



CANADIAN UTILITIES LIMITED
An **ATCO** Company

CANADIAN UTILITIES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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 (Canadian Utilities, our, we, us, or the Company) during the nine months ended September 30, 2019.

This MD&A was prepared as of October 30, 2019, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2019. Additional information, including the Company's previous MD&As, Annual Information Form (2018 AIF), and audited consolidated financial statements for the year ended December 31, 2018, is available on SEDAR at www.sedar.com. Information contained in the 2018 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by ATCO Ltd. and its controlling share owner, Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

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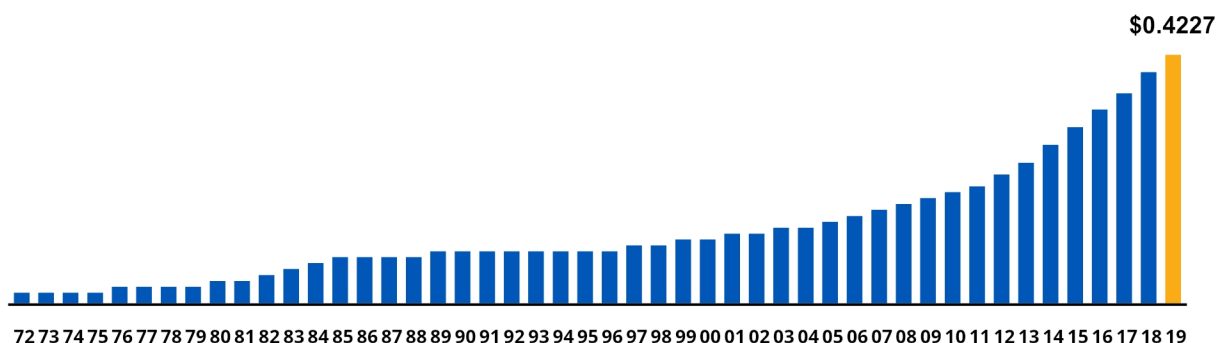
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CANADIAN UTILITIES: WHAT SETS US APART

TRACK RECORD OF DIVIDEND GROWTH

We have increased our common share dividend every year for the past 47 years, the longest record of annual dividend increases of any Canadian publicly traded company. On October 10, 2019, we declared a fourth quarter dividend of 42.27 cents per share or \$1.69 per share on an annualized basis. We aim to grow dividends in-line with our sustainable earnings growth, which is linked to growth from our regulated and long-term contracted investments.

Quarterly Dividend Rate 1972 - 2019
(dollars per share)



GROWING A HIGH QUALITY EARNINGS BASE

Over the past ten years, Canadian Utilities has invested approximately \$15 billion in regulated and long-term contracted operations. The Regulated Utility portion of total adjusted earnings has grown from 46 per cent in 2009 to 86 per cent in 2018. Our highly contracted and regulated earnings base provides the foundation for continued dividend growth.

