CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

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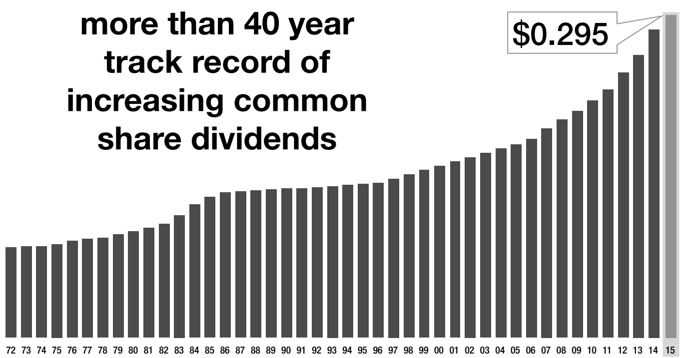
Q2 2015 INVESTOR FACT SHEET

CANADIANUTILITIES.COM
UTILITIES I ENERGY

CANADIAN UTILITIES LIMITED
An ATCO Company

Founded in true entrepreneurial spirit in 1947, ATCO has grown from its Alberta roots into a diversified international group of companies focused on profitable, sustainable growth. Canadian Utilities Limited, an ATCO Company, with more than 6,800 employees and assets of approximately $17 billion, delivers service excellence and innovative business solutions worldwide. Canadian Utilities' leading companies are engaged in Utilities and Energy.

DIVIDEND GROWTH



** Canadian Utlities 2015 quarterly dividend is $1.18 annualized*

CANADIAN UTILITIES SHARE INFORMATION

Common Shares (TSX): CU, CU.X	
Market Capitalization	$9 billion
Weighted Average Common Shares Outstanding	263.9 million

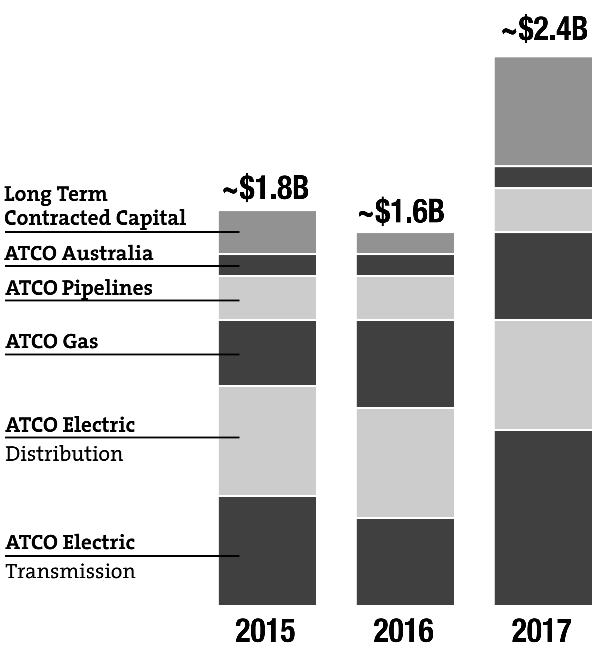
CANADIAN UTILITIES AT A GLANCE

"A" rating by Standard & Poor's

Total Assets	$17 billion
Electric Powerlines	86,000 kms
Pipelines	63,200 kms
Power Plants	15 plants globally
Power Generating Capacity	3,857 MW*
Natural Gas Processing Capacity	1,719 mmcfd**
Natural Gas Storage Capacity	46 PJ***

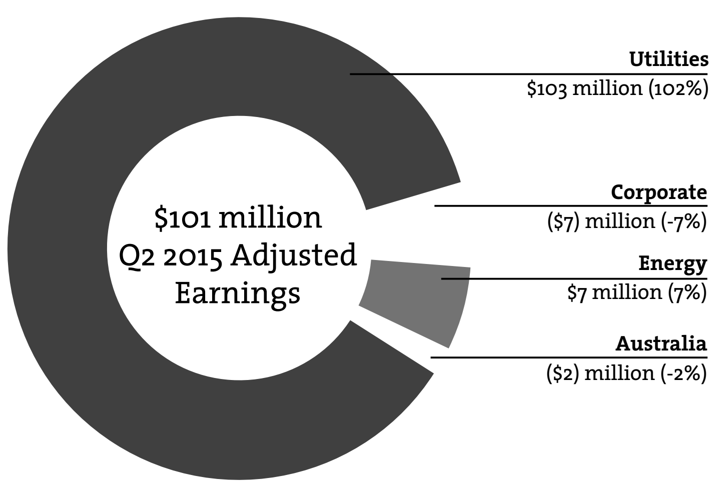
**megawatts   **millions of cubic feet per day   ***petajoules*

VISIBLE GROWTH



~ $5.8 billion in utility and contracted capital growth projects expected in 2015 - 2017

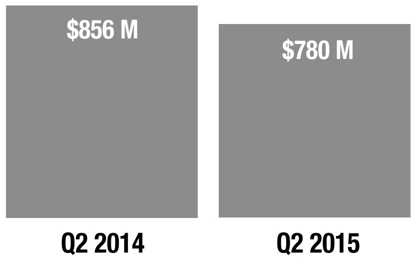
DIVERSIFIED EARNINGS



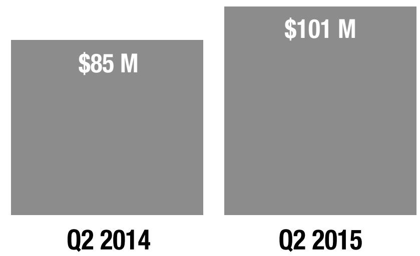
Adjusted earnings are defined as earnings attributable to equity owners after adjusting for the timing of revenues and expenses associated with rate-regulated activities and dividends on equity preferred shares of Canadian Utilities Limited. Adjusted earnings also exclude one-time gains and losses, significant impairments and items that are not in the normal course of business or a result of day-to-day operations. Certain statements in this document contain forward-looking information. Please refer to our forward-looking information disclaimer in Canadian Utilities' management's discussion and analysis for more information.

Q2 2015 RESULTS

CANADIAN UTILITIES REVENUES



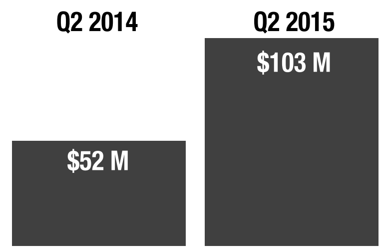
CANADIAN UTILITIES ADJUSTED EARNINGS



UTILITIES

- Significant investment in utility infrastructure in Alberta continues. Utility capital expenditures were $306 million in Q2/15 and $617 million year-to-date.
- Increased earnings in Q2/15 resulted from the ongoing investment in utility infrastructure in Alberta and improvements in operations and maintenance costs.
- Total Utility expected capital expenditures are approximately $1.5 billion in 2015 and $4.8 billion from 2015 to 2017.

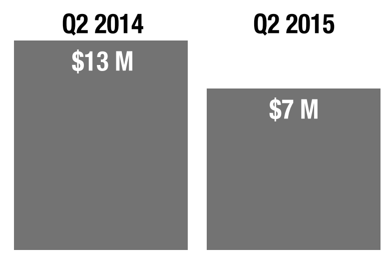
ADJUSTED EARNINGS



ENERGY

- Reduced earnings in Q2/15 were the result of lower storage fees in ATCO Energy Solutions and higher operating expenses relating to a planned maintenance outage at ATCO Power's Battle River 5 generating plant, partially offset by higher realized Alberta Power Pool prices and higher spark spreads.
- ATCO Power has been selected by Williams Energy Canada to build and operate a natural gas-fired cogeneration plant to meet the high pressure steam and electricity needs of Williams Energy Canada's proposed propane dehydrogenation facility to be located in the Alberta Industrial Heartland region. ATCO's proposed 90 MW cogeneration plant is contingent on Williams Energy Canada's Final Investment Decision for the facility.

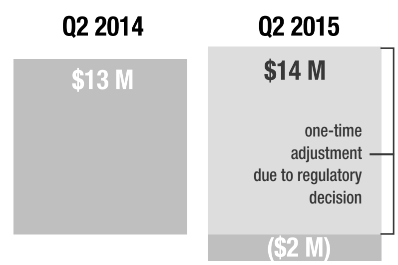
ADJUSTED EARNINGS



AUSTRALIA

- Earnings were lower as a result of the Access Arrangement decision received by ATCO Gas Australia from the Economic Regulation Authority. The decision covers the period from July 2014 to December 2019. The decision reduced second quarter earnings by $19 million mainly due to a one-time earnings adjustment for the July 1, 2014 to March 30, 2015 time period.
- Without the one-time earnings adjustment that related to prior periods, adjusted earnings in ATCO Australia were $1 million higher than Q2/14. The primary reasons for the increase were interest savings related to the refinancing of long-term debt at favourable rates, continued growth in rate base from capital investment in the utility assets and savings due to cost optimization initiatives.

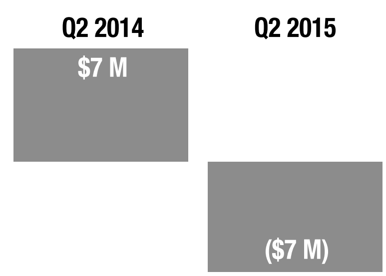
ADJUSTED EARNINGS



CORPORATE

- Decreased earnings were mainly the result of the sale of the Company's information technology services business in the third quarter of 2014, the proceeds of which were redeployed to finance the capital expenditure growth program underway in the Utilities.

ADJUSTED EARNINGS



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CANADIAN UTILITIES LIMITED
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2015 SECOND QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2015

TABLE OF CONTENTS

CANADIAN UTILITIES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2015

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of Canadian Utilities Limited (the Company) during the six months ended June 30, 2015.

This MD&A was prepared as of July 28, 2015 and should be read with the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2015. Additional information, including the Company's prior MD&As, the Annual Information Form (2014 AIF) and the audited consolidated financial statements for the year ended December 31, 2014, is available on SEDAR at www.sedar.com. Information contained in the 2014 MD&A is not discussed if it remains substantially unchanged.

