CU INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2015

February 24, 2016

TABLE OF CONTENTS

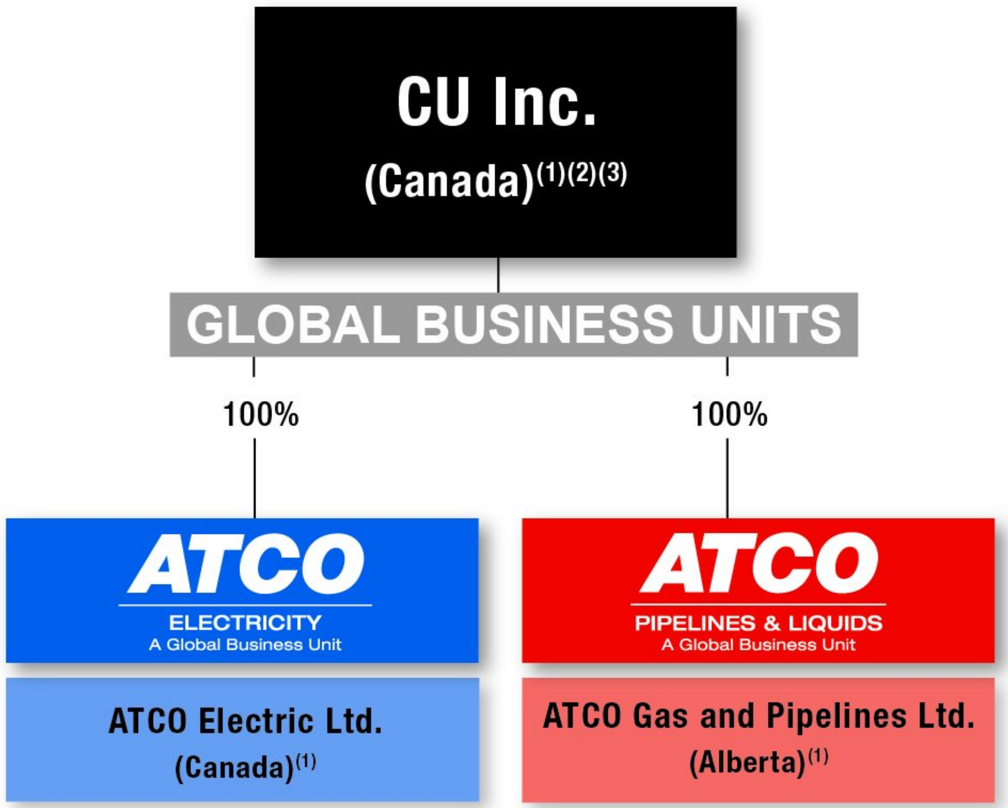
CORPORATE STRUCTURE

CU Inc. (the Company) was incorporated under the laws of Canada on March 12, 1999. The address of the head office and the registered office of the Company is 700, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6.

SIMPLIFIED INTERCORPORATE RELATIONSHIPS

CU Inc. is a holding company comprised of natural gas and electricity transmission and distribution companies.

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



(1) Jurisdiction in which the company was incorporated.

(2) The Company owns all of the voting and non-voting shares of the subsidiaries.

(3) The organizational chart does not include all of the subsidiaries of the Company. The assets and revenues of excluded subsidiaries in the aggregate did not exceed 20 per cent of the total consolidated assets or total consolidated revenues of the Company as at December 31,2015.

BUSINESS DESCRIPTION

The activities of the Company are conducted through the Utilities' 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.

Further details of each Business Unit is described below.

EMPLOYEE INFORMATION

At December 31, 2015, the Company had 4,366 employees.

Electricity

OVERVIEW

Electricity's activities are conducted through two regulated businesses, ATCO Electric Distribution and ATCO Electric Transmission. Together these two business operations provide regulated electricity distribution, transmission and distributed generation by ATCO Electric and its subsidiaries, Northland Utilities (NWT) Limited (NWT), Northland Utilities (Yellowknife) Limited (NUY), and ATCO Electric Yukon (AEY).

ATCO ELECTRIC

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

ATCO Electric transmits and distributes electricity to 245 communities and rural areas in east-central and northern Alberta. Among those served are the communities of Drumheller, Lloydminster, Grande Prairie and Fort McMurray as well as the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

ATCO Electric is headquartered in Edmonton and has 38 offices throughout its service area. Electric utility service is also provided to one community in British Columbia and two in Saskatchewan. AEY serves 19 communities in the Yukon Territory, including the capital city of Whitehorse. NUY and NWT serve nine communities in the Northwest Territories, including the capital city of Yellowknife.

Approximately 570,000 people live in the principal markets for electric utility service by ATCO Electric and its subsidiaries NUY, NWT and AEY. Service is provided to approximately 256,000 customers. ATCO Electric has been assigned about 65 per cent of the designated service area within Alberta. This service area contains approximately 14 per cent of the provincial electrical load and 13 per cent of the population.

The number of customers served by ATCO Electric, NUY, NWT and AEY at the end of each of the last two years was as follows.

		2015		2014
	Number	%	Number	%
Industrial	**10,919**	**5**	11,314	5
Commercial	**33,955**	**13**	33,338	13
Residential	**179,388**	**70**	175,934	70
Rural, REA and other	**31,477**	**12**	31,169	12
Total	**255,739**	**100**	251,755	100

Electricity distributed to the various classes of customers for each of the last two years was as follows.

		2015		2014
	GWh	%	GWh	%
Industrial	**7,506**	**63**	7,198	62
Commercial	**2,465**	**21**	2,496	21
Residential	**1,341**	**11**	1,375	12
Rural, REA and other	**520**	**5**	531	5
Total	**11,832**	**100**	11,600	100

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

ATCO Electric, NUY, NWT and AEY own and operate 26 diesel, natural gas turbine and hydro-generating plants, with an aggregate nameplate capacity of 60 MW in Alberta, the Yukon and Northwest Territories. The maximum peak load demand for these plants during 2015 was 30 MW.