FUTURE CAPITAL INVESTMENT

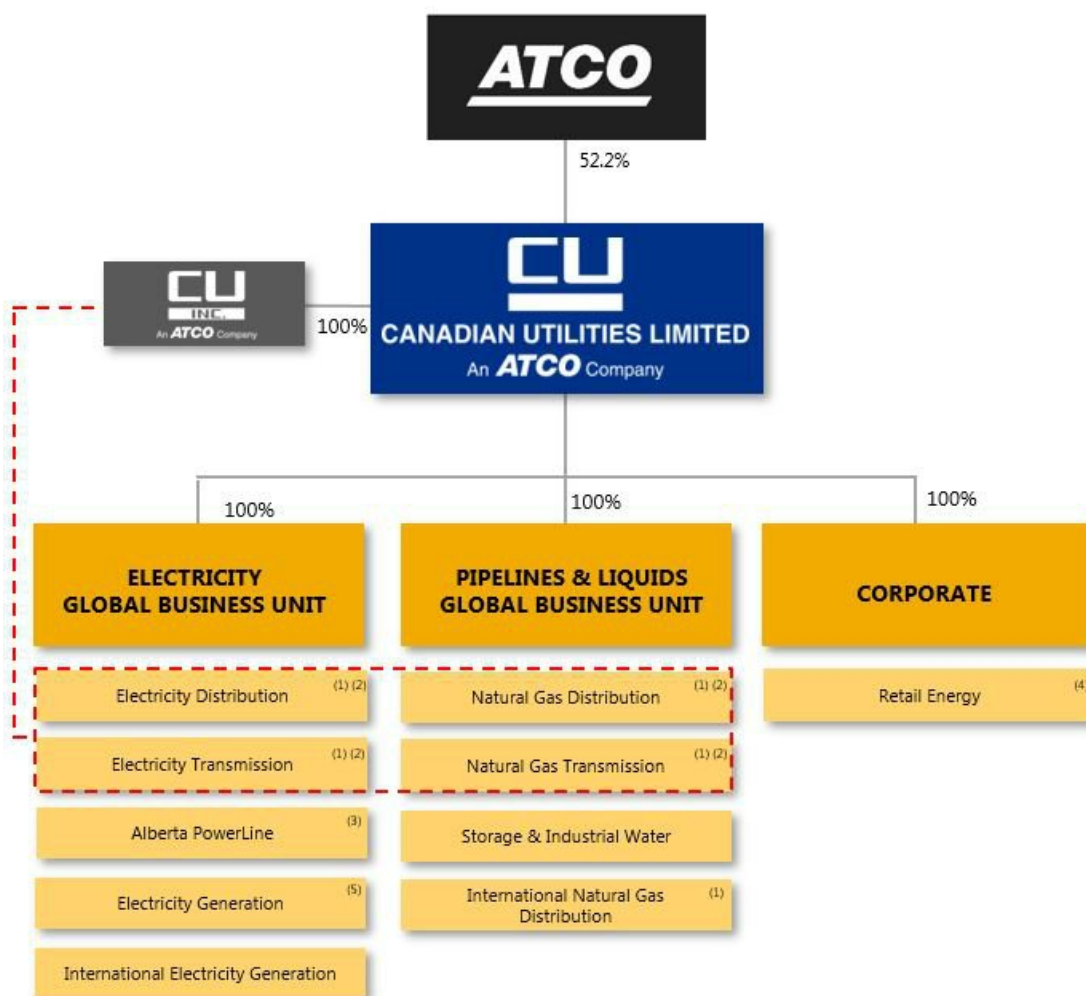
We will continue to grow our business in the years ahead. In the period 2019 to 2021, Canadian Utilities expects to invest \$3.6 billion in Regulated Utility and long-term contracted assets which will continue to strengthen our high quality earnings base. Of the \$3.6 billion planned spend, \$3.5 billion will be on Regulated Utilities.

FINANCIAL STRENGTH

Financial strength is fundamental to our current and future success. It ensures we have the financial capacity to fund our existing and future capital investment. We are committed to maintaining our strong, investment grade credit ratings, which allow us to access capital at attractive rates.

47 year track record of dividend growth	86% regulated earnings	\$3.6B 3 year capital investment plans	A range credit rating
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ORGANIZATIONAL STRUCTURE



(1) Regulated businesses include Natural Gas Distribution, Natural Gas Transmission, International Natural Gas Distribution, Electricity Distribution, and Electricity Transmission.

(2) CU Inc. includes Natural Gas Distribution, Natural Gas Transmission, Electricity Distribution, and Electricity Transmission.

(3) Alberta PowerLine General Partner Ltd. is the general partner of Alberta PowerLine Limited Partnership (Alberta PowerLine or APL), a partnership between Canadian Utilities Limited (80 per cent) and Quanta Services, Inc. (20 per cent). In June 2019, Canadian Utilities, and Quanta Services Inc., entered into definitive agreements for the sale of APL through a competitive process for total proceeds of approximately \$300 million, and the assumption of approximately \$1.4 billion of APL debt. The sale transaction is expected to close in the fourth quarter of 2019.

(4) Retail Energy, through ATCO Energy Ltd. (ATCOenergy), provides retail, commercial and industrial electricity and natural gas service in Alberta.

(5) On September 30, 2019, Canadian Utilities finalized the previously announced sale of its entire Canadian fossil fuel-based electricity generation portfolio for aggregate proceeds of approximately \$821 million, subject to customary closing adjustments.

The unaudited interim consolidated financial statements include the accounts of Canadian Utilities, and its subsidiaries, including the equity investment in joint ventures and a proportionate share of joint operations.