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

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

TABLE OF CONTENTS

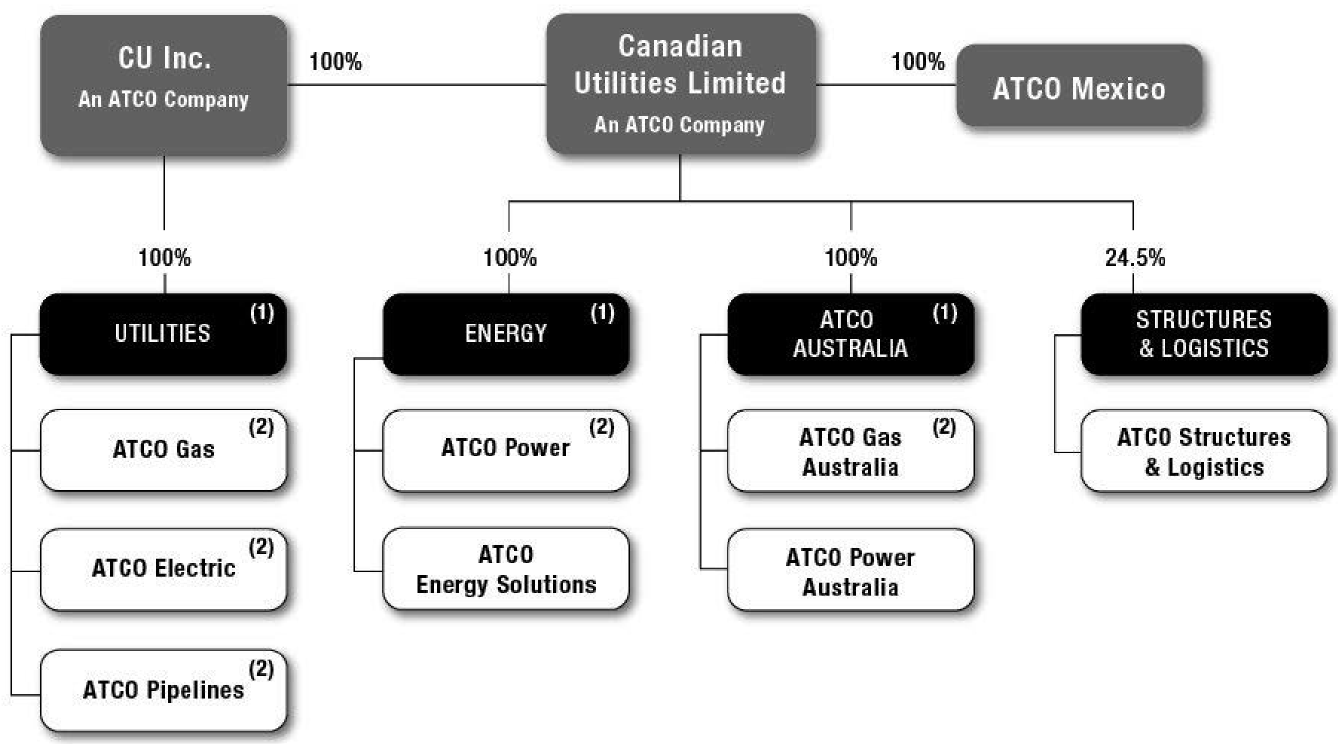
COMPANY OVERVIEW

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

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

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

SIMPLIFIED ORGANIZATIONAL STRUCTURE



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

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

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions, except per share data and outstanding shares)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Key Financial Metrics						
Adjusted earnings	**101**	85	16	**231**	271	(40)
Utilities	**103**	52	51	**219**	191	28
Energy	**7**	13	(6)	**18**	46	(28)
ATCO Australia	**(2)**	13	(15)	**10**	21	(11)
Corporate & Other	**(9)**	7	(16)	**(17)**	12	(29)
Intersegment Eliminations	**2**	–	2	**1**	1	–
Revenues	**780**	856	(76)	**1,698**	1,873	(175)
Operating costs	**437**	496	(59)	**936**	1,030	(94)
Earnings attributable to equity owners of the Company	**43**	115	(72)	**217**	336	(119)
Capital expenditures (including capitalized interest)	**387**	531	(144)	**777**	1,077	(300)
Cash dividends declared per Class A and Class B share (cents per share)	**29.50**	26.75	2.75	**59.00**	53.50	5.50
Funds generated by operations	**391**	366	25	**843**	883	(40)
Weighted average Class A and Class B shares outstanding *(thousands):*						
Basic	**264,246**	261,732	2,514	**263,924**	261,296	2,628
Diluted	**265,021**	262,552	2,469	**264,724**	262,102	2,622

ADJUSTED EARNINGS

The Company's adjusted earnings for the second quarter of 2015 was $101 million as compared to $85 million in the same period of 2014. The primary drivers of earnings results were as follows:

- Utilities - Adjusted earnings were $103 million in the second quarter of 2015 compared to $52 million in the second quarter of 2014. The Utilities realized higher earnings as a result of continued investment in utility infrastructure in Alberta along with improvements in operations and maintenance costs. The six months ended June 30, 2015 and six months ended June 30, 2014 include prior period adjustments associated with several regulatory decisions which are discussed in more detail in the "Utilities" section of this MD&A.
- Australia - ATCO Australia recorded lower adjusted earnings in the second quarter of 2015 due to prior period adjustments associated with ATCO Gas Australia's Access Arrangement decision received on July 1, 2015. This decision relates to the period from July 2014 to December 2019. Without the $16 million prior period impact of the Access Arrangement decision, ATCO Australia's adjusted earnings were $1 million higher compared to the same period last year. Higher adjusted earnings were due to interest savings related to the Company's refinancing of its long-term debt at favourable rates, continued growth in rate base, and savings due to cost reduction initiatives.
- Corporate - Decreased earnings were mainly the result of the sale of the Company's information technology services business in the third quarter of 2014, the proceeds of which were redeployed to finance the capital expenditure growth program underway in the Utilities.

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

REVENUES

Revenues in the second quarter of 2015 were $76 million lower than the same period of 2014 primarily due to lower flow-through gas sales in ATCO Energy Solutions, which are passed on to customers by the Company and do not impact adjusted earnings.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were $43 million in the second quarter of 2015 compared to $115 million in the same period of 2014. Lower earnings are mainly the result of adjusting for a change in the Alberta corporate tax rate from 10 per cent to 12 per cent, effective July 1, 2015. This change resulted in increased income taxes of $67 million of which $63 million related to deferred income taxes in the Utilities segment that was excluded from adjusted earnings. For purposes of adjusted earnings, rate-regulated accounting results in the recognition of income in the current period for the deferred income taxes to be billed and recovered to customers in future periods.

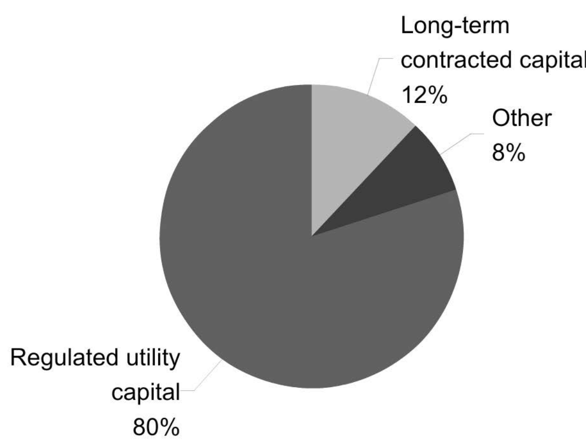
More information on these and other items is available in the "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" section in this MD&A.

CAPITAL EXPENDITURES

Total capital expenditures in the second quarter and first half of 2015 were $387 million and $777 million, respectively. Lower capital expenditures compared to the prior period are mainly due to previously disclosed and planned lower capital spending in ATCO Electric Transmission.

Capital spending in the Company's regulated utilities and on long-term contracted capital assets accounted for $752 million of capital spending year-to-date. The investments either earn a regulated return or are under commercially secured long-term contracts. The remaining expenditures are mainly maintenance capital spread across the Company. The Company expects to invest approximately $1.8 billion in regulated utility and commercially secured capital growth projects in 2015.

Regulated & Contracted Capital Expenditures YTD (%)



DIVIDENDS

On July 7, 2015, the Board of Directors declared a third quarter dividend of 29.50 cents per share. This represents a 10 per cent increase on dividends declared in the same period of last year. Dividends paid to Class A and Class B share owners in the second quarter of 2015 totaled $52 million.

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

FINANCING

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

On July 27, 2015, the Company entered into an agreement with a syndicate of underwriters who have agreed to buy $125 million of 5.25 per cent fixed Cumulative Redeemable Second Preferred Shares Series EE. The Company has granted the underwriters an option to purchase up to an additional $50 million on the date that is two business days prior to closing. Should the option be fully exercised, the total gross proceeds of the issue will be $175 million. The closing date of the issue is expected to be on or about August 7, 2015. Proceeds from this issue will be used for capital expenditures, to repay existing indebtedness and for other general corporate purposes.

SEGMENTED INFORMATION

Utilities

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

REVENUES	Revenues in the Utilities were $23 million and $31 million higher in the second quarter and first half of 2015 compared to the same periods of 2014 mainly as a result of growth in rate base, higher rates in the distribution utilities under PBR and higher 2015 interim rates in ATCO Electric Transmission and ATCO Pipelines.
ADJUSTED EARNINGS	Adjusted earnings for each of the Utilities are shown in the table below.

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

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

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

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

Normalized Utility Adjusted Earnings

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

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

ATCO ELECTRIC

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

ATCO Electric Distribution

ATCO Electric Distribution's adjusted earnings, excluding the prior period impacts of the GCOC, Capital Tracker, 2010 Evergreen and 2014 Interim Rates decisions, were $5 million higher in the second quarter and $4 million higher in the first six months of 2015, when compared to the same periods in 2014. Increased earnings resulted primarily from growth in rate base.

ATCO Electric Transmission

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

ATCO GAS

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

Adjusted earnings in ATCO Gas, excluding the prior period impacts of the GCOC, Capital Tracker, 2010 Evergreen and 2014 Interim Rates decisions, were $5 million and $15 million higher in the second quarter and first six months of 2015, when compared to the same periods in 2014. Increased earnings resulted from growth in both rate base and customers, and operations and maintenance cost savings.

ATCO PIPELINES

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

Adjusted earnings in ATCO Pipelines, excluding the prior period impacts of the GCOC and 2010 Evergreen decisions, were $2 million and $5 million higher in the second quarter and first six months of 2015, when compared to the same periods in 2014. Increased year-over-year earnings resulted from growth in rate base.

MAJOR CAPITAL EXPENDITURE PROJECT UPDATES

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

Eastern Alberta Transmission Line (EATL) Project

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

REGULATORY DEVELOPMENTS

ATCO Electric Transmission 2015 to 2017 General Tariff Application

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

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

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

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

Generic Cost of Capital (2016) (GCOC)

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

Information Technology Common Matters

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

Energy

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

REVENUES

Energy segment revenues of $183 million for the second quarter and $387 million for the six months ended June 30, 2015 were lower than the same periods of the prior year by $56 million and $138 million, respectively.

Lower revenues for the second quarter were primarily the result of lower flow-through gas sales in ATCO Energy Solutions, partly offset by higher realized Alberta Power Pool prices. The decrease in the first half of 2015 was primarily due to lower flow-through gas sales and lower realized Alberta Power Pool Prices.

ADJUSTED EARNINGS

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
ATCO Power						
Independent Power Plants	**–**	(1)	1	**1**	13	(12)
Regulated Power Plants	**6**	11	(5)	**19**	22	(3)
Total ATCO Power	**6**	10	(4)	**20**	35	(15)
ATCO Energy Solutions						
Storage Operations	**–**	5	(5)	**–**	7	(7)
NGL Extraction and Gas Gathering & Processing	**2**	1	1	**2**	9	(7)
Other Operations	**(1)**	(3)	2	**(4)**	(5)	1
Total ATCO Energy Solutions	**1**	3	(2)	**(2)**	11	(13)
Total Energy	**7**	13	(6)	**18**	46	(28)

Energy segment adjusted earnings for the three and six months ended June 30, 2015 were lower than the same periods in 2014 by $6 million and $28 million, respectively.