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

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

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

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

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

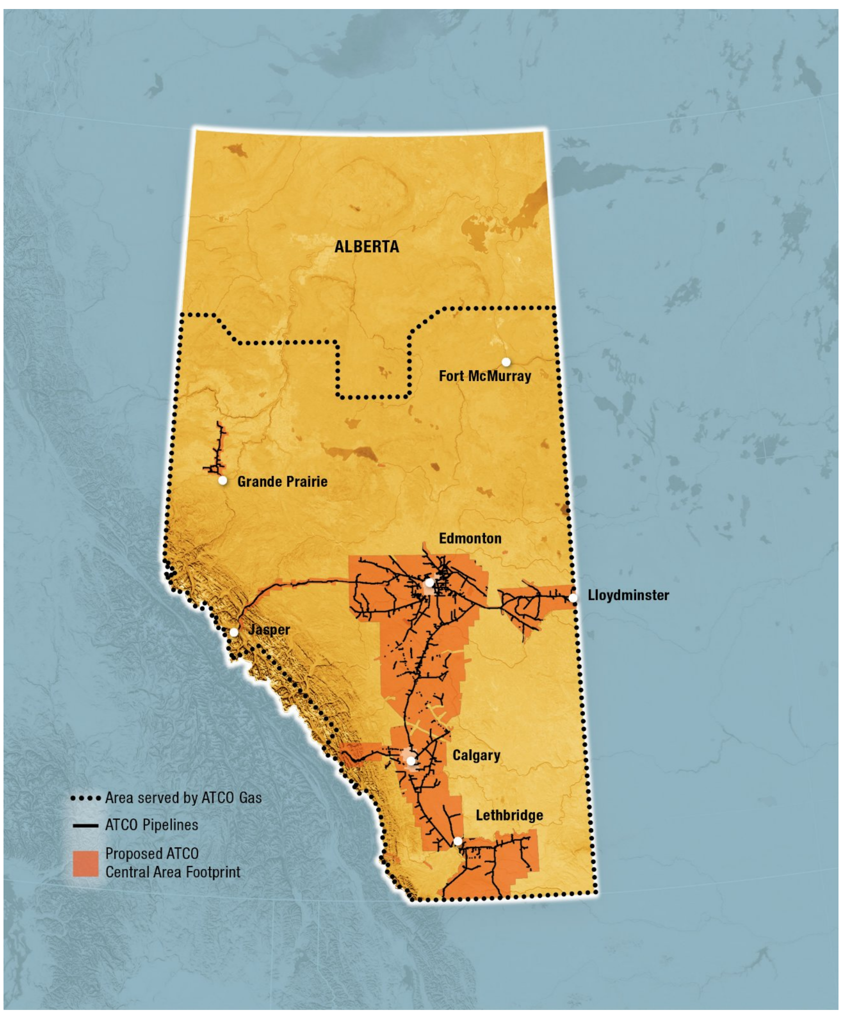
The Transmission Regulation under the EUA stipulates that new transmission projects will be assigned to transmission facility owners based on the service areas of the distribution companies they have been historically affiliated with. Facilities ownership will change at service area boundaries, except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

Pipelines & Liquids

OVERVIEW

Pipelines & Liquids activities are conducted through (i) regulated natural gas distribution by ATCO Gas, a division of ATCO Gas and Pipelines Ltd. (AGP) and (ii) regulated natural gas transmission by ATCO Pipelines, a division of AGP.

The following map shows the areas served by ATCO Gas and ATCO Pipelines in Alberta. The shaded area on the map represents the proposed ATCO Pipelines footprint on completion of the 2016 Asset Swap (see "Three-Year History - Pipelines & Liquids - ATCO Pipelines - Major Project Updates - Alberta System Integration").



ATCO GAS

ATCO Gas distributes natural gas throughout Alberta and in the Lloydminster area of Saskatchewan and serves more than 1.1 million customers in nearly 300 Alberta communities. Headquartered in Edmonton, it has more than 70 district offices across the province. ATCO Gas services municipal, residential, business and industrial customers.

ATCO Gas' principal markets for distributing natural gas are in Edmonton, Calgary, Airdrie, Fort McMurray, Grande Prairie, Lethbridge, Lloydminster, Red Deer, Spruce Grove, St. Albert and Sherwood Park. These communities have a combined population of approximately 2,640,000. Approximately 80 per cent of ATCO Gas' customers were located in these 11 communities. Also served are 279 smaller communities as well as rural areas with a combined population of approximately 701,000. The numbers presented are the 2014 population statistics as the 2015 statistics were not available at the time of time of this report.

The number of customers served by ATCO Gas at the end of each of the last two years is shown below.

	2015		**2014**	
	Number	**%**	**Number**	**%**
Residential	**1,071,988**	**92**	1,049,261	92
Commercial	**95,880**	**8**	94,005	8
Industrial	**350**	**–**	355	–
Other	**4**	**–**	3	–
Total	**1,168,222**	**100**	1,143,624	100

The quantities of natural gas distributed by ATCO Gas for each of the last two years is given below.

	2015		**2014**	
	PJ	**%**	**PJ**	**%**
Residential	**113.4**	**48**	125.7	48
Commercial	**111.6**	**47**	123.0	47
Industrial	**13.0**	**5**	14.2	5
Other	**0.3**	**–**	0.1	–
Total	**238.3**	**100**	263.0	100

ATCO Gas owns and operates more than 40,000 kms of distribution mains. It also owns service and maintenance facilities in major centres in Alberta.

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

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

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

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

ATCO PIPELINES

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

ATCO Pipelines owns and operates an extensive natural gas transmission system. The system currently consists of approximately 8,500 kms of pipelines, 18 compressor sites, approximately 4,000 receipt and delivery points, and a salt cavern storage peaking facility near Fort Saskatchewan, Alberta. The system has 191 producer receipt points, two interconnections with Alliance Pipeline, and one interconnection with Many Islands Pipelines. Peak delivery capability of the ATCO Pipelines system is 3.8 billion cubic feet per day.

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

More details on the Alberta System Integration Agreement are provided in the Three Year History section of this Annual Information Form (AIF).

PERFORMANCE SUMMARY

COMPARISON OF REVENUES AND ADJUSTED EARNINGS

The Utilities contribution to the Company's consolidated revenues and adjusted earnings is shown in the charts below.

Revenues (1)	**2015**		**2014**	
	($ millions)	*%*	*($ millions)*	*%*
Electricity	**1,245**	**52**	1,171	52
Pipelines & Liquids	**1,127**	**48**	1,076	48
Intersegment Eliminations	**(1)**	**–**	(1)	–
Total	**2,371**	**100**	2,246	100

Adjusted Earnings (1) (2)	**2015**		**2014**	
	($ millions)	*%*	*($ millions)*	*%*
Electricity	**248**	**63**	273	67
Pipelines & Liquids	**147**	**37**	136	33
Total	**395**	**100**	409	100

(1) The above data has been extracted from note 5 ("Segmented Information") of the consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar.

(2) Adjusted Earnings are earnings 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 as a result of day-to-day operations.

The consolidated adjusted earnings of the Company in 2015 were significantly influenced by the challenging economic environment and depressed commodity prices in Western Canada, and the adverse impact of prior period adjustments associated with several regulatory decisions. These conditions were partially offset by continued investment in utility infrastructure investment in Alberta, together with cost savings initiatives and efficiencies in the Company to ensure we deliver the most competitive solutions to our customers.

COMPARISION OF CAPITAL EXPENDITURES

The Utilities contribution to the Company's consolidated capital expenditures is shown below.

	2015 (1) (2)		2014 (1) (2)	
	($ millions)	*%*	*($ millions)*	*%*
Electricity	**826**	**58**	1,602	77
Pipelines & Liquids	**588**	**42**	477	23
Total	**1,414**	**100**	2,079	100

(1) The above data has been extracted from note 5 ("Segmented Information") of the consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar.

(2) The additions of property, plant and equipment included $95 million of interest capitalized (2014 - $75 million).