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

Canadian Utilities' website, www.canadianutilities.com, is a valuable source for the latest news of the Company's activities. Prior years' reports are also available on this website.

PERFORMANCE OVERVIEW

FINANCIAL METRICS

The following chart summarizes key financial metrics associated with our financial performance.

(\$ millions, except per share data and outstanding shares)	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	Change	2019	2018	Change
Key Financial Metrics						
Revenues	885	990	(105)	2,976	3,342	(366)
Adjusted earnings ⁽¹⁾	106	132	(26)	432	420	12
Electricity	112	134	(22)	334	331	3
Pipelines & Liquids	19	17	2	159	145	14
Corporate & Other	(25)	(19)	(6)	(63)	(56)	(7)
Intersegment Eliminations	–	–	–	2	–	2
Adjusted earnings (\$ per share) ⁽¹⁾	0.39	0.49	(0.10)	1.58	1.55	0.03
Earnings attributable to equity owners of the Company	284	202	82	800	378	422
Earnings attributable to Class A and Class B shares	267	185	82	750	328	422
Earnings attributable to Class A and Class B shares (\$ per share)	0.99	0.68	0.31	2.75	1.21	1.54
Cash dividends declared per Class A and Class B share (cents per share)	42.27	39.33	2.94	126.81	117.99	8.82
Funds generated by operations ⁽¹⁾	414	501	(87)	1,355	1,322	33
Capital investment ⁽¹⁾	297	385	(88)	852	1,571	(719)
Other Financial Metrics						
Weighted average Class A and Class B shares outstanding (thousands):						
Basic	272,624	271,711	913	272,621	271,204	1,417
Diluted	273,226	272,298	928	273,189	271,813	1,376

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

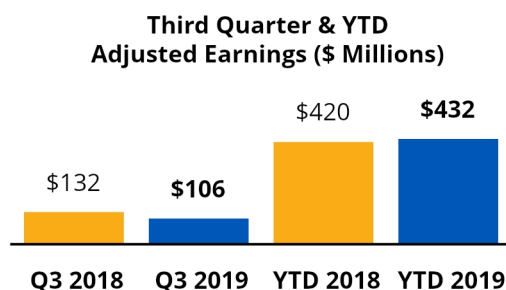
REVENUES

Revenues for the third quarter of 2019 were \$885 million and \$2,976 million, \$105 million and \$366 million lower than the same period in 2018. Lower revenues were mainly due to reduced construction activity on the Alberta PowerLine (APL) Fort McMurray West-500kV project and forgone revenue associated with the Balancing Pool's 2018 termination of the Battle River unit 5 PPA, partially offset by higher flow-through revenues in natural gas distribution for third party franchise and transmission fees.

ADJUSTED EARNINGS

Adjusted earnings for the third quarter of 2019 were \$106 million, or \$0.39 per share compared to \$132 million or \$0.49 per share for the same period in 2018.

Adjusted earnings in the first nine months of 2019 were \$432 million, or \$1.58 per share, compared to \$420 million or \$1.55 per share for the same period in 2018.



The primary drivers of adjusted earnings results were as follows:

- Electricity adjusted earnings for the third quarter of 2019 were \$22 million lower than the same period in 2018, mainly due to the favorable earnings realized in 2018 associated with the Balancing Pool's termination of the Battle River unit 5 PPA and the associated availability incentive and performance payments, partially offset by the positive impact of the 2018-2019 general tariff application (GTA) decision which was received in the second quarter of 2019.
- Pipeline & Liquids adjusted earnings for the third quarter of 2019 were \$2 million higher than the same period in 2018, mainly due to ongoing growth in the regulated rate base and lower income taxes.

Additional detail on the financial performance of our Global Business Units is discussed in the Global Business Unit Performance section of this MD&A.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were \$284 million in the third quarter of 2019, \$82 million higher than the same period 2018. Earnings attributable to equity owners of the Company include significant impairments, timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

In the third quarter of 2019, Canadian Utilities closed a series of transactions on the sale of its Canadian fossil fuel-based electricity generation portfolio resulting in a year to date gain on sale of operations of \$139 million (after-tax). As the gain is related to a series of one-time transactions, it is excluded from adjusted earnings.