Adjusted earnings for the second quarter of 2015 were lower as a result of lower storage fees in ATCO Energy Solutions, higher operating expenses related to a planned maintenance outage at the Battle River 5 generating plant and an increase in income tax expense in ATCO Power due to the recently announced change in the Alberta corporate income tax rate. These decreases were partially offset by higher realized Alberta Power Pool prices and higher spark spreads.

The adjusted earnings decrease in the first half of 2015 was primarily the result of lower realized Alberta Power Pool prices, higher operating expenses related to planned maintenance outages, an increase in the income tax expense in ATCO Power due to the recently announced change in the Alberta corporate income tax rate and lower frac spreads and storage fees in ATCO Energy Solutions. These decreases were partially offset by earnings from the amortization of accumulated incentives associated with Power Purchase Arrangements (PPA).

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

ATCO POWER

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

Generating Plant Availability

ATCO Power's generating availability in Alberta for the second quarter and first half of 2015 and 2014 is shown below.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Independent Power Plants (1) (2)	**88%**	95%	(7%)	**93%**	95%	(2%)
Regulated Power Plants (1) (3) (4)	**83%**	94%	(11%)	**82%**	96%	(14%)

(1) Generating plant capacity fluctuates with the timing and duration of outages.

(2) The availability was lower in the second quarter of 2015 compared to the second quarter of 2014 primarily due to major planned outages at the Scotford and Muskeg River generating plants in the second quarter of 2015.

(3) The Battle River 5 generating plant commenced a major planned maintenance outage in March of 2015 which was completed in the second quarter of 2015.

(4) The Sheerness 1 generating plant commenced and completed a major planned maintenance outage in the first quarter of 2015.

Generating plant availability was lower in the three and six months ended June 30, 2015 compared to the same periods in 2014 due to a higher number of planned outages in 2015 than in 2014. Regulated Power Plant availability is expected to improve through 2015 due to the completion of the planned maintenance outages in the first half of this year.

Independent Power Plants

Adjusted earnings in the second quarter of 2015 from Independent Power Plants were $1 million higher than the same period in 2014. Higher earnings as a result of Alberta Power Pool prices and spark spreads due to warmer weather and price volatility in the Alberta market were offset by a $5 million increase in current and deferred income tax expense related to the recently announced increase in the Alberta corporate tax rate.

Adjusted earnings in the first half of 2015 were $12 million lower than the same period in 2014. This is primarily due to lower realized Alberta Power Pool prices, partially offset by reduced gas prices. The reduced pool price was primarily attributable to the increased supply of electricity in the Alberta market in 2015 as compared to 2014. Also contributing to lower earnings was a $5 million increase in current and deferred income tax expense related to the recently announced change in the Alberta corporate income tax rate.

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the three and six months ended June 30, 2015 and 2014, are shown in the table below.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Average Alberta Power Pool electricity price *($/MWh)*	**57.22**	42.43	35%	**43.20**	51.46	(16%)
Average natural gas price *($/GJ)*	**2.52**	4.44	(43%)	**2.57**	4.87	(47%)
Average spark spread *($/MWh)*	**38.32**	9.13	320%	**23.92**	14.93	60%

Regulated Power Plants

The electricity generated by the Battle River 5 and Sheerness plants is sold through PPAs. Under the PPAs, ATCO Power must make the generating capacity for each generating unit available to the PPA purchaser of that unit. These arrangements entitle ATCO Power to recover its forecast fixed and variable costs for that unit from the PPA purchaser.

Adjusted earnings from the Regulated Power Plants, which are governed by the PPAs, were $5 million lower in the second quarter and $3 million lower in the six months ended June 30, 2015 when compared to the same periods in the prior year. These decreases were primarily due to higher operating expenses related to planned maintenance outages at Battle River 5 and Sheerness 1, which was partially offset by earnings from the amortization of accumulated incentives associated with PPAs in the first quarter of 2015.

Major Project Updates

Strathcona Cogeneration Plant

ATCO Power has been selected by Williams Energy Canada to build and operate a natural gas-fired cogeneration plant to meet the high pressure steam and electricity needs of Williams Energy Canada's proposed propane dehydrogenation facility to be located in the Alberta Industrial Heartland region. ATCO's proposed 90 MW cogeneration plant is contingent on Williams Energy Canada's Final Investment Decision for the facility.

Environmental Matters

Greenhouse Gas (GHG) Emissions

The provincial government manages GHG emissions through the Specified Gas Emitters Regulation (SGER) which was revised in June 2015. Previously, the SGER was set at a $15/tonne charge on GHG emissions from large emitters applied to a 12 per cent emission reduction intensity. In January 2016, the amount increases to a $20/tonne charge and a 15 per cent emission reduction, followed by a $30/tonne charge and a 20 per cent reduction starting in January 2017.

ATCO Power's earnings exposure to the increased carbon charges announced by the Alberta government is limited. For ATCO Power's regulated power units, the PPA allows the Company to recover costs for compliance with both the federal and Alberta regulations through the term of the PPA. If the costs are for operations after the PPA term, the plant owner, not the PPA counterparty, bears the burden of these costs. The increase in combined environmental compliance costs for Battle River 3 and 4 units (which are coal-fired plants that are no longer subject to PPAs), is estimated to be less than $2/MWh. This translates into a potential earnings impact of $2 million to $4 million per year from 2017 onward depending on the timing and volume of production. The 2016 impact will likely be substantially less due to the phase-in of the SGER. ATCO Power also estimates that charges assessed to its gas-fired generation will be largely recovered through the market.

The Government of Alberta has stated that it intends to conduct a comprehensive review of the province's climate change strategy in the third quarter of 2015. The potential costs imposed on the coal fleet will depend on the overall climate change framework established in the fall of 2015.

ATCO ENERGY SOLUTIONS

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

Adjusted earnings in the second quarter of 2015 were $2 million lower when compared to the same period of 2014 as a result of lower storage fees. Natural gas storage fees decreased primarily due to warmer weather.

In the first half of 2015, adjusted earnings were $13 million lower than the first half of 2014 primarily due to low NGL frac spreads and storage fees. Frac spreads were $4.36/GJ compared to $8.82/GJ in the prior year, excluding transportation costs and location price differentials. ATCO Energy Solutions' frac spreads were further impacted by its exposure to propane prices which experienced greater decline resulting from warmer weather.

ATCO Energy Solutions has entered into an agreement to sell excess natural gas which will generate approximately $10 million in adjusted earnings. These earnings will be realized in the fourth quarter of 2015. ATCO Energy Solutions has also secured the majority of its 2015-2016 storage year revenues which will generate approximately $7 million in adjusted earnings and will be recorded in the fourth quarter of 2015.

Major Project Updates

Hydrocarbon Storage

ATCO Energy Solutions, in partnership with Petrogas Energy Corp., is developing four salt caverns with capacity to store approximately 400,000 cubic metres of hydrocarbons at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four salt caverns. The total partnership investment is approximately $200 million. ATCO Energy Solutions has a 60 per cent partnership interest.

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

Industrial Water

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

ATCO Australia

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

REVENUES

Revenues of $62 million and $117 million for the three and six months ended June 30, 2015, were lower in the same periods of 2014 by $14 million and $18 million, respectively. The decreases were mainly due to the sale of the Company's information technology services to Wipro in August of 2014 and lower flow-through recovery of carbon taxes, partially offset by higher customer rates from continuing capital investment in utility infrastructure and customer growth.

ADJUSTED EARNINGS

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
ATCO Gas Australia	**(4)**	9	(13)	**3**	12	(9)
ATCO Power Australia	**5**	4	1	**12**	11	1
Other [(1)]	**(3)**	–	(3)	**(5)**	(2)	(3)
Total ATCO Australia	**(2)**	13	(15)	**10**	21	(11)

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

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

ATCO GAS AUSTRALIA

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

In the three and six months ended June 30, 2015, ATCO Gas Australia's adjusted earnings were $13 million and $9 million lower than the same periods of 2014. ATCO Gas Australia recorded lower adjusted earnings in the second quarter of 2015 due to prior period adjustments associated with the Access Arrangement decision received in July 2015. This decision is effective from July 2014 to December 2019.

The Access Arrangement decision reduced second quarter 2015 adjusted earnings by $19 million. Of this amount, only $3 million related to the second quarter of 2015 and $16 million related to prior periods. Excluding the prior period impacts of the Access Arrangement decision, ATCO Gas Australia's adjusted earnings were $12 million in the second quarter of 2015, which is $3 million higher than the same period in 2014. Higher adjusted earnings were due to interest savings related to the Company's refinancing of its long-term debt at favourable rates, continued growth in rate base, and savings due to cost reduction initiatives.

Regulatory Developments

Access Arrangement Decision

In July 2015, the Economic Regulation Authority (ERA) released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. The decision resulted in a reduced ROE from 10.4 per cent to 7.28 per cent.

The Company is considering filing an application for leave to review the ERA's Access Arrangement to the Australian Competition Tribunal (ACT) in the third quarter of 2015. If leave is granted, the ACT has a target period of three months in which to make a final determination.

ATCO POWER AUSTRALIA

ATCO Power Australia supplies electricity from two natural gas-fired generation plants in Adelaide, South Australia, and Karratha, Western Australia. Additionally, the Bulwer Island plant in Brisbane provided co-generation steam. As a result of British Petroleum's (BP) announcement to close its Brisbane oil refinery in mid-2015, the Bulwer Island plant was transferred to BP on June 24, 2015.

Adjusted earnings for ATCO Power Australia in both the second quarter and first six months of 2015 were comparable to the same periods last year.

Availability of the plants can affect ATCO Power Australia earnings. Availability fluctuates with timing and duration of outages. Availability in both the second quarter and first half of 2015 was 97 per cent, comparable to the same periods in 2014 which were 95 per cent and 97 per cent, respectively.

Corporate & Other

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

Corporate and other adjusted earnings in the three and six months ended June 30, 2015 were lower than the same periods in 2014 by $16 million and $29 million, respectively. The decreased earnings resulted mainly from forgone earnings due to the sale of ATCO I-Tek in the third quarter of 2014.

MAJOR PROJECT UPDATES

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

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

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

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

Mexico

Tula Pipeline

In October 2014, ATCO Mexico was named the successful bidder by the Comisión Federal De Electricidad (CFE) to design, build and operate a natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. In respect of that award, ATCO Mexico signed a 25-year Transportation Services Agreement with the CFE to provide the natural gas transportation services requested in the tender. ATCO Mexico is responsible for the design and construction of the 16 km pipeline that will transport natural gas to fuel the existing Francisco Pérez Rios power plant near Tula. Construction on the pipeline continues and is expected to be in-service later in the year.

Tula Cogeneration

In October 2014, ATCO Mexico and its partner Grupo Hermes S.A. de C.V. were selected by an affiliate of Mexico's state-owned petroleum company Pemex, PMX Cogeneracion S.A.P.I. de C.V., to commence the project development and approval process for a natural gas cogeneration plant at the Miguel Hidalgo refinery near the town of Tula in the state of Hidalgo, Mexico. Initial estimates value the capital investment of the proposed project at USD $820 million, of which the Company will be responsible for approximately half. Capital investment approval is expected in 2016, with a commercial operation date in 2018.