Total capital expenditures of $1.4 billion in 2015 were lower than the $2.1 billion reported in 2014. Electricity accounted for $0.8 billion of this year's capital spending, and Pipelines & Liquids accounted for $0.6 billion of this year's capital spending. The majority of the Electricity's investment was in the transmission operations of ATCO Electric and was predominantly for AESO direct-assigned projects. Several large transmission infrastructure projects are underway. The majority of Pipelines & Liquids investment was for the Urban Pipelines Replacement (UPR) project.

THREE YEAR HISTORY

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

Electricity

Electricity's total capital expenditures over the last three years amounted to $4.2 billion (see table below). The largest expenditures were in the transmission operations of ATCO Electric. The AESO has identified the need for major reinforcement and expansion of the electricity transmission system in Alberta, and ATCO Electric is dedicated to improving Alberta's electrical system through responsible transmission development.

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

		Year Ended December 31	
($ millions)	**2015**	**2014**	**2013**
ATCO Electric Distribution	**355**	369	408
ATCO Electric Transmission	**471**	1,233	1,355
Total	**826**	1,602	1,763

ATCO ELECTRIC

The financial results of ATCO Electric have been influenced by several regulatory decisions. The regulatory decisions are described in the "Regulatory Development" section in CU Inc.'s Management's Discussion and Analysis (MD&A) and are hereby incorporated by reference. The MD&A may be found on SEDAR at www.sedar.com.

These regulatory decisions are partially offset by continued investment in utility infrastructure investment in Alberta. Details of major capital investment is described below.

Major Project Updates

Eastern Alberta Transmission Line (EATL) Project

In December 2015, ATCO Electric completed and placed in-service the longest transmission line in Alberta's history. The 500 kV high voltage direct-current transmission line, with its associated converter stations and facilities, extends approximately 485 kms along a corridor on the east side of the province between Edmonton and Calgary. The EATL Project is a critical component of Alberta's electrical transmission backbone and will play a key role in bringing renewable energy to Albertans across the province. By reducing the amount of electricity lost during transmission, EATL reduces the amount of power generation required, saving money as well as thousands of tons of future greenhouse gas emissions for Albertans. The total spend on the project to date is $1.8 billion.

Hanna Region Transmission Development Project

ATCO Electric completed this major transmission project in July 2013 on schedule and approximately $60 million under budget. This transmission reinforcement of the southeast region of the province was comprised of approximately 335 kms of transmission lines and six new substations, as well as modifications and expansions of 14 existing substations.

Pipelines & Liquids

Pipelines & Liquids total capital expenditures over the last three years amounted to $1.5 billion (see table below).

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

		Year Ended December 31	
($ millions)	**2015**	**2014**	**2013**
ATCO Gas	**331**	292	268
ATCO Pipelines	**257**	185	147
Total	**588**	477	415

ATCO GAS

The financial results of ATCO Gas have been influenced by several regulatory decisions. The regulatory decisions are described in the "Regulatory Development" section in CU Inc.'s MD&A and are hereby incorporated by reference. The MD&A may be found on SEDAR at www.sedar.com.

These regulatory decisions are partially offset by continued investment in utility infrastructure investment in Alberta. Details of major capital investment is described below.

Urban Pipeline Replacement

ATCO Gas continues to work with ATCO Pipelines to integrate ATCO Pipelines' new high-pressure network with ATCO Gas' low-pressure distribution system (also see "ATCO Pipelines - Major Project Updates - Urban Pipeline Replacement" below for further details). In 2015 ATCO Gas replaced 250 kms of main line under this project.

Plastic Mains Replacement Program

The Plastic Mains Replacement program at ATCO Gas is a 20-year program aimed at replacing polyvinyl chloride (PVC) and early generation polyethylene (PE) pipe. The pipe has been identified for replacement due to risks associated with brittle cracking. Overall, approximately 8,000 kms of main gas line, impacting roughly 27,500 services, will be replaced. The program began in 2011 with a target completion date of no later than 2030. Through the first five years of the program, approximately 1,280 kms of main line, impacting 6,400 services, have been replaced.

Steel Mains Replacement Program

ATCO Gas has 9,000 kms of steel pipe which it continues to replace as it identifies pipe at the end of its useful life. The pipe that is being replaced is generally more than 60 years old and a portion of this pipe is replaced every year. ATCO Gas will see an increase in this required replacement activity as the steel mains age. In 2015 ATCO Gas replaced approximately 40 kms of line compared to 23 kms in 2014.

Automated Meter Reading Project

In 2013, ATCO Gas completed the automated meter reading project. Since 2011, ATCO Gas has replaced or retrofitted 1.1 million natural gas meters with encoder receiver transmitter devices, which wirelessly transmit usage data to mobile collectors. This allows ATCO Gas to read gas meters without entering customers' homes, yards or businesses, improving billing accuracy, employee safety and customer convenience.

ATCO PIPELINES

The financial results of ATCO Pipelines have been influenced by several regulatory decisions. The regulatory decisions are described in the "Regulatory Development" section in CU Inc.'s MD&A and are hereby incorporated by reference. The MD&A may be found on SEDAR at www.sedar.com.

These regulatory decisions are partially offset by continued investment in utility infrastructure investment in Alberta. Details of major capital investment is described below.

Major Project Updates

Urban Pipeline Replacement

The capital expenditures to complete construction of ATCO Pipelines' AUC approved UPR project recommenced in 2015. Construction will last approximately five years and the total cost of the UPR project is estimated to be $850 million, which includes the cost to integrate the new high-pressure network with ATCO Gas' low-pressure distribution system. The project will replace and relocate aging, high-pressure natural gas pipelines in densely populated areas of Calgary and Edmonton to address safety, reliability and future growth.

Alberta System Integration

In 2009, ATCO Pipelines and NGTL entered into an agreement with respect to natural gas transmission service that will allow ATCO Pipelines and NGTL to utilize their physical assets under a single rates and services structure with a single commercial interface for Alberta customers. This integration will end duplicate tolling and operational activities and result in more efficient regulatory processes.

The AUC issued a decision on May 27, 2010, approving the integration, subject to subsequent applications to address (i) the transition of ATCO Pipelines' customers to NGTL, and (ii) the swap of assets between ATCO Pipelines and NGTL in order to establish distinct operating areas. Commercial integration and the transition of customers took place on October 1, 2011, following AUC approval.

On November 22, 2012, the AUC issued a decision approving an asset swap between ATCO Pipelines and NGTL in order to establish distinct operating areas (2016 Asset Swap). On October 16, 2014, the NEB issued an order approving the 2016 Asset Swap. The asset transfers will commence in 2016 and are expected to be completed over a two-year period.

GOVERNMENT REGULATION

ALBERTA GOVERNMENT REGULATION

The regulated Utility operations which consist of electric distribution and transmission (ATCO Electric), ATCO Gas and ATCO Pipelines are regulated mainly by the AUC. The AUC administers acts and regulations covering such matters as rates, financing and service area.