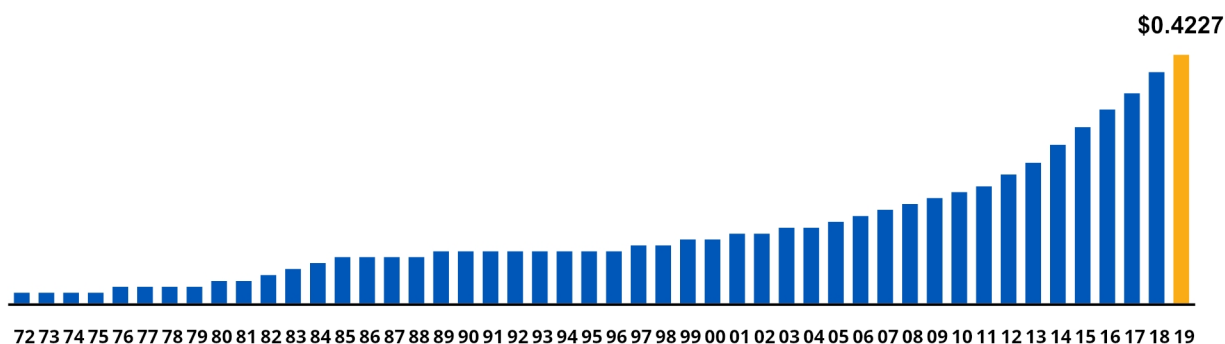
Earnings attributable to equity owners of the Company are earnings attributable to Class A and B shares plus dividends on equity preferred shares of the Company. Additional information regarding earnings attributable to Class A and B shares is presented in Note 7 of the unaudited interim consolidated financial statements. More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company section of this MD&A.

COMMON SHARE DIVIDENDS

On October 10, 2019, the Board of Directors declared a fourth quarter dividend of 42.27 cents per share. Dividends paid to Class A and Class B share owners totaled \$347 million in the first nine months of 2019.

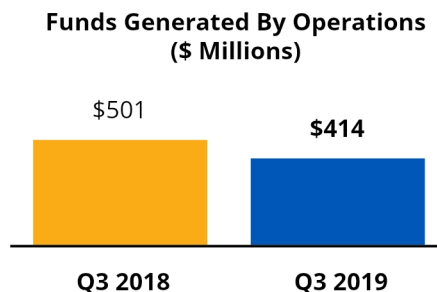
We have increased our common share dividend each year since 1972.

Quarterly Dividend Rate 1972 - 2019
(dollars per share)



FUNDS GENERATED BY OPERATIONS

Funds generated by operations were \$414 million for the third quarter of 2019, \$87 million lower than the same period in 2018 mainly due to the higher earnings received in the third quarter of 2018 from the termination of the Battle River unit 5 PPA.

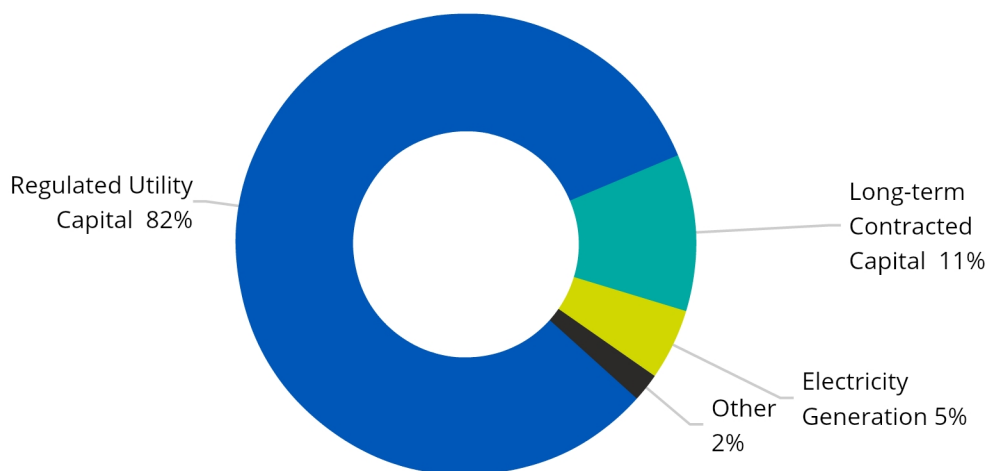


CAPITAL INVESTMENT

Total capital investment in the third quarter of 2019 was \$297 million. Of this capital invested, \$268 million was invested in Regulated Utilities. These investments earn a return under a regulated business model. The remaining \$29 million invested in the third quarter of 2019 included planned capital maintenance in the electricity generation fleet.