OTHER EXPENSES AND INCOME

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Operating costs	**437**	496	(59)	**936**	1,030	(94)
Earnings from investment in joint ventures	**6**	2	4	**12**	7	5
Depreciation, amortization and impairment	**127**	131	(4)	**250**	250	–
Net finance costs	**69**	75	(6)	**140**	149	(9)
Income taxes	**104**	40	64	**160**	113	47

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, decreased by $59 million in the second quarter and by $94 million in the first half of 2015. Lower expenses resulted from reduced activity levels in some business segments, as well as the Company's cost reduction initiatives in response to challenging market conditions. These savings were partially offset by higher plant and equipment maintenance costs in ATCO Power as a result of the major planned maintenance outages at its generating plants in the first half of 2015.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures in the three and six months ended June 30, 2015 were higher when compared to the same periods of 2014. These increases were primarily as a result of closure of the Barking generating plant in the U.K. in ATCO Power during the fourth quarter of 2014. During 2014 this plant was not a profitable operation for the Company.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

In the second quarter of 2015, depreciation, amortization and impairment expense decreased by $4 million, compared to the same period in 2014. The decreased expense was mainly due to an impairment of $11 million, recorded in the second quarter of 2014, in relation to ATCO Power Australia's Bulwer Island power station, partially offset by the ongoing significant capital investment program in the Utilities.

NET FINANCE COSTS

Net finance costs decreased by $6 million in the second quarter and by $9 million in the first half of 2015 compared to the same periods in the prior year, in part as a result of lower finance costs in ATCO Australia due to its strategic refinancing at favourable rates. These lower costs were partially offset by higher interest expense for incremental debt raised in 2014 to fund the Utilities' significant capital investment program.

INCOME TAXES

Income taxes increased by $64 million and $47 million in the second quarter and first six months of 2015. These increases primarily reflected a tax adjustment of $67 million relating to current and deferred taxes for the change in Alberta's corporate tax rates from 10 per cent to 12 per cent effective July 1, 2015, partially offset by the lower earnings before income taxes year-over-year.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

LINES OF CREDIT

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

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,232**	859	1,373
Uncommitted	**303**	98	205
Total	**2,535**	957	1,578

Of the $2,535 million in total credit lines, $303 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,232 million in credit lines were committed, with $600 million maturing in late 2016. The remaining lines of credit mature between 2017 and 2019 and may be extended at the option of the lenders.

Of the $957 million of credit line usage, $450 million was related to issuances of commercial paper that are back-stopped by the corporate credit facilities. The majority of the remaining credit line usage was associated with ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. Credit lines for ATCO Gas Australia are provided by Australian banks, with the majority of all other credit lines provided by Canadian banks.

CONSOLIDATED CASH FLOW

At June 30 2015, the Company’s cash position was $391 million, an increase of $44 million since December 31, 2014. The main drivers for the increase are earnings achieved in the period, and receipt of customer contributions, which are provided as payment in advance for future utility services, partly offset by cash used for capital expenditures.

Funds generated by operations

Funds generated by operations for the second quarter of 2015 were $391 million, or $25 million higher than the same period in 2014. This increase was mainly the result of increased contributions received from customers for utility capital expenditures in advance of future utility services and lower income taxes paid, partially offset by reduced earnings attributable to equity owners of the Company. Funds generated by operations for the six months ended June 30, 2015 were $40 million lower than the same period in 2014, mainly as a result of lower earnings attributable to equity owners of the Company, partially offset by increased contributions received from customers for utility capital expenditures and lower income taxes paid.

Cash used for capital expenditures

Cash used for capital expenditures was $387 million in the second quarter and $777 million in the first half, compared to $531 million and $1,077 million in the same periods of 2014. The decreases were primarily due to previously disclosed and planned lower capital spending in ATCO Electric Transmission.

Capital Expenditures

	Three Months Ended June 30			Six Months Ended June 30		
($ millions) [(1)]	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Electric Transmission	**104**	303	(199)	**237**	632	(395)
Electric Distribution	**84**	86	(2)	**175**	166	9
Gas Distribution	**84**	73	11	**141**	129	12
Pipeline Transmission	**34**	39	(5)	**64**	80	(16)
Energy	**50**	7	43	**79**	22	57
ATCO Australia	**19**	21	(2)	**35**	39	(4)
Corporate & Other	**12**	2	10	**46**	9	37
Total	**387**	531	(144)	**777**	1,077	(300)

(1) Includes additions to property, plant and equipment and intangibles as well as $26 million and $50 million (2014 - $22 million and $41 million) of interest capitalized during construction for the three month and six months ended June 30, 2015.

Debt and Preferred Share Issuances

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

On July 27, 2015, the Company entered into an agreement with a syndicate of underwriters who have agreed to buy $125 million of 5.25 per cent fixed Cumulative Redeemable Second Preferred Shares Series EE. The Company has granted the underwriters an option to purchase up to an additional $50 million on the date that is two business days prior to closing. Should the option be fully exercised, the total gross proceeds of the issue will be $175 million. The closing date of the issue is expected to be on or about August 7, 2015. Proceeds from this issue will be used for capital expenditures, to repay existing indebtedness and for other general corporate purposes.

Base Shelf Prospectuses

CU Inc. Debentures

On July 24, 2014, the Company's subsidiary, CU Inc., filed a base shelf prospectus that permits it to issue up to an aggregate of $2.6 billion of debentures over the 25-month life of the prospectus. As of July 27, 2015, aggregate issuances of debentures were $1.6 billion.

Debt Securities and Preferred Shares

On December 4, 2013, the Company filed a base shelf prospectus that permits it to issue up to an aggregate of $2 billion of debt securities and preferred shares over the 25-month life of the prospectus. As of July 27, 2015, no debt securities or preferred shares have been issued under this base shelf prospectus.

Dividends

The Company has increased its common share dividend each year since 1972. In each of the last four years, the Company has increased its quarterly dividend by 10 per cent. Dividends paid to Class A and Class B share owners in the second quarter and first half of 2015 totaled $52 million and $106 million, respectively. On July 7, 2015, the Board of Directors declared a third quarter dividend of 29.50 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on the Company's financial condition and other factors.

10% increase in quarterly dividend for the fourth consecutive year

Dividend Reinvestment Plan

In the second quarter of 2015, the Company issued 699,761 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $25 million.

In the six months ended June 30, 2015, the Company issued 1,306,016 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $50 million.

SHARE CAPITAL

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

At July 27, 2015, the Company had outstanding 190,091,623 Class A shares, 75,151,635 Class B shares, and options to purchase 1,035,450 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

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

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

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

Of the 12,800,000 Class A shares authorized for grant of options under the Company's stock option plan, 5,447,150 Class A shares were available for issuance at June 30, 2015. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

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

($ millions except for per share data)	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Revenues	802	925	918	**780**
Earnings attributable to equity owners of the Company	224	151	174	**43**
Earnings per Class A and Class B share *($)*	0.81	0.52	0.61	**0.12**
Diluted earnings per Class A and Class B share *($)*	0.80	0.53	0.61	**0.12**
Adjusted earnings				
Utilities	89	129	116	**103**
Energy	21	32	11	**7**
ATCO Australia	17	13	12	**(2)**
Corporate & Other	(5)	8	(9)	**(7)**
Total adjusted earnings	122	182	130	**101**

($ millions except for per share data)	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Revenues	755	905	1,017	**856**
Earnings attributable to equity owners of the Company	127	117	221	**115**
Earnings per Class A and Class B share *($)*	0.45	0.40	0.80	**0.39**
Diluted earnings per Class A and Class B share *($)*	0.44	0.40	0.80	**0.39**
Adjusted earnings				
Utilities	60	95	139	**52**
Energy	38	29	33	**13**
ATCO Australia	9	16	8	**13**
Corporate & Other	5	9	6	**7**
Total adjusted earnings	112	149	186	**85**

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

Adjusted Earnings

Utilities

The large capital investment made by the Utilities in the previous eight quarters has contributed to a general increase in adjusted earnings. This growth is most evident in ATCO Electric Transmission's operations, where significant capital has been added as a result of the expansion and reinforcement of the transmission network in several regions of Alberta. These expenditures, on which the Utilities earn a regulated return on investment, drive growth in adjusted earnings. Utilities' adjusted earnings have also been affected by the timing of certain major regulatory decisions. Lower adjusted earnings in the second quarter of 2014 reflected the financial impact of the 2010 Evergreen Decision. Higher adjusted earnings in the third quarter of 2014 reflected the impact of the 2014 Interim Rates Decisions. Lower adjusted earnings in the first quarter of 2015 reflect the financial impact of the GCOC and Capital Tracker decisions. Due to the seasonal nature of demand for natural gas, ATCO Gas typically achieves lower earnings in the second and third quarters of any year which impacts overall Utilities earnings.

Energy

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

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

ATCO Australia

ATCO Australia’s gas distribution utility continued to invest in utility infrastructure on which it earns a regulated return. Adjusted earnings over the eight quarters reflect this growth in rate base. Starting in the last quarter of 2013, adjusted earnings also reflect reduced financing costs from the refinancing of debt and a credit rating upgrade. Fluctuations in quarterly earnings are also caused by the timing of power plant outages, the variability in the actual inflation factor applied to the utility’s rate base and the timing of business development expenditures. Reduced adjusted earnings in the second quarter of 2015 reflect the financial impact of the Access Arrangement decision.

Earnings attributable to equity owners of the Company

Earnings attributable to equity owners of the Company include one-time gains and losses, significant impairments and other items that are not in the normal course of business or as a result of day-to-day operations recorded at various times over the past eight quarters. These items are excluded from adjusted earnings.

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

Partially offsetting these gains were the following significant impairments and one-time items not in the normal course of business:

- In the second quarter of 2015, the Government of Alberta announced an increase in the provincial corporate tax rate from 10 per cent to 12 per cent effective July 1, 2015. As a result, the Company made an adjustment of $67 million to current and deferred income taxes in the second quarter of 2015, of which $63 million related to the deferred income taxes in the Utilities segment that was excluded from adjusted earnings;
- In the second quarter of 2015, the Company recognized an impairment of open lodge assets of $4 million and a restructuring charge of $4 million;
- in the fourth quarter of 2014, the Company recognized an impairment of certain gas gathering, processing and liquids extraction facilities of $14 million;
- in the second quarter of 2014, the Company recognized an impairment for the Bulwer Island power station in Australia of $11 million; and
- in the fourth quarter of 2013, the Company recognized impairments of certain power generation assets in the U.K. and Australia of $35 million and certain natural gas gathering, processing and liquids extraction assets in Canada of $12 million.