In 2012, both the transmission and distribution operations were subject to a cost-of-service regulatory model. Under this model, the regulator established the revenues required to recover forecast operating costs of the regulated service, including depreciation and amortization and income taxes. The regulator also established the revenues needed for a fair return on utility investment. Determining a fair return to common share owners involved the regulator assessing many factors, including returns on alternative investment opportunities with comparable risk and the level of return for a utility to attract the necessary capital to fund operations and maintain financial integrity.

In 2013, the distribution operations of ATCO Electric and ATCO Gas moved to a form of rate regulation called Performance Based Regulation (PBR). The PBR model uses a formula to determine utility rates on an annual basis; however, the rates should provide utilities the opportunity to recover prudently incurred operating costs for providing regulatory services and earn a fair return on investment.

Before the introduction of PBR, the utilities would have filed cost-of-service applications with the AUC to recover forecast costs from customers. Under PBR, however, revenue is determined by a formula that adjusts customer rates for inflation and expected productivity improvements over a five-year period.

Specifically, the PBR formula incorporates the following factors:

- Estimated annual inflation for input prices (I Factor)
- Less an offset to reflect expected productivity improvements during the PBR plan period (X Factor)

PBR also includes mechanisms to allow companies to:

- Recover capital expenditures not recoverable through the PBR formula that are significant and meet certain criteria (K Factor)
- Recover from or refund to customers amounts outside of management's ability to control that are material, should not significantly influence the I Factor, are prudently incurred, are recurring, and could vary greatly from year to year (Y Factor), or are unforeseen, and not likely to recur (Z Factor).

The first PBR period runs from 2013 to 2017. The AUC can re-open and review the PBR plan if utility return on common equity (ROE) is +/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year. The current AUC-approved ROE is 8.3 per cent.

ATCO Pipelines and the transmission operations of ATCO Electric continue to operate under the cost-of-service model.

The Company's regulated operations in the Yukon Territory (AEY) and Northwest Territories (NWT and NUY) are subject to a cost-of-service regulatory model, similar to that in Alberta, administered by regulatory authorities in those jurisdictions.

The table below details mid-year rate base, rate of return on common equity and the common equity ratio for each of ATCO Electric's divisions, ATCO Pipelines and ATCO Gas during the past three years.

	Year	Date of Filing/ Decision [1]	Mid-Year Rate Base *($ millions)*	Rate of Return on Common Equity[2] *(%)*	Common Equity Ratio[3] *(%)*
ATCO Electric					
Distribution	**2015**	**–**	**2,153** [8]	**8.30** [5]	**38.0** [5]
	2014	May 1/15	1,949 [9]	8.30 [5]	38.0 [5]
	2013	May 1/15	1,696 [9]	8.30 [5]	38.0 [5]
Transmission	**2015**	**Oct 2/15**	**5,151** [11]	**8.30** [5]	**36.0** [5]
	2014	Sep 24/13	4,413 [4]	8.30 [5]	36.0 [5]
	2013	Sep 24/13	3,576 [4]	8.30 [5]	36.0 [5]
ATCO Gas	**2015**	**–**	**2,154** [12]	**8.30** [5]	**38.0** [5]
	2014	May 15/15	1,988 [10]	8.30 [5]	38.0 [5]
	2013	May 15/15	1,860 [10]	8.30 [5]	38.0 [5]
ATCO Pipelines	**2015**	**Jun 22/15**	**1,144** [7]	**8.30** [5]	**37.0** [5]
	2014	Jun 10/14	979 [6]	8.30 [5]	37.0 [5]
	2013	Jun 10/14	879 [6]	8.30 [5]	37.0 [5]

(1) The information shown reflects the most recent amending or varying orders issued after the original decision date.

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

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

(4) The mid-year rate base for 2013 and 2014 was approved in the AUC's General Tariff Application (GTA) Compliance decision of December 15, 2014.

(5) The rate of return on common equity and common equity ratio for 2013 through 2015 is based on the AUC 2013 Generic Cost of Capital (GCOC) decision of March 23, 2015.

(6) The mid-year rate base for 2013 and 2014 is based on the 2013-2014 General Rate Application (GRA) Compliance decision of June 10, 2014.

(7) The mid-year rate base for 2015 is based on the 2015-2016 GRA Update filed on June 22, 2015.

(8) The mid-year rate base forecast for 2015 is based on the 2015 Capital Tracker Application filed on June 19, 2015.

(9) The mid-year rate base for 2013 and 2014 is based on the 2014 Actuals Package filed on May 1, 2015.

(10) The mid-year rate base for 2013 and 2014 is based on the 2014 Actuals Package filed on May 15, 2015.

(11) The mid-year rate base for 2015 is based on the 2015-2017 GTA Update filed on October 2, 2015.

(12) The mid-year rate base forecast for 2015 is based on the 2015 updated forecast included in the 2016-2017 Capital Tracker Application filed on July 10, 2015.

Generic Cost of Capital (GCOC)

In March 2015, the Company received the AUC's 2013 GCOC decision. The decision established the ROE and deemed common equity ratios for the Regulated Utilities for 2013 to 2015. The ROE was set at 8.30 per cent for each of 2013, 2014 and 2015, which is a reduction from the 8.75 per cent previously approved. The 2013 GCOC decision also reduced the deemed common equity ratios by one per cent from what was previously approved. These rates will remain in place on an interim basis for 2016 until such time as the AUC issues a decision on final rates as part of the 2016 GCOC proceeding.

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

		Rate of Return on Common Equity (%) [1]	Common Equity Ratio (%) [2]
ATCO Electric Distribution	**2013 Decision**	**8.30** [3]	**38.0** [3]
	2011 Decision	8.75 [4]	39.0 [4]
ATCO Electric Transmission	**2013 Decision**	**8.30** [3]	**36.0** [3]
	2011 Decision	8.75 [4]	37.0 [4]
ATCO Gas	**2013 Decision**	**8.30** [3]	**38.0** [3]
	2011 Decision	8.75 [4]	39.0 [4]
ATCO Pipelines	**2013 Decision**	**8.30** [3]	**37.0** [3]
	2011 Decision	8.75 [4]	38.0 [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 final Generic Cost of Capital decision for the periods 2013 to 2015 on March 23, 2015.

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

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 ROE and capital structure awarded in the 2013-2015 GCOC decision will remain in place on an interim basis for 2016 until final rates are set by the AUC through the upcoming GCOC process and, in the case of ATCO Electric Transmission, the GCOC as well as the 2015-2017 General Tariff Application (GTA) process.

BUSINESS RISKS

Business risks are described in the "Business Risks and Risk Management" sections in CU Inc.'s MD&A and are hereby incorporated by reference. The MD&A may be found on SEDAR at www.sedar.com.

DIVIDENDS

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

(Canadian dollars per share)	Date of Issue	2015	2014	2013
Series Preferred Shares				
Series 1	Apr 18, 2007	**1.150**	1.150	1.150
Series 2 [1]		–	0.838	1.675
Series 4	Dec 2, 2010	**0.950**	0.950	0.950
Class A and Class B Shares		**44.282**	–	–

(1) On June 1, 2014, the Company redeemed all outstanding Series 2 Preferred Shares.