Total capital investment in the first nine months of 2019 was \$852 million. Of this capital invested, \$695 million was invested in Regulated Utilities, and \$95 million was invested in long-term contracted assets including Alberta PowerLine. These investments earn a return under a regulated business model or are commercially secured long-term contracts. The remaining \$62 million invested in the first nine months of 2019 included planned capital maintenance in the electricity generation fleet.

Capital Investment for the Nine Months Ended September 30, 2019



GLOBAL BUSINESS UNIT PERFORMANCE



REVENUES

Electricity revenues of \$530 million in the third quarter, and \$1,736 million in the first nine months of 2019, were \$158 million and \$485 million lower than the same periods in 2018, mainly due to the reduced construction activity for APL and forgone revenue associated with the Balancing Pool's 2018 termination of the Battle River unit 5 PPA.

ELECTRICITY ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
(\$ millions)	2019	2018	Change	2019	2018	Change
Regulated Electricity						
Electricity Distribution	26	26	–	95	86	9
Electricity Transmission	47	44	3	151	134	17
Total Regulated Electricity Adjusted Earnings	73	70	3	246	220	26
Non-regulated Electricity						
Independent Power Plants	21	8	13	31	6	25
Thermal PPA Plants	13	50	(37)	28	77	(49)
International Electricity Generation	1	2	(1)	7	9	(2)
Alberta PowerLine	4	4	–	22	19	3
Total Non-regulated Electricity Adjusted Earnings	39	64	(25)	88	111	(23)
Total Electricity Adjusted Earnings	112	134	(22)	334	331	3

Electricity earnings of \$112 million were \$22 million lower than the same period in 2018. Lower earnings were mainly due to favorable earnings realized in 2018 associated with the Balancing Pool's termination of the Battle River unit 5 PPA and associated availability incentive and performance payments. Lower earnings were partially offset by the positive impact of the electricity transmission 2018-2019 GTA decision which was received in the second quarter of 2019, cost efficiencies, lower income taxes, and improved realized forward sales in Independent Power Plants.

Electricity earnings of \$334 million in the first nine months of 2019 were \$3 million higher than the same period in 2018. Higher earnings were mainly due to the impact of the 2018-2019 GTA decision received in July 2019 which approved higher rates for 2019, continued growth in the regulated electricity rate base, overall cost efficiencies and lower income taxes, offset by earnings realized in 2018 associated with the Balancing Pool's termination of the Battle River unit 5 PPA and associated availability incentive and performance payments.

REGULATED ELECTRICITY

Regulated Electricity provides regulated electricity distribution, transmission and distributed generation mainly in northern and central east Alberta, the Yukon and the Northwest Territories.

Electricity Distribution

In the third quarter of 2019, electricity distribution adjusted earnings of \$26 million were comparable to the same period in 2018.

In the first nine months of 2019, electricity distribution adjusted earnings of \$95 million were \$9 million higher than the same period in 2018. Higher earnings were mainly due to continued growth in the rate base, cost efficiencies and lower income taxes.

Electricity Transmission

Electricity transmission recorded adjusted earnings of \$47 million in the third quarter of 2019 and \$151 million in the first nine months of 2019, \$3 million and \$17 million higher than the same periods in 2018. Higher adjusted earnings were mainly due to the impact of the 2018-2019 GTA decision received in July 2019 which approved higher rates for 2019.

NON-REGULATED ELECTRICITY

Non-regulated electricity activities supply electricity from natural gas, coal-fired and hydroelectric generating plants in western Canada, Ontario, Australia and Mexico and non-regulated electricity transmission in Alberta.

Generating Plant Availability

Electricity generating availability for the third quarter and first nine months of 2019 and 2018 is shown in the table below. Generating plant capacity fluctuates with the timing and duration of outages.