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

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

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

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

($ millions)						**Three Months Ended June 30**
2015 2014	**Utilities**	**Energy**	**ATCO Australia**	**Corporate & Other**	**Eliminations**	**Total**
Revenues	**546**	**183**	**62**	**6**	**(17)**	**780**
	523	239	76	66	(48)	856
Adjusted (loss) earnings	**103**	**7**	**(2)**	**(9)**	**2**	**101**
	52	13	13	7	–	85
Restructuring costs	**(2)**	**(1)**	**(1)**	**–**	**–**	**(4)**
	–	–	–	–	–	–
Impairments	**–**	**–**	**–**	**(4)**	**–**	**(4)**
	–	–	(11)	–	–	(11)
Rate-regulated activities:						
Change in income taxes	**(63)**	**–**	**–**	**–**	**–**	**(63)**
	–	–	–	–	–	–
Other	**(17)**	**–**	**18**	**–**	**(1)**	**–**
	31	–	(1)	–	(2)	28
Dividends on equity preferred	**1**	**1**	**–**	**11**	**–**	**13**
shares of Canadian Utilities Limited	–	1	–	12	–	13
Earnings attributable to	**22**	**7**	**15**	**(2)**	**1**	**43**
equity owners of the Company	83	14	1	19	(2)	115

($ millions)						Six Months Ended June 30
2015 2014	Utilities	Energy	ATCO Australia	Corporate & Other	Eliminations	Total
Revenues	**1,208**	**387**	**117**	**13**	**(27)**	**1,698**
	1,177	525	135	129	(93)	1,873
Adjusted earnings	**219**	**18**	**10**	**(17)**	**1**	**231**
	191	46	21	12	1	271
Restructuring costs	**(2)**	**(1)**	**(1)**	**–**	**–**	**(4)**
	–	–	–	–	–	–
Impairments	**–**	**–**	**–**	**(4)**	**–**	**(4)**
	–	–	(11)	–	–	(11)
Rate-regulated activities:						
Change in income taxes	**(63)**	**–**	**–**	**–**	**–**	**(63)**
	–	–	–	–	–	–
Other	**16**	**–**	**15**	**–**	**1**	**32**
	55	–	(2)	–	(2)	51
Dividends on equity preferred shares of Canadian Utilities Limited	**2**	**1**	**–**	**22**	**–**	**25**
	1	1	–	23	–	25
Earnings attributable to equity owners of the Company	**172**	**18**	**24**	**1**	**2**	**217**
	247	47	8	35	(1)	336

RESTRUCTURING COSTS

In the second quarter of 2015, the Company incurred restructuring costs of $4 million after-tax that were not in the normal course of business. These costs were primarily related to severance costs. In the third quarter of 2015, the Company intends to continue its review of cost reduction initiatives that may result in further restructuring costs.

IMPAIRMENTS

In the second quarter of 2015, the Company recorded an impairment charge of $4 million relating to the Company's 24.5% share of ATCO Structures & Logistics' open lodge assets. This was as a result of a sustained reduction in contracted rooms and rates charged caused by ongoing low commodity prices and reduced capital expenditures of key clients.

In the second quarter of 2014, the Company adjusted for an impairment of $11 million relating to ATCO Power Australia's Bulwer Island power station.

RATE-REGULATED ACTIVITIES

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

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

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

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

Change in Income Taxes

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

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs	**10**	13	(3)	**21**	28	(7)
Retirement benefits	**–**	(1)	1	**–**	1	(1)
Finance costs on major transmission capital projects	**17**	12	5	**32**	24	8
Impact of colder temperatures on revenues (1)	**–**	2	(2)	**–**	10	(10)
Other	**2**	1	1	**3**	7	(4)
Total	**29**	27	2	**56**	70	(14)
Revenues to be billed in future period						
Deferred income taxes (2)	**(30)**	(18)	(12)	**(51)**	(44)	(7)
Deferred income taxes due to increase in provincial corporate tax rate (2)	**(63)**	–	(63)	**(63)**	–	(63)
Transmission access payments (3)	**(7)**	–	(7)	**(10)**	(1)	(9)
Transmission capital deferral (4)	**3**	–	3	**(10)**	(2)	(8)
Impact of warmer temperatures on revenues (1)	**(3)**	–	(3)	**(12)**	–	(12)
Impact of inflation on rate base for ATCO Gas Australia	**(3)**	(3)	–	**(6)**	(6)	–
Other	**2**	(3)	5	**(2)**	(4)	2
Total	**(101)**	(24)	(77)	**(154)**	(57)	(97)
Regulatory decisions related to current and prior periods						
GCOC decision (5)	**5**	–	5	**41**	–	41
Capital Tracker decisions (6)	**2**	–	2	**12**	–	12
2010 Evergreen decision (7)	**–**	26	(26)	**–**	26	(26)
ATCO Electric interim rates decision (8)	**(13)**	–	(13)	**(13)**	–	(13)
ATCO Gas Australia Access Arrangement decision (9)	**19**	–	19	**19**	–	19
Transmission access payment recoveries (3)	**–**	5	(5)	**7**	19	(12)
ATCO Gas Australia appeal decision	**–**	2	(2)	**–**	4	(4)
Weather recoveries (refunds)	**(1)**	–	(1)	**(5)**	–	(5)
Other	**(2)**	(7)	5	**5**	(8)	13
Total	**10**	**26**	**(16)**	**66**	**41**	**25**
Elimination of intercompany profits related to the construction of property, plant and equipment and intangible assets	**(1)**	(1)	–	**1**	(3)	4
Total adjustments	**(63)**	**28**	**(91)**	**(31)**	**51**	**(82)**

Notes:

(1) Weather

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

(2) Deferred income taxes

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

(3) Transmission access payments

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

(4) Transmission capital deferral refunds

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

(5) GCOC decision

The Utilities recorded a reduction in adjusted earnings of $36 million in the first quarter and $5 million in the second quarter of 2015 for an AUC decision which reduced the Utilities' ROE and deemed common equity ratios from 2013 to 2015. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings.

(6) Capital Tracker decisions

ATCO Electric Distribution and ATCO Gas recorded a reduction in adjusted earnings of $10 million in the first quarter and $2 million in the second quarter of 2015 for an AUC decision which reduced Capital Tracker rates from 2013 to 2015. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings.

(7) 2010 Evergreen decision

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

(8) ATCO Electric Transmission 2015 Interim Rates

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

(9) ATCO Gas Australia Access Arrangement Decision

The Access Arrangement decision received by the ERA reduced second quarter 2015 adjusted earnings at ATCO Gas Australia by $19 million. This decision is effective from July 2014 to December 2019. The decision resulted in a reduced ROE from 10.4 per cent to 7.28 per cent.

ACCOUNTING CHANGES

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

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

CONTROLS AND PROCEDURES

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on April 1, 2015, and ended on June 30, 2015, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-GAAP AND ADDITIONAL GAAP MEASURES

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

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

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

FORWARD LOOKING INFORMATION

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

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

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

GLOSSARY

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

AESO means the Alberta Electric System Operator.

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

AUC means the Alberta Utilities Commission.

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

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

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

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

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

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

GAAP means Canadian generally accepted accounting principles.

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

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

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

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

PBR means Performance Based Regulation.

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

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

U.K. means United Kingdom.

U.S. means United States of America.

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2015

CANADIAN UTILITIES LIMITED
CONSOLIDATED STATEMENT OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Revenues		**780**	856	**1,698**	1,873
Costs and expenses					
Salaries, wages and benefits		**(104)**	(113)	**(208)**	(231)
Energy transmission and transportation		**(48)**	(42)	**(96)**	(84)
Plant and equipment maintenance		**(75)**	(56)	**(145)**	(102)
Fuel costs		**(62)**	(118)	**(149)**	(247)
Purchased power		**(18)**	(16)	**(39)**	(34)
Materials and consumables		**(4)**	(10)	**(15)**	(27)
Depreciation, amortization and impairment		**(127)**	(131)	**(250)**	(250)
Franchise fees		**(46)**	(53)	**(114)**	(129)
Property and other taxes		**(23)**	(25)	**(47)**	(52)
Other		**(57)**	(63)	**(123)**	(124)
		(564)	(627)	**(1,186)**	(1,280)
		216	229	**512**	593
(Loss) earnings from investment in ATCO Structures & Logistics		**(4)**	3	**(3)**	7
Earnings from investment in joint ventures		**6**	2	**12**	7
Operating profit		**218**	234	**521**	607
Interest income		**2**	1	**4**	3
Interest expense		**(71)**	(76)	**(144)**	(152)
Net finance costs		**(69)**	(75)	**(140)**	(149)
Earnings before income taxes		**149**	159	**381**	458
Income taxes	4	**(104)**	(40)	**(160)**	(113)
Earnings for the period		**45**	119	**221**	345
Earnings attributable to:					
Equity owners of the Company		**43**	115	**217**	336
Equity preferred share owners of subsidiary company		**2**	4	**4**	9
		45	119	**221**	345
Earnings per Class A and Class B share	10	**$ 0.12**	$ 0.39	**$ 0.73**	$ 1.19
Diluted earnings per Class A and Class B share	10	**$ 0.12**	$ 0.39	**$ 0.73**	$ 1.19

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CANADIAN UTILITIES LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars)	**2015**	**2014**	**2015**	**2014**
Earnings for the period	**45**	119	**221**	345
Other comprehensive income (loss), net of income taxes:				
Items that will not be reclassified to earnings:				
Re-measurement of retirement benefits [(1)]	**24**	(64)	**14**	(131)
Share of other comprehensive income (loss) of ATCO Structures & Logistics [(2)]	**1**	(1)	**1**	(1)
Share of other comprehensive loss of joint ventures [(3)]	**-**	(1)	**(3)**	(1)
	25	(66)	**12**	(133)
Items that are or may be reclassified subsequently to earnings:				
Cash flow hedges [(4)]	**(10)**	4	**(13)**	9
Cash flow hedges reclassified to earnings [(5)]	**-**	(3)	**(1)**	(3)
Foreign currency translation adjustment [(2)]	**(3)**	(11)	**11**	26
Share of other comprehensive income (loss) of ATCO Structures & Logistics [(2)]	**(1)**	(2)	**4**	2
	(14)	(12)	**1**	34
	11	(78)	**13**	(99)
Comprehensive income for the period	**56**	41	**234**	246
Comprehensive income attributable to:				
Equity owners of the Company	**54**	37	**230**	237
Equity preferred share owners of subsidiary company	**2**	4	**4**	9
	56	41	**234**	246

(1) Net of income taxes of $(8) million and $(5) million for the three and six months ended June 30, 2015, respectively (2014 – $22 million and $43 million).

(2) Net of income taxes of nil.

(3) Net of income taxes of nil and $1 million for the three and six months ended June 30, 2015, respectively (2014 – nil).

(4) Net of income taxes of $4 million and $5 million for the three and six months ended June 30, 2015, respectively (2014 – $(2) and $(4) million).