CAPITAL STRUCTURE

SHARE CAPITAL

The share capital of the Company at February 23, 2016, is as shown below.

Share Description	Authorized	Outstanding
Series Preferred Shares	Unlimited	7,600,000
Class A Shares	Unlimited	3,570,322
Class B Shares	Unlimited	2,188,262

All of the Class A and Class B shares are owned by Canadian Utilities Limited.

Series Preferred Shares

An unlimited number of Series Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions attaching thereto as may be determined by the directors. The Series Preferred Shares as a class have, among others, provisions to the following effect.

The Series Preferred Shares are, with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Company, entitled to preference over the Class A shares and the Class B shares and any other shares of the Company ranking junior to the Series Preferred Shares. The Series Preferred Shares may also be given such other preference over the Class A shares and the Class B shares and any other junior shares as may be determined for any series authorized to be issued.

The owners of the Series Preferred Shares are not entitled as such (except as provided in any series) to any voting rights nor to receive notice of or to attend share owners' meetings unless dividends on the Series Preferred Shares of any series are in arrears to the extent of eight quarterly dividends or four half-yearly dividends, as the case may be, whether or not consecutive. Until all arrears of dividends have been paid, such owners will be entitled to receive notice of and to attend all share owners' meetings at which directors are to be elected (other than separate meetings of owners of another class of shares) and to one vote in respect of each Series Preferred Share held.

The class provisions attaching to the Series Preferred Shares may be amended with the written approval of all the owners of the Series Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the owners of such shares duly called for the purpose and at which a quorum is present.

The following Series Preferred Shares are currently outstanding:

	Stated Value	Redemption Dates	Shares	Amount *($ millions)*
Series Preferred Shares:				
4.60% Series 1	$25.00	(1)	4,600,000	115
3.80% Series 4	$25.00	(2)	3,000,000	75
				190

(1) The Series 1 Preferred Shares are redeemable at the option of the Company beginning on June 1, 2012, at the stated value plus a 4 per cent premium per share for the next 12 months plus accrued and unpaid dividends. The redemption premium declines by 1 per cent in each succeeding 12-month period until June 1, 2016.

(2) The Series 4 Preferred Shares are redeemable at the option of the Company on June 1, 2016, and on June 1 of every fifth year thereafter at the stated value per share plus accrued and unpaid dividends. The dividend rate will reset every five years to the then current 5-year Government of Canada bond yield plus 1.36 per cent. Owners may elect to convert any or all of their Series 4 Preferred Shares into an equal number of Cumulative Redeemable Preferred Shares Series 5 on June 1, 2016, and on June 1 of every fifth year thereafter. The dividend rate on the Series 5 Preferred Shares will be equal to the then current 3-month Government of Canada Treasury Bill yield plus 1.36 per cent. On June 1, 2021, and on June 1 of every fifth year thereafter, the Company may redeem the Series 5 Preferred Shares in whole or in part at par. The Company may redeem the Series 5 Preferred Shares in whole or in part by the payment of $25.50 for each share to be redeemed in the case of redemption on any other date.

Class A Shares and Class B Shares

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

If a qualifying offer to purchase Class B shares is made to all, or substantially all owners of Class B shares, and such offer is not made concurrently to owners of Class A shares, then owners of Class A shares have the ability to convert their Class A shares into Class B shares on a one-for-one basis which Class B Shares will, as a result of such conversion, be automatically tendered to the offer. Any converted for Class B shares shall be automatically converted back into Class A shares on a one-for-one basis if the owner withdraws the conversion during the term of the offer or pursuant to the terms of the offer such converted for Class B shares are not taken up.

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.

In August 2015, DBRS Limited (DBRS) re-affirmed its rating of the Company as "A (high)" with a stable trend. In July 2015, Standard and Poor's Ratings Services (S&P) re-affirmed its rating of the Company as "A" and revised its outlook to negative.

The following table shows the current credit ratings assigned to the Company's securities by DBRS and S&P.

	DBRS	S&P
Long-term debt and issuer	A (high)	A
Commercial paper	R-1 (low)	A-1 (mid)
Preferred shares	Pfd-2 (high)	P-2 (high)

LONG-TERM DEBT AND ISSUER CREDIT RATINGS

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

An "A" rating by S&P is also the third highest of 10 categories. An entity rated "A" by S&P has a strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than an entity in higher-rated categories. Ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

COMMERCIAL PAPER AND SHORT-TERM DEBT CREDIT RATINGS

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

An "A-1 (Mid)" rating by S&P is the second highest of eight categories in its Canadian commercial paper ratings scale. A short-term obligation rated "A-1 (Mid)" reflects a strong capacity for the entity to meet its financial commitment on the obligation.

PREFERRED SHARE CREDIT RATINGS

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

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

CREDIT RATINGS GENERALLY

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

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

MARKET FOR SECURITIES OF THE COMPANY

The Company’s Cumulative Redeemable Preferred Shares Series 1 and Series 4 are listed on the Toronto Stock Exchange (TSX).

The following table sets forth the high and low prices and volume of the Company’s shares traded on the TSX under the symbols CIU.PR.A for Series 1 shares and CIU.PR.C for Series 4 shares, during 2015.

			Series 1			Series 4
2015	**High ($)**	**Low *($)***	**Volume**	**High *($)***	**Low *($)***	**Volume**
January	24.56	22.66	20,705	20.00	17.86	29,137
February	24.45	23.75	169,411	17.87	16.85	42,370
March	24.45	23.75	67,087	17.99	16.15	40,255
April	24.00	23.55	29,489	17.84	15.46	101,769
May	24.24	23.31	125,484	17.82	15.87	38,713
June	23.75	21.84	18,935	17.08	15.75	109,034
July	23.05	22.19	14,415	17.08	16.21	17,910
August	22.01	20.66	24,955	16.30	15.05	26,760
September	21.50	18.61	12,856	15.25	12.55	47,079
October	21.44	18.68	35,303	12.91	11.50	48,948
November	22.20	20.54	62,719	14.38	12.35	73,621
December	21.45	19.63	51,182	14.13	12.34	160,634

DIRECTORS AND OFFICERS

DIRECTORS (in Alphabetical Order)

Name, Province or State and Country of Residence	Position	Principal Occupation	Director Since
R.T. Booth (2) Alberta, Canada	Director	Partner, Bennett Jones LLP	2014
L.M. Charlton (2) Alberta, Canada	Director	Vice President & Chief Financial Officer, Lintus Resources Limited	2008
S.W. Kiefer Alberta, Canada	Director	President & Chief Operating Officer, Canadian Utilities Limited	2011
N.C. Southern Alberta, Canada	Director	Chair, President & Chief Executive Officer, ATCO Ltd. and Chair & Chief Executive Officer, Canadian Utilities Limited	1999
R.J. Urwin (2) PhD, C.B.E. London, England	Director	Corporate Director	2008

(1) All directors hold office until their successors are elected on an annual basis.

(2) Member of the Audit Committee.

