CODM means Chief Operating Decision Maker, and is comprised of the Chair and Chief Executive Officer, and the other members of the Executive Committee.

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

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

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.