(5) Net of income taxes of nil for the three and six months ended June 30, 2015, respectively (2014 – $1 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CANADIAN UTILITIES LIMITED
CONSOLIDATED BALANCE SHEET

(millions of Canadian Dollars)	Note	June 30 2015	December 31 2014
ASSETS			
Current assets			
Cash and cash equivalents		**391**	351
Accounts receivable		**399**	485
Finance lease receivables		**7**	20
Inventories		**76**	85
Prepaid expenses and other current assets		**74**	63
		947	1,004
Non-current assets			
Property, plant and equipment	7	**15,188**	14,608
Intangibles		**399**	396
Investment in ATCO Structures & Logistics	6	**201**	203
Investment in joint ventures		**128**	119
Finance lease receivables		**288**	290
Other assets		**67**	82
Total assets		**17,218**	16,702
LIABILITIES			
Current liabilities			
Bank indebtedness		**-**	4
Accounts payable and accrued liabilities		**550**	829
Asset retirement obligations and other provisions		**23**	30
Other current liabilities		**34**	19
Short-term debt	8	**450**	-
Long-term debt		**4**	83
Non-recourse long-term debt		**15**	15
		1,076	980
Non-current liabilities			
Deferred income tax liabilities	4	**882**	740
Asset retirement obligations and other provisions		**171**	171
Retirement benefit obligations		**396**	411
Deferred revenues		**1,628**	1,512
Other liabilities		**61**	64
Long-term debt		**7,194**	7,105
Non-recourse long-term debt		**105**	112
Total liabilities		**11,513**	11,095
EQUITY			
Equity preferred shares		**1,115**	1,115
Equity preferred shares of subsidiary company		**187**	187
Class A and Class B share owners' equity			
Class A and Class B shares	10	**960**	909
Contributed surplus		**14**	16
Retained earnings		**3,459**	3,411
Accumulated other comprehensive income		**(30)**	(31)
		4,403	4,305
Total equity		**5,705**	5,607
Total liabilities and equity		**17,218**	16,702

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CANADIAN UTILITIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class A and Class B Shares	Equity Preferred Shares (1)	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
December 31, 2013		803	1,458	15	3,157	(39)	5,394
Earnings for the period		-	-	-	345	-	345
Shares issued		61	-	-	-	-	61
Equity preferred shares redeemed by subsidiary company		-	(156)	-	(4)	-	(160)
Dividends	11	-		-	(174)	-	(174)
Share-based compensation		2	-	(1)	-	-	1
Other comprehensive loss		-	-	-	-	(99)	(99)
Losses on retirement benefits transferred to retained earnings		-	-	-	(133)	133	-
June 30, 2014		866	1,302	14	3,191	(5)	5,368
December 31, 2014		909	1,302	16	3,411	(31)	5,607
Earnings for the period		**-**	**-**	**-**	**221**	**-**	**221**
Shares issued		**50**	**-**	**-**	**-**	**-**	**50**
Dividends	11	**-**	**-**	**-**	**(185)**	**-**	**(185)**
Share-based compensation		**1**	**-**	**(2)**	**-**	**-**	**(1)**
Other comprehensive income		**-**	**-**	**-**	**-**	**13**	**13**
Gains on retirement benefits transferred to retained earnings		**-**	**-**	**-**	**12**	**(12)**	**-**
June 30, 2015		**960**	**1,302**	**14**	**3,459**	**(30)**	**5,705**

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

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CANADIAN UTILITIES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars)	**2015**	**2014**	**2015**	**2014**
Operating activities				
Earnings for the period	**45**	119	**221**	345
Adjustments for:				
Depreciation, amortization and impairment	**127**	131	**250**	250
Earnings from investment in ATCO Structures & Logistics, net of dividends received	**6**	(1)	**7**	(3)
Earnings from investment in joint ventures, net of dividends and distributions received	**6**	3	**-**	5
Income taxes	**104**	40	**160**	113
Unearned availability incentives	**(4)**	(3)	**(19)**	(1)
Contributions by customers for extensions to plant	**50**	32	**141**	109
Amortization of customer contributions	**(12)**	(12)	**(24)**	(24)
Net finance costs	**69**	75	**140**	149
Income taxes paid	**(14)**	(17)	**(41)**	(46)
Other	**14**	(1)	**8**	(14)
	391	366	**843**	883
Changes in non-cash working capital	**(92)**	(16)	**(26)**	(40)
Cash flow from operations	**299**	350	**817**	843
Investing activities				
Additions to property, plant and equipment	**(350)**	(483)	**(703)**	(987)
Proceeds on disposal of property, plant and equipment	**-**	5	**-**	5
Additions to intangibles	**(11)**	(26)	**(24)**	(49)
Investment in joint venture	**(10)**	-	**(10)**	-
Changes in non-cash working capital	**(85)**	(67)	**(159)**	(14)
Other	**(2)**	(8)	**(1)**	(12)
	(458)	(579)	**(897)**	(1,057)
Financing activities				
Net issue of short-term debt	**310**	574	**450**	585
Issue of long-term debt	**-**	13	**-**	22
Repayment of long-term debt	**(2)**	(37)	**(2)**	(37)
Repayment of non-recourse long-term debt	**(3)**	(7)	**(7)**	(15)
Redemption of equity preferred shares by subsidiary company	**-**	(160)	**-**	(160)
Issue of Class A shares	**1**	3	**1**	3
Dividends paid on equity preferred shares	**(13)**	(13)	**(25)**	(25)
Dividends paid on equity preferred shares of subsidiary company	**(2)**	(4)	**(4)**	(9)
Dividends paid to Class A and Class B share owners	**(52)**	(47)	**(106)**	(79)
Interest paid	**(103)**	(107)	**(185)**	(175)
Other	**-**	-	**(1)**	-
	136	215	**121**	110
Foreign currency translation	**1**	(2)	**3**	2
Cash position (1)				
Increase (decrease)	**(22)**	(16)	**44**	(102)
Beginning of period	**413**	410	**347**	496
End of period	**391**	394	**391**	394

(1) Cash position consists of cash and cash equivalents less current bank indebtedness and includes $39 million (2014 - $45 million) which is not available for general use by the Company.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

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

JUNE 30, 2015

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

1. THE COMPANY AND ITS OPERATIONS

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

Canadian Utilities Limited is engaged in the following business activities:

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

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

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

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

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

BASIS OF MEASUREMENT

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

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

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

CHANGE IN ACCOUNTING POLICIES

Financial Instruments

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

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

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

Derivative Financial Instruments

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

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

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

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

3. SEGMENTED INFORMATION

SEGMENTED RESULTS
THREE MONTHS ENDED JUNE 30

2015 2014	Utilities	Energy	ATCO Australia	Corporate and Other	Intersegment Eliminations	Consolidated
Revenues – external	**534**	**182**	**62**	**2**	**–**	**780**
	522	237	76	21	–	856
Revenues – intersegment	**12**	**1**	**–**	**4**	**(17)**	**–**
	1	2	–	45	(48)	–
Revenues	**546**	**183**	**62**	**6**	**(17)**	**780**
	523	239	76	66	(48)	856
Operating expenses [1]	**(277)**	**(145)**	**(25)**	**(7)**	**17**	**(437)**
	(274)	(194)	(27)	(46)	45	(496)
Depreciation, amortization and impairment	**(96)**	**(20)**	**(10)**	**(2)**	**1**	**(127)**
	(85)	(19)	(23)	(5)	1	(131)
(Loss) earnings from investment in ATCO Structures & Logistics	**–**	**–**	**–**	**(4)**	**–**	**(4)**
	–	–	–	3	–	3
Earnings from investment in joint ventures	**–**	**4**	**2**	**–**	**–**	**6**
	–	1	1	–	–	2
Net finance costs	**(54)**	**(7)**	**(9)**	**2**	**(1)**	**(69)**
	(48)	(8)	(22)	3	–	(75)
Earnings (loss) before income taxes	**119**	**15**	**20**	**(5)**	**–**	**149**
	116	19	5	21	(2)	159
Income taxes	**(95)**	**(8)**	**(5)**	**3**	**1**	**(104)**
	(29)	(5)	(4)	(2)	–	(40)
Earnings (loss) for the period	**24**	**7**	**15**	**(2)**	**1**	**45**
	87	14	1	19	(2)	119
Adjusted earnings (loss)	**103**	**7**	**(2)**	**(9)**	**2**	**101**
	52	13	13	7	–	85
Capital expenditures [4]	**306**	**50**	**19**	**17**	**(5)**	**387**
	501	7	21	2	–	531

SEGMENTED RESULTS
SIX MONTHS ENDED JUNE 30

2015 2014	Utilities	Energy	ATCO Australia	Corporate and Other	Intersegment Eliminations	Consolidated
Revenues – external	**1,192**	**385**	**117**	**4**	**–**	**1,698**
	1,175	522	135	41	–	1,873
Revenues – intersegment	**16**	**2**	**–**	**9**	**(27)**	**–**
	2	3	–	88	(93)	–
Revenues	**1,208**	**387**	**117**	**13**	**(27)**	**1,698**
	1,177	525	135	129	(93)	1,873
Operating expenses (1)	**(585)**	**(312)**	**(51)**	**(16)**	**28**	**(936)**
	(567)	(409)	(51)	(94)	91	(1,030)
Depreciation, amortization and impairment	**(191)**	**(39)**	**(19)**	**(3)**	**2**	**(250)**
	(171)	(39)	(33)	(9)	2	(250)
(Loss) earnings from investment in ATCO Structures & Logistics	**–**	**–**	**–**	**(3)**	**–**	**(3)**
	–	–	–	7	–	7
Earnings from investment in joint ventures	**–**	**8**	**4**	**–**	**–**	**12**
	–	3	4	–	–	7
Net finance costs	**(110)**	**(14)**	**(19)**	**5**	**(2)**	**(140)**
	(97)	(16)	(40)	5	(1)	(149)
Earnings (loss) before income taxes	**322**	**30**	**32**	**(4)**	**1**	**381**
	342	64	15	38	(1)	458
Income taxes	**(146)**	**(12)**	**(8)**	**5**	**1**	**(160)**
	(86)	(17)	(7)	(3)	–	(113)
Earnings for the period	**176**	**18**	**24**	**1**	**2**	**221**
	256	47	8	35	(1)	345
Adjusted earnings (loss)	**219**	**18**	**10**	**(17)**	**1**	**231**
	191	46	21	12	1	271
Total assets (2,3)	**13,695**	**1,635**	**1,334**	**613**	**(59)**	**17,218**
	13,389	1,652	1,296	470	(105)	16,702
Capital expenditures (4)	**617**	**79**	**35**	**46**	**–**	**777**
	1,007	22	39	9	–	1,077

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

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

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

(4) Includes additions to property, plant and equipment and intangibles and $26 million and $50 million (2014 – $22 million and $41 million) of interest capitalized during construction for the three and six months ended June 30, 2015.

ADJUSTED EARNINGS

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

The reconciliation of adjusted earnings and earnings for the three months ended June 30 is shown below.