Officers (in Alphabetical Order)

Name, Province or State and Country of Residence	Position Held	Principal Occupation
B.R. Bale Alberta, Canada	Senior Vice President & Chief Financial Officer	Senior Vice President & Chief Financial Officer, Canadian Utilities Limited and ATCO Ltd.
C. Gear Alberta, Canada	Corporate Secretary	Corporate Secretary Canadian Utilities Limited and ATCO Ltd.
S.W. Kiefer Alberta, Canada	President & Chief Operating Officer	President & Chief Operating Officer, Canadian Utilities Limited
N.C. Southern Alberta, Canada	Chair & Chief Executive Officer	Chair & Chief Executive Officer, Canadian Utilities Limited and Chair, President & Chief Executive Officer, ATCO Ltd.
C.G. Warkentin Alberta, Canada	Vice President, Finance & Risk	Vice President, Finance & Risk Canadian Utilities Limited and ATCO Ltd.

Positions Held by Directors and Officers within Preceding Five Years

All of the directors and officers have been engaged for the last five years in the indicated principal occupations, or in other capacities with the companies or firms referred to, or with affiliates or predecessors, except for Mr. Warkentin.

Mr. Warkentin was Consultant to the CFO, MAXIM Power Corporation (an independent power producer) and Vice President and Treasurer, Earthfirst Canada Inc. (a developer of renewable wind energy).

Directors' and Officers' Interests in the Company

At December 31, 2015, none of the Company's directors and officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, by corporate holdings or otherwise, any of the outstanding Class B shares of the Company.

EXECUTIVE COMPENSATION

Refer to Appendix 1 for the Compensation Discussion and Analysis.

Directors' Compensation

In 2015, non-employee directors of the Company were paid an annual retainer of $5,000 for acting as directors and $1,500 for attending each full meeting of the Board, or $800 if meetings were brief.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Since January 1, 2015, there has been no indebtedness outstanding to the Company from any of its directors, executive officers, senior officers or associates of any such directors, nominees or senior officers.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES OR SANCTIONS

Corporate Cease Trade Orders

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

i. was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or

ii. was subject to an event that resulted, after the person ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to an exemption under securities legislation for a period of more than 30 consecutive days; or

iii. within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

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

Penalties or Sanctions

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

i. been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or

ii. been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

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

VOTING SECURITIES AND PRINCIPAL HOLDER THEREOF

The Company has 2,188,262 Class B shares outstanding, all of which are owned by Canadian Utilities. ATCO, directly or indirectly, owns approximately 88.3 per cent of the voting securities of Canadian Utilities. The Southern family controls ATCO.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Cumulative Redeemable Preferred Shares Series 1 and Series 4 is CST Trust Company at its principal offices in Calgary, Toronto and Montreal.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is occasionally named as a party in claims and legal proceedings which arise during the normal course of its business. The Company reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. There can be assurance that any particular claim will be resolved in the Company's favour or that such claim may not have a material adverse effect on the Company. For further information, please refer to Note 21 of our audited consolidated financial statements for the year ended December 31, 2015.

MATERIAL CONTRACTS

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

INTERESTS OF EXPERTS

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

NON-GAAP AND ADDITIONAL GAAP MEASURES

Adjusted earnings are defined as earnings for the year 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 the CU Inc.'s MD&A. Adjusted earnings is an additional GAAP measure presented in Note 5 to the 2015 Annual Financial Statements.

FORWARD LOOKING INFORMATION

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

ADDITIONAL INFORMATION

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

Additional financial information is provided in the Company's consolidated financial statements and MD&A for the financial year ended December 31, 2015.

Information relating to ATCO or Canadian Utilities may be obtained on request from Investor Relations at 1500, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6, or by telephone (403) 292-7500 or fax (403) 292-7532. Corporate information is also available on ATCO's website: www.atco.com and Canadian Utilities' website: www.canadianutilities.com.

GLOSSARY

Adjusted earnings means earnings for the year 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 day-to-day operations. Refer to the "Reconciliation of Adjusted Earnings to Earnings for the Year" section of the MD&A for a description of these items.

AESO means the Alberta Electric System Operator.

AEY means ATCO Electric Yukon.

AGP means ATCO Gas and Pipelines Ltd.

ATCO means ATCO Ltd.

ATCO Electric means ATCO Electric Ltd.

ATCO Energy Solutions means ATCO Energy Solutions Ltd.

ATCO Gas means the natural gas distribution division of AGP.

ATCO Group means ATCO Ltd. and its subsidiaries.

ATCO Pipelines means the natural gas transmission division of AGP.

AUC means the Alberta Utilities Commission.

Canadian Utilities means Canadian Utilities Limited.

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.

EUA means the Electric Utilities Act (Alberta).

KM means kilometres.

MD&A means the Company's Management's Discussion and Analysis for the year ended December 31, 2015.

NEB means National Energy Board.

NGTL means NOVA Gas Transmission Ltd.

NUY means Northland Utilities (Yellowknife) Limited.

NWT means Northland Utilities (NWT) Limited.

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

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

ROE means Return on Equity.

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

APPENDIX 1 - COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) discusses the Company's executive compensation program, how it is structured, governed, and designed to support the corporate business objectives.

It discloses compensation of the Chief Executive Officer, Chief Financial Officer and the next three executives that received the highest pay as of December 31, 2015 (the named executives):

- Nancy C. Southern, Chair, President & Chief Executive Officer (CEO);
- Brian R. Bale, Senior Vice President & Chief Financial Officer (CFO);
- Sett F. Policicchio, Managing Director, Shared Services;
- Steven J. Landry, Senior Vice President & Chief Development Officer; and
- Siegfried W. Kiefer, President & Chief Operating Officer (COO).

In 2015, all of the named executives except Sett F. Policicchio have multiple roles for CU Inc., Canadian Utilities, and ATCO, the Company's ultimate parent company. Mr Policicchio was with ATCO Electric, before moving to his new role as of December 1, 2015.

Every year, the Company apportions compensation for executives with multiple roles based on each company's contribution to revenues, labour expenses and total assets. This allocation method, which has been approved by the AUC, represents an estimate of the amount of time the Company expects the executives will devote to each entity.

Throughout this CD&A, when we refer to senior executives, the Company means the CEO and her direct reports (only some of whom are named executives).

The table below shows how CU Inc., Canadian Utilities and ATCO have shared the compensation expense of executives with multiple roles over the past three years:

	Amount paid and reported by CU Inc. (%)	Amount paid by Canadian Utilities (%)	Amount paid by ATCO (%)	Combined total reported by ATCO (%)
2015	**63.2**	**24.4**	**12.4**	**100**
2014	60.1	28.0	11.9	100
2013	63.9	26.5	9.6	100

Executive Compensation Program Elements

The Company's executive compensation program includes direct and indirect compensation. Direct compensation is made up of:

- fixed compensation (base salary); and
- variable compensation (short, mid and long-term incentives).

Indirect compensation includes a pension plan and other benefits.

Discretionary incentives may also be awarded to senior executives for their contribution to particularly notable accomplishments.

Total direct compensation is targeted at the median (50th percentile) of the comparative group. Pay mix varies from year to year. The target ranges depend on the executive's responsibilities and ability to influence business results. The actual pay mix depends on corporate, Business Unit and individual performance. This mix provides a competitive total direct compensation package while ensuring that a significant portion of each executive's compensation is performance-based, and therefore, pay at risk.

Fixed Compensation

Base salaries are targeted at the median (50th percentile) of the comparator group, and can be up to the 75th percentile for executives who consistently perform above the role's expectations.

Variable Compensation

Variable compensation makes up a significant portion of each senior executive's total compensation. Awards and payouts are tied to corporate, Business Unit and individual performance.

Nancy C. Southern

Chair, President & Chief Executive Officer
Age: 59
Location: Calgary, Canada
Years of Service: 26

Ms. Southern is Chair, President & Chief Executive Officer of CU Inc. and has full responsibility for the Company's strategic direction and operations. She reports to the Board of Directors, and has been a director of CU Inc. since 1999. She was Co-Chairman and Chief Executive Officer from 2000 to 2003, and Deputy Chairman and Deputy Chief Executive Officer from 1999 to 2000.

Under Ms. Southern's guidance earnings have increased from $156 million in 2005 to Adjusted Earnings of $395 million in 2015. CU Inc.'s total assets have grown from $4 billion in 2005 to approximately $14.5 billion in 2015.

	2015	2014	2013
Cash			
Base salary	**$632,000**	$601,000	$639,000
Short-term incentive	–	–	958,500
Total direct compensation	**$632,000**	$601,000	$1,597,500

Employment agreement

Ms. Southern has an employment agreement with Canadian Utilities that expires on February 28, 2017, and continues from year to year after that. The agreement includes insurance benefits if Ms. Southern dies or becomes disabled before she retires or her employment is terminated. That insurance is based on her salary, using formulas that take into account the amounts payable to her under the group life insurance policies and disability income programs. It also includes supplemental pension benefits.

Brian R. Bale

Senior Vice President & Chief Financial Officer
Age: 60
Location: Calgary, Canada
Years of Service: 34

Mr. Bale is Senior Vice President & Chief Financial Officer of CU Inc., Canadian Utilities and ATCO and is responsible for Finance, Accounting, Treasury, Taxation, Risk Management, Office of the Chief Information Officer and the administration of Internal Audit. He joined ATCO Gas in 1981, and has held progressively senior roles in CU Inc. He was appointed to his current role on December 1, 2009.

	2015	2014	2013
Cash			
Base salary	**$387,100**	$338,063	$327,488
Short-term incentive	**189,600**	–	447,300
Total direct compensation	**$576,700**	$338,063	$774,788

Sett F. Policicchio

Managing Director, Shared Services, ATCO and Canadian Utilities
Age: 59
Location: Edmonton, Canada
Years of service: 36

Mr. Policicchio is Managing Director, Shared Services, ATCO and Canadian Utilities, and is responsible for establishing a ‘shared services’ model that delivers exceptional value to our Global Business Units, for their non-core, but necessary needs such as Global Procurement, Facilities Management, Fleet Management, etc.

He joined Canadian Utilities in 1979 and has held progressively senior roles throughout his career. He was appointed President, ATCO Electric - Capital Projects Division in 2010, President, ATCO Electric - Transmission Division in 2013, President, ATCO Electric in early 2015, and was appointed to his current role in December 2015.

	2015	**2014**	**2013**
Cash			
Base salary	**$402,120**	$393,750	$366,250
Short-term incentive	**387,760**	–	350,000
Total direct compensation	**$789,880**	$393,750	$716,250

Steven J. Landry

Senior Vice President & Chief Development Officer, ATCO and Canadian Utilities
Age: 57
Location: Calgary, Canada
Years of service: 5

Mr. Landry is Senior Vice President & Chief Development Officer, with ATCO and Canadian Utilities and is responsible for strategic initiatives focused on group-wide business development and new ventures.

From January 2011 to June 2014, Mr. Landry was Managing Director and Chief Operating Officer of ATCO Group's operations in Australia (ATCO Australia), responsible for the management of all ATCO Australia and its associated companies in Power and Gas.

Prior to joining ATCO, Mr. Landry had a 27 year career with the Chrysler Group, where he held various global and executive positions.

	2015	**2014**	**2013**
Cash			
Base salary	**$290,720**	$228,881	139,382
Short-term incentive	**316,000**	-	127,800
Total direct compensation	**$606,720**	$228,881	$267,182

Siegfried W. Kiefer

President & Chief Operating Officer, Canadian Utilities Limited
Age: 57
Location: Calgary, Canada
Years of Service: 33

Mr. Kiefer is President & Chief Operating Officer, Canadian Utilities Limited, and is responsible for the operations of ATCO Gas, ATCO Electric, ATCO Pipelines, ATCO Energy Solutions and ATCO Power. He joined ATCO in 1983, and has held progressively senior roles in ATCO and Canadian Utilities. He was appointed to his current role in 2015.

	2015	2014	2013
Cash			
Base Salary	**$480,320**	$452,253	$457,684
Short-term incentive	**158,000**	–	383,400
Total direct compensation	**$638,320**	$452,253	$841,084

2015 COMPENSATION DETAILS

SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation of each of the named executives received or awarded for the years ended December 31, 2013, 2014 and 2015.

				Non-equity incentive plan compensation[1]				
	Salary[1]	Share based awards	Option based awards	Annual incentive plans	Long term incentive plans	Pension value[2]	All Other Compensation [3]	Total Compensation
Nancy C. Southern								
2015	**632,000**	–	–	–	–	**437,793**	**22,120**	**1,091,913**
2014	601,000	–	–	–	–	604,412	21,035	1,226,447
2013	639,000	–	–	958,500	–	560,807	22,365	2,180,672
Brian R. Bale								
2015	**387,100**	–	–	**189,600**	–	**188,875**	**13,549**	**779,124**
2014	338,063	–	–	–	–	146,786	11,832	496,681
2013	327,488	–	–	447,300	–	136,266	11,462	922,516
Sett F. Policicchio								
2015	**402,120**	–	–	**387,760**	–	**21,884**	**12,667**	**824,431**
2014	393,750	–	–	–	–	143,276	7,454	544,480
2013	366,250	–	–	350,000	–	178,628	11,537	906,415
Steven J. Landry								
2015	**290,720**	–	–	**316,000**	–	–	**94,484[4]**	**701,204**
2014	228,881	–	–	-	–	–	67,625[4]	296,506
2013	139,382	-	-	127,800	-	-	31,361[4]	298,543
Siegfried W. Kiefer								
2015	**480,320**	–	–	**158,000**	–	**131,050**	**16,811**	**786,181**
2014	452,253	–	–	–	–	199,243	15,829	667,325
2013	457,684	–	–	383,400	–	373,192	16,019	1,230,295

(1) *Total cash compensation figures shown for all named executives are the amounts that have been apportioned to and paid by the Company. All of the Company's executives with the exception of Sett F. Policicchio and Steven J. Landry have multiple roles - for CU Inc., Canadian Utilities and ATCO, the Company's parent company, over the past three years. The table below shows how the compensation expense for executives with multiple roles has been shared over the past three years.*

	Amount paid and reported by CU Inc. (%)	Amount paid by Canadian Utilities (%)	Amount paid by ATCO (%)	Combined total reported by ATCO (%)
2015	**63.2**	**24.4**	**12.4**	**100**
2014	60.1	28.0	11.9	100
2013	63.9	26.5	9.6	100

Prior to December 2015, Mr. Policicchio's compensation expense was allocated 100% to CU Inc.