2015 2014	Utilities	Energy	ATCO Australia	Corporate and Other	Intersegment Eliminations	Consolidated
Adjusted earnings (loss)	**103**	**7**	**(2)**	**(9)**	**2**	**101**
	52	13	13	7	–	85
Restructuring costs	**(2)**	**(1)**	**(1)**	**–**	**–**	**(4)**
	–	–	–	–	–	–
Impairment	**–**	**–**	**–**	**(4)**	**–**	**(4)**
	–	–	(11)	–	–	(11)
Rate-regulated activities:						
Change in income taxes	**(63)**	**–**	**–**	**–**	**–**	**(63)**
	–	–	–	–	–	–
Other	**(17)**	**–**	**18**	**–**	**(1)**	**–**
	31	–	(1)	–	(2)	28
Dividends on equity preferred shares of Canadian Utilities Limited	**1**	**1**	**–**	**11**	**–**	**13**
	–	1	–	12	–	13
Earnings (loss) attributable to equity owners of the Company	**22**	**7**	**15**	**(2)**	**1**	**43**
	83	14	1	19	(2)	115
Earnings attributable to equity preferred share owners of subsidiary company						**2**
						4
Earnings for the period						**45**
						119

The reconciliation of adjusted earnings and earnings for the six months ended June 30 is shown below.

2015 2014	Utilities	Energy	ATCO Australia	Corporate and Other	Intersegment Eliminations	Consolidated
Adjusted earnings (loss)	**219**	**18**	**10**	**(17)**	**1**	**231**
	191	46	21	12	1	271
Restructuring costs	**(2)**	**(1)**	**(1)**	**–**	**–**	**(4)**
	–	–	–	–	–	–
Impairment	**–**	**–**	**–**	**(4)**	**–**	**(4)**
	–	–	(11)	–	–	(11)
Rate-regulated activities:						
Change in income taxes	**(63)**	**–**	**–**	**–**	**–**	**(63)**
	–	–	–	–	–	–
Other	**16**	**–**	**15**	**–**	**1**	**32**
	55	–	(2)	–	(2)	51
Dividends on equity preferred shares of Canadian Utilities Limited	**2**	**1**	**–**	**22**	**–**	**25**
	1	1	–	23	–	25
Earnings attributable to equity owners of the Company	**172**	**18**	**24**	**1**	**2**	**217**
	247	47	8	35	(1)	336
Earnings attributable to equity preferred share owners of subsidiary company						**4**
						9
Earnings for the period						**221**
						345

Restructuring costs

In the second quarter of 2015, the Company incurred restructuring costs of $4 million after-tax that were not in the normal course of business. These costs were primarily related to severance costs. In the third quarter of 2015, the Company intends to continue its review of cost reduction initiatives that may result in further restructuring costs.

Impairment

In 2015, the Company adjusted for its share of the impairment included in equity earnings from investment in ATCO Structures & Logistics in the three and six months ended June 30, 2015 (see Note 6).

In 2014, the Company adjusted for a significant impairment relating to ATCO Power Australia's Bulwer Island power station (BIEP). The impairment was included in depreciation, amortization and impairment expense (see Note 5).

Rate-regulated activities

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

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

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

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

Timing adjustments for rate-regulated activities are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	**2014**	**2015**	**2014**
Additional revenues billed in current period:				
Future removal and site restoration costs (1)	**10**	13	**21**	28
Retirement benefits (2)	**–**	(1)	**–**	1
Finance costs on major transmission capital projects (3)	**17**	12	**32**	24
Impact of colder temperatures on revenues (4)	**–**	2	**–**	10
Other	**2**	1	**3**	7
	29	27	**56**	70
Revenues to be billed in future period:				
Deferred income taxes (5)	**(30)**	(18)	**(51)**	(44)
Deferred income taxes due to increase in provincial corporate tax rate (5)	**(63)**	–	**(63)**	–
Transmission access payments (6)	**(7)**	–	**(10)**	(1)
Transmission capital deferral (7)	**3**	–	**(10)**	(2)
Impact of warmer temperatures on revenues (4)	**(3)**	–	**(12)**	–
Impact of inflation on rate base for ATCO Gas Australia (8)	**(3)**	(3)	**(6)**	(6)
Other	**2**	(3)	**(2)**	(4)
	(101)	(24)	**(154)**	(57)
Regulatory decisions related to current and prior periods:				
Generic cost of capital decision (9)	**5**	–	**41**	–
Capital tracker decision (9)	**2**	–	**12**	–
Evergreen decision (9)	**–**	26	**–**	26
ATCO Electric interim rates decision (9)	**(13)**	–	**(13)**	–
ATCO Gas Australia access arrangement decision (9)	**19**	–	**19**	–
Transmission access payment recoveries (9)	**–**	5	**7**	19
ATCO Gas Australia appeal decision	**–**	2	**–**	4
Weather refunds (4)	**(1)**	–	**(5)**	–
Other	**(2)**	(7)	**5**	(8)
	10	26	**66**	41
Intercompany profits:				
Intercompany profits related to construction of property, plant and equipment and intangibles (10)	**(1)**	(1)	**1**	(3)
	(63)	28	**(31)**	51

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

	Description	Timing of Recovery or Refund
1.	Removal and site restoration costs billed to customers are based on the costs forecast to be incurred in future periods. Customers fund these expected costs over the estimated useful life of the related assets. Under rate-regulated accounting, billings to customers in excess of costs incurred in the current period are deferred.	The deferred revenues will be recognized in adjusted earnings when removal and site restoration costs are incurred.

	Description	Timing of Recovery or Refund
2.	Contributions to defined benefit pension plans and other post-employment benefit plans are billed to customers when paid by the Company, whereas the costs of retirement benefits are accrued over the service life of the employees. Under rate-regulated accounting, contributions paid and billed to customers in excess of costs accrued in the current period are deferred.	The deferred revenues will be recognized in adjusted earnings as the variances between contributions and costs reverse over the life of the plans.
3.	Finance costs incurred by ATCO Electric during construction of major transmission capital projects are billed to customers when incurred. Under rate-regulated accounting, the finance costs billed to customers are deferred.	The deferred revenues will be recognized in adjusted earnings over the service life of the related assets.
4.	ATCO Gas' customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Under rate-regulated accounting, revenues above or below the norm in the current period are deferred and refunded to or recovered from customers in future periods.	ATCO Gas may apply to the Alberta Utilities Commission (AUC) for recoveries from or refunds to customers when the net revenue variances exceed \$7 million at April 30th of any year for either of its North or South systems.
5.	Deferred income taxes are a non-cash expense resulting from temporary differences between the book value and the tax value of assets and liabilities. Income taxes are billed to customers when paid by the Company. Deferred income taxes are not billed to customers unless directed to do so by the regulator. Under rate-regulated accounting, revenues are recognized in the current period for the deferred income taxes to be billed to customers in future periods. In the second quarter of 2015, the Government of Alberta announced an increase in the provincial corporate tax rate from 10 per cent to 12 per cent effective July 1, 2015. As a result of this change, the Company increased income taxes and reduced earnings for the three and six months ended June 30, 2015 by \$67 million (see Note 4). Of the \$67 million increase in income taxes, \$63 million relates to deferred income taxes relating to the Alberta Utilities.	The revenues will reverse when the temporary differences that gave rise to the deferred income taxes reverse in future periods.
6.	Transmission access payments billed to customers by ATCO Electric are based on the forecast payments to be incurred. Under rate-regulated accounting, differences between actual costs incurred and forecast costs billed to customers are deferred for collection from or refund to customers in future periods.	Recoveries from or refunds to customers of the differences between transmission access payments billed to customers and paid by ATCO Electric are expected to occur in the next 6 to 12 months.

	Description	Timing of Recovery or Refund
7.	For major transmission capital projects, ATCO Electric's billings to customers include a return on forecast rate base. When actual capital costs vary from forecast capital costs, the return on rate base, and the resulting billings to the Alberta Electric System Operator (AESO), will be higher or lower than expected. Under rate-regulated accounting, differences between billings to the AESO and the return on actual rate base are deferred.	Recoveries from or refunds to the AESO of variances between forecast and actual returns on rate base are expected to occur in the following year.
8.	ATCO Gas Australia earns a return on rate base that excludes inflation. Inflation is accounted for by adjusting the rate base in subsequent periods by the actual rate of inflation; the impact of inflation is billed to customers through recovery of depreciation. Under rate-regulated accounting, an adjustment is made to recognize the inflation component of rate base when it is earned in the current period. Differences between the amounts earned and the amounts billed to customers are deferred.	The inflation-indexed portion of rate base will be recovered from customers over the life of the assets comprising rate base through the recovery of depreciation.
9.	The Canadian and Australian utilities recognize revenues from regulatory decisions when customer rates are changed and amounts are billed to customers. Under rate-regulated accounting, revenues from regulatory decisions that affect current and prior periods are recognized when the decision is received.	**Generic Cost of Capital Decision** The Utilities recorded a reduction in adjusted earnings of $36 million in the first quarter of 2015 for an AUC decision which reduced the Return on Equity and deemed common equity ratios for 2013 to 2015. An additional reduction of $5 million was recorded in the second quarter of 2015. Of the $41 million recorded in the first six months of 2015, $31 million related to 2013 and 2014. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings. **Capital Tracker Decision** In the first quarter of 2015, ATCO Gas and the distribution operations of ATCO Electric recorded a reduction in adjusted earnings of $10 million for the AUC Performance Based Regulation Capital Tracker decisions for 2013 to 2015. An additional reduction of $2 million was recorded in the second quarter of 2015. Of the $12 million recorded in the first six months of 2015, $8 million related to 2013 and 2014. Although these decisions included approval of the Company's applied for Capital Tracker programs, the decisions resulted in lower Capital Tracker rates than previously approved primarily due to the AUC requiring the Utilities to use the actual cost of debt in the rate determinations, which was lower than the forecast cost of debt that was previously being used.

Description	Timing of Recovery or Refund
	Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings. **Evergreen Decision** The Utilities recorded a reduction in adjusted earnings of $26 million in the second quarter of 2014 for an AUC decision which disallowed a portion of the information technology and customer care and billing costs (Evergreen decision) incurred in the period January 1, 2010 to June 30, 2014. In the fourth quarter of 2014, customer rates were adjusted and refunded to customers. **ATCO Electric Interim Rates Decision** In the second quarter of 2015, the transmission operations of ATCO Electric recorded an increase in Adjusted Earnings of $18 million for an AUC decision associated with its 2015 to 2017 general rate application. The AUC approved interim rates at 90 per cent of the applied for amount. Under IFRS, earnings are adjusted when the AUC approved revised customer rates are received through future billings; $5 million has been received as at the end of the second quarter of 2015. **ATCO Gas Australia Access Arrangement Decision** In July 2015, the Economic Regulation Authority (ERA) released its final decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. Among other things, the decision resulted in a reduced return on equity from 10.4 per cent to 7.28 per cent. The decision resulted in a decrease to second quarter Adjusted Earnings of $19 million. Of this amount, $3 million related to the second quarter of 2015 and $16 million related to prior periods. Under IFRS, earnings will be adjusted when the Economic Regulation Authority of Western Australia approves revised customer rates and the amount payable to customers is refunded through future billings. **Transmission Access Payment Recoveries** In 2014 and 2015, actual payments for transmission access paid by ATCO Electric exceeded forecast costs included in billings to customers. These excess costs are subsequently recovered from customers.
10. Under rate-regulated accounting, intercompany profits from transactions with related parties and approved by the regulator for inclusion in rate base are not eliminated on consolidation; they are recognized as earnings in the current period.	Intercompany profits will be recognized as earnings under IFRS as rate base is depreciated and the depreciation is billed to customers over the life of the assets.

4. INCOME TAXES

In interim periods, income taxes are accrued using an estimate of the annual effective tax rate applied to year-to-date earnings. In the second quarter of 2015, the Government of Alberta announced an increase in the provincial corporate tax rate from 10 per cent to 12 per cent effective July 1, 2015. As a result of this change, the Company made an adjustment of $67 million to current and deferred income taxes in the second quarter of 2015 as follows:

	December 31, 2014 Balance	Six Months Ended June 30, 2015	Total
Change in Alberta corporate tax rate included in:			
Current income taxes	–	1	1
Deferred income taxes	62	4	66
	62	5	67

Included in the $67 million increase in income taxes is $62 million relating to the one-time revaluation of the December 31, 2014 deferred income tax liability.

The reconciliation of statutory and effective income tax expense for the three months ended June 30 is as follows:

	2015		2014	
Earnings before income taxes	**149**	**%**	159	%
Income taxes, at statutory rates	**39**	**26.0**	40	25.0
Change in income taxes resulting from increase in provincial corporate tax rate	**67**	**45.0**	–	–
Other	**(2)**	**(1.2)**	–	–
	104	**69.8**	40	25.0

The reconciliation of statutory and effective income tax expense for the six months ended June 30 is as follows:

	2015		2014	
Earnings before income taxes	**381**	**%**	458	%
Income taxes, at statutory rates	**99**	**26.0**	115	25.0
Change in income taxes resulting from increase in provincial corporate tax rate	**67**	**17.6**	–	–
Other	**(6)**	**(1.6)**	(2)	(0.3)
	160	**42.0**	113	24.7

As the tax rate change came into effect on July 1, 2015, the combined federal and Alberta statutory Canadian income tax rate for 2015 is 26.0 per cent.

5. IMPAIRMENT

In 2014, the Company recognized a pre-tax impairment of $13 million ($11 million after-tax) relating to ATCO Power Australia's 33 MW Bulwer Island power station (BIEP) (ATCO Australia segment), which was included in depreciation, amortization and impairment expense. On April 2, 2014, BP announced it will cease refining operations at its oil refinery in Brisbane by mid-2015 and convert to an import terminal. BP was BIEP's only customer and no suitable economic replacement had been identified.

BIEP was jointly owned with Origin Energy and the plant was accounted for as a finance lease. As a result, BIEP's lease receivable had been impaired. The impairment calculation was based on pre-tax cash flow projections of the separation payments due from BP, salvage value of the plant and the expected remaining lease payments assuming a plant closure date of December 31, 2014. The date was updated to May 31, 2015 at December 31, 2014 and the plant subsequently closed on June 23, 2015. The expected future cash flows were discounted at a pre-tax rate of 12.4 per cent, which was the original effective interest rate of the lease receivable. The lease receivable was nil as at June 30, 2015.

6. INVESTMENT IN ATCO STRUCTURES & LOGISTICS

ATCO Structures & Logistics recognized a pre-tax impairment of $20 million relating to certain lodge assets. The Company determined these assets were impaired due to a reduction in contracted rooms and rates charged as a result of continued and sustained decreases in key commodity prices as well as a significant reduction in the capital expenditure programs of key clients. The Company accounts for its investment in ATCO Structures & Logistics under the equity method and has reduced equity earnings of $4 million relating to this impairment.

7. PROPERTY, PLANT AND EQUIPMENT

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

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

	Utility Transmission & Distribution	Power Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost:						
December 31, 2014	13,529	1,980	606	2,390	1,062	19,567
Additions	**491**	**94**	**6**	**203**	**7**	**801**
Disposals	**(22)**	**(42)**	**–**	**–**	**(5)**	**(69)**
Changes to asset retirement costs	**–**	**1**	**–**	**–**	**(1)**	**–**
Foreign exchange rate adjustment	**14**	**–**	**–**	**1**	**1**	**16**
June 30, 2015	**14,012**	**2,033**	**612**	**2,594**	**1,064**	**20,315**
Accumulated depreciation:						
December 31, 2014	3,136	1,208	132	–	483	4,959
Depreciation and impairment	**172**	**34**	**5**	**–**	**24**	**235**
Disposals	**(22)**	**(42)**	**–**	**–**	**(4)**	**(68)**
Foreign exchange rate adjustment	**1**	**–**	**–**	**–**	**–**	**1**
June 30, 2015	**3,287**	**1,200**	**137**	**–**	**503**	**5,127**
Net book value:						
December 31, 2014	10,393	772	474	2,390	579	14,608
June 30, 2015	**10,725**	**833**	**475**	**2,594**	**561**	**15,188**

The additions of property, plant and equipment included $50 million (June 30, 2014 – $41 million) of interest capitalized.

Construction work-in-progress additions are net of transfers of $398 million (June 30, 2014 – $338 million) to other property, plant and equipment categories.

8. SHORT TERM DEBT

Short-term debt outstanding is shown in the table below.

	Effective Interest Rate	June 30 2015	December 31 2014
CU Inc. commercial paper, due September 2015	0.97%	**145**	–
Canadian Utilities Limited commercial paper, due between July and September 2015	0.97%	**305**	–
		450	–

The commercial paper is back-stopped by long-term committed credit facilities.

9. FAIR VALUE MEASUREMENTS

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

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

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

FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

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

		June 30, 2015		December 31, 2014	
Recurring Measurements	**Fair Value Hierarchy Level**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets					
Amortized Cost:					
Lease receivables (1)	Level 2	**295**	**477**	310	504
Financial Liabilities					
Amortized Cost:					
Long-term debt (2)	Level 2	**7,198**	**8,075**	7,188	8,202
Non-recourse long-term debt (2)	Level 2	**120**	**149**	127	156

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

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

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

		June 30, 2015		December 31, 2014	
Recurring Measurements	**Fair Value Hierarchy Level**	**Notional Principal or Volume (1)**	**Fair Value Receivable (Payable) (3)**	**Notional Principal or Volume (1)**	**Fair Value Receivable (Payable) (3)**
Subject to Hedge Accounting					
Interest rate swaps	Level 2	**737**	**7**	728	(1)
Natural gas purchase contracts (2)	Level 2	**12,935,000 GJ**	**(2)**	2,452,000 GJ	(3)
Forward power sales contracts (2)	Level 2	**1,685,189 MWh**	**(24)**	538,872 MWh	5
Not Subject to Hedge Accounting					
Natural gas purchase contracts (2)	Level 2	**135,000 GJ**	**–**	–	–
Forward power sales contracts (2)	Level 2	**119,862 MWh**	**(3)**	41,344 MWh	–

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

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

(3) Fair values for the interest rate swaps and foreign currency forward contracts were estimated using period-end market rates. Fair values for the natural gas purchase contracts were estimated using period-end market prices for natural gas and an estimate of implied volatility based on historic market prices. Fair values for forward power sales contracts were estimated using forward period-end market prices. These fair values approximate the amount that the Company would either pay or receive to settle the contracts at June 30, 2015, and December 31, 2014.

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

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

For the three and six months ended June 30, 2015, there were no sources of hedge ineffectiveness.

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

There were 190,081,023 (2014 – 187,556,428) Class A non-voting shares and 75,162,235 (2014 – 75,209,835) Class B common shares outstanding on June 30, 2015. In addition, there were 1,035,450 options to purchase Class A non-voting shares outstanding at June 30, 2015, under the Company's stock option plan. From July 1, 2015, to July 27, 2015, no stock options were granted, cancelled or exercised, and 10,600 Class B common shares were converted to Class A non-voting shares.

EARNINGS PER SHARE

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

	Three Months Ended June 30		Six Months Ended June 30	
	2015	**2014**	**2015**	**2014**
Average shares:				
Weighted average shares outstanding	**264,246,059**	261,731,927	**263,924,266**	261,296,490
Effect of dilutive stock options	**260,128**	313,187	**284,253**	298,713
Effect of dilutive mid-term incentive plan	**515,070**	506,904	**515,837**	507,229
Weighted average dilutive shares outstanding	**265,021,257**	262,552,018	**264,724,356**	262,102,432
Earnings for earnings per share calculation:				
Earnings for the period	**45**	119	**221**	345
Dividends on equity preferred shares of the Company	**(13)**	(13)	**(25)**	(25)
Dividends on equity preferred shares of subsidiary company	**(2)**	(4)	**(4)**	(9)
	30	102	**192**	311
Earnings and diluted earnings per Class A and Class B share:				
Earnings per Class A and Class B share	**$0.12**	$0.39	**$0.73**	$1.19
Diluted earnings per Class A and Class B share	**$0.12**	$0.39	**$0.73**	$1.19

DIVIDEND REINVESTMENT PLAN

During the three months ended June 30, 2015, 699,761 Class A non-voting shares were issued under the Company's dividend reinvestment plan (2014 – 581,052), using re-invested dividends of $25 million (2014 – $23 million). The shares were priced at an average of $35.82 per share (2014 – $38.40 per share).

During the six months ended June 30, 2015, 1,306,016 Class A non-voting shares were issued under the Company's dividend reinvestment plan (2014 – 1,574,828), using re-invested dividends of $50 million (2014 – $61 million). The shares were priced at an average of $38.05 per share (2014 – $38.45 per share).

11. DIVIDENDS

Cash dividends declared and paid per share are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(dollars per share)	**2015**	**2014**	**2015**	**2014**
Equity preferred shares:				
4.00% Perpetual Cumulative Second Preferred Shares, Series V	**0.25000**	0.25000	**0.50000**	0.50000
4.00% Cumulative Redeemable Second Preferred Shares, Series Y	**0.25000**	0.25000	**0.50000**	0.50000
4.90% Cumulative Redeemable Second Preferred Shares, Series AA	**0.30625**	0.30625	**0.61250**	0.61250
4.90% Cumulative Redeemable Second Preferred Shares, Series BB	**0.30625**	0.30625	**0.61250**	0.61250
4.50% Cumulative Redeemable Second Preferred Shares, Series CC	**0.28125**	0.28125	**0.56250**	0.56250
4.50% Cumulative Redeemable Second Preferred Shares, Series DD	**0.28125**	0.28125	**0.56250**	0.56250
Class A and Class B shares	**0.29500**	0.26750	**0.59000**	0.53500

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

12. SUBSEQUENT EVENTS

LONG-TERM DEBT

On July 27, 2015, CU Inc., a wholly owned subsidiary of the Company, issued $400 million of 3.964 per cent debentures maturing on July 27, 2045.

EQUITY PREFERRED SHARES

On July 27, 2015, the Company entered into an agreement with a syndicate of underwriters who have agreed to buy $125 million of Cumulative Redeemable Second Preferred Shares Series EE. Holders will be entitled to receive fixed cumulative preferential cash dividends, payable quarterly as and when declared by the Board of Directors, at an annual rate of $1.3125 per share, or 5.25 per cent.

The Company has granted the underwriters an option to purchase up to an additional $50 million on the date that is two business days prior to closing. Should the option be fully exercised, the total gross proceeds of the issue will be $175 million. The closing date of the issue is expected to be on or about August 7, 2015. Proceeds from this issue will be used for capital expenditures, to repay existing indebtedness and for other general corporate purposes.

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