(2) *Estimated using a prescribed formula based on several assumptions. Also includes other compensatory related items.*

(3) *Employer contribution to the Employee Share Purchase Plan.*

(4) *Includes expatriate allowances.*

PENSION PLAN

The named executives (except Steven J. Landry) participate in the *Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies* (CU plan), which has both a defined benefit (DB) and defined contribution (DC) component. Steven J. Landry does not participate in a pension plan.

All other named executives participate in the DB component.

How the DB component of the CU plan works:

- executives do not contribute to the plan
- participants can retire with full benefits when they turn 62, or if their age plus their years of service equals 90 or more. They can retire as early as age 55. However, if they have not achieved 90 points their pension benefit is reduced by 3 percent for every year of retirement before age 62, and by another 3 percent for every year before age 60
- pension benefits are paid until the participant dies; then, 60 percent is paid to the surviving spouse
- retiree benefit payments have historically been increased annually with inflation, to a maximum of 3 percent.

How we calculate the pension benefit:

$$\left[\left[1.4\% \times \text{average year's maximum pensionable earnings (\$51,120 in 2015)} \right] + \left[2\% \times \text{average salary (highest five consecutive years of base salary, not including short-term incentive) minus \$51,120} \right] \right] \times \boxed{\text{Years of Service}}$$

SUPPLEMENTAL PENSION PLAN

Pension benefits under the CU plan are subject to limits imposed by the Income Tax Act (Canada). Benefits that are higher than these limits are paid to each of the named executives participating in the CU plan as a supplemental pension. This supplemental pension is provided by Canadian Utilities and benefits are not pre-funded.

How it works:

- supplemental pension benefits are provided as a defined benefit plan;
- executives do not contribute to the supplemental plan;
- service is limited to 35 years; and
- supplemental benefits are not paid if the named executive is terminated or dies before age 55.

Ms. Nancy Southern's supplemental pension benefit is part of her employment agreement. Her benefits are calculated as a percentage of the average of the highest five years of cash compensation (salary and short-term incentives) during her last ten years before retirement. The percentage depends on her age when she retires, as shown below.

Age at retirement	Percentage
59	78%
60 and older	80%

Ms. Nancy Southern's pension is inclusive of the benefit under the CU plan. Benefits are paid on the same terms as the CU plan, with the same survivor benefits and top-up for inflation.

The table below shows the pension benefits and accrued obligations under all registered pension plans and supplemental arrangements for each of the named executives.

		Annual Benefits Payable ($)					
	Number of years credited service (#)	At year end	At age 65	Opening present value of defined benefit obligation ($)	Compensatory Change ($)	Non Compensatory Change ($)	Closing present value of defined benefit obligation ($)
Nancy C. Southern	20.00	1,183,104	1,213,440	12,391,184	437,793	921,406	13,750,383
Brian R. Bale	34.00	215,022	221,346	3,445,428	188,875	721,302	4,355,605
Sett F. Policicchio	36.08	235,579	235,579	5,049,562	21,884	101,201	5,172,647
Siegfried W. Kiefer	32.00	209,449	297,513	5,930,159	131,050	455,746	6,516,955

Number of years of credited service is the time the executive has been a member of the pension plan, and is used to calculate the pension.

Annual benefits payable at year end is based on the defined benefit credited service and actual average pensionable earnings at December 31, 2015. The benefits are reduced if a named executive is eligible for early retirement.

Annual benefits payable at age 65 is based on actual average pensionable earnings at December 31, 2015, and their projected service at age 65, to a maximum of 35 years.

The Company calculates the accrued pension obligation using the method prescribed by International Financial Reporting Standards and based on management's best estimate of future events that affect the cost of pensions, including assumptions about adjustments to base salary in the future.

The **compensatory change** includes the service cost, differences between actual and estimated earnings, the impact of plan amendments and past service benefits.

The **non-compensatory change** includes interest on the obligation, the impact of assumption changes, and the impact of changing the CU Inc. allocation from 60.1 per cent in 2014 to 63.2 percent in 2015. See Note 20, Retirement Benefits, in the Company's consolidated financial statements for the year ended December 31, 2015, for more information about the methods and assumptions used to calculate accrued obligations.

TERMINATION AND CHANGE OF CONTROL

Termination of employment of an executive is subject to applicable legislation and common law provisions as there are no employment agreements in place for the named executives, except for Ms. Southern. The table below shows how a change in employment status affects the different compensation components.

The Company considers there to be a change of control when holders of more than 50 percent of Canadian Utilities Class B common shares accept an offer for any portion or all of the shares. This change can be by way of a takeover bid or some other means, as long as it is not the result of a transaction to convert Canadian Utilities to a trust with our shareholders owning more than 50 percent of the voting securities of the trust.

The Company's employment agreement with Ms.Southern, the Chair, President & Chief Executive Officer, outlines the following:

Retirement

Salary ends.

Retiring allowance is based on years of service to a maximum of one month's salary.

Retiree health benefits coverage starts when she retires, and continues until six months after the pensioner dies.

Annual incentive bonus is paid on a pro rata basis to the retirement date.

All vested options and share appreciation rights can be exercised within 24 months of the retirement date, or on the expiry date if earlier.

All unvested options, share appreciation rights and mid-term incentive plan awards are forfeited on the retirement date.

Pension benefits are provided based on membership in the plan.

Resignation

All salary and benefits end.

Annual incentive bonus for the current year is forfeited.

All vested options and share appreciation rights can be exercised within 90 days of the resignation date, or on the expiry date if earlier.

All unvested options, share appreciation rights and mid-term incentive plan awards are forfeited on the resignation date.

Pension is paid as a commuted value or deferred benefit.

Termination

All salary and benefits end.

Annual incentive bonus for the current year is forfeited.

All vested options and share appreciation rights can be exercised within 90 days of the termination date, or on the expiry date if earlier.

All unvested options, share appreciation rights and mid-term incentive plan awards are forfeited on the termination date.

Pension is paid as a commuted value or deferred benefit.

If applicable, severance is provided based on employment standards and common law provisions.

Change of control

No changes are made to salary, incentives or benefits.

All vested options and share appreciation rights can be exercised within 90 days of a change of control, or on the expiry date, if earlier.

All unvested options and share appreciation rights are accelerated and can be exercised within 90 days of a change of control date, or on the expiry date if earlier.

All unvested mid-term incentive plan awards vest on the date immediately preceding the change of control.