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	Change	2019	2018	Change
Independent Power Plants	96%	96%	–	94%	93%	1%
Thermal PPA Plants	98%	96%	2%	97%	95%	2%
International Electricity Generation	98%	100%	(2%)	96%	99%	(3%)

Availability in our Independent Power Plants in the third quarter of 2019 and first nine months of 2019 was comparable to the same periods in 2018.

Higher availability in our Thermal PPA plants in the third quarter and first nine months of 2019 was primarily due to fewer planned outages. In the first quarter of 2018, a planned minor outage was completed at the Battle River unit 5 plant. Effective January 1, 2019, Battle River unit 5 is categorized under Independent Power Plants.

Availability in our International Electricity Generation Plants in the third quarter and first nine months of 2019 was lower than the same periods in 2018 mainly due to planned maintenance outages at the Osborne power plant in the second and third quarters of 2019.

Alberta Power Market Summary

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the third quarter and first nine months of 2019 and 2018 are shown in the table below.

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	Change	2019	2018	Change
Average Alberta Power Pool electricity price (\$/MWh)	46.89	55.65	(8.76)	57.59	48.60	8.99
Average natural gas price (\$/GJ)	0.87	1.10	(0.23)	1.43	1.42	0.01
Average market spark spread (\$/MWh)	40.39	47.44	(7.05)	46.87	37.97	8.90

The average Alberta Power Pool electricity price and spark spread for the third quarter of 2019 dropped by \$8.76 and \$7.05 compared to the same period in 2018 due to decreased demand from low summer temperatures.

The average Alberta Power Pool electricity price for the first nine months of 2019 increased by \$8.99 from the same period in 2018. This price increase was driven by higher pool prices in the first quarter as a result of increased demand from record low winter temperatures, coal unit outages, record low wind capacity factors, and volatile export prices impacting tie line flows. The spark spread in the first nine months of 2019 increased by \$8.90 compared to the same period in 2018 due to higher pool prices.

Realized Forward Sales Program

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	Change	2019	2018	Change
Average volumes settled (MW)	425	358	67	389	289	100
Average realized spark spread (\$/MWh)	26.96	19.02	7.94	27.46	17.79	9.67

In the third quarter of 2019, Independent Power Plants sold forward 425 MW of power that settled at an average realized spark spread of \$26.96 per MWh compared to 358 MW sold forward that settled at an average of \$19.02 per MWh in the third quarter of 2018. Forward sales in the third quarter of 2019 resulted in higher realized earnings for this program compared to the same period in 2018. This was due to a higher locked-in spread in the third quarter of 2019 compared to the third quarter of 2018.

In the first nine months of 2019, Independent Power Plants sold forward 389 MW of power that settled at an average realized spark spread of \$27.46 per MWh compared to 289 MW sold forward that settled at an average of \$17.79 per MWh during the same period of 2018. Forward sales in the first nine months of 2019 resulted in lower realized earnings for this program compared to the same period in 2018.

Independent Power Plants

Independent Power Plants recorded adjusted earnings of \$21 million in the third quarter of 2019, \$13 million higher than the same period in 2018. Higher earnings were mainly due to cost efficiencies and improved realized forward sales.

Independent Power Plants recorded adjusted earnings of \$31 million in the first nine months of 2019, \$25 million higher compared to the same period in 2018. Higher earnings were mainly due to increased market prices and cost efficiencies, partially offset by higher maintenance costs.

Thermal PPA Plants

The electricity generated by the Sheerness units, and by Battle River unit 5 until September 30, 2018, is sold through PPAs. Under the PPAs, generating capacity for each generating unit must be made available to the PPA purchaser of that unit. These arrangements entitle us to recover forecast fixed and variable costs from the PPA purchaser. An operations and maintenance margin is included on these fixed and variable costs and is recognized over the term of the PPAs. Under the terms of the PPAs, counterparties are also subject to an incentive related to the generating unit availability. Incentives are payable by the PPA counterparties for availability in excess of predetermined targets.

Thermal Power Plants recorded adjusted earnings of \$13 million in the third quarter of 2019 and \$28 million in the first nine months of 2019, \$37 million and \$49 million lower compared to the same periods in 2018. Lower earnings were mainly due to favorable earnings realized in 2018 associated with the Balancing Pool's termination of the Battle River unit 5 PPA and the Battle River unit 5 earnings being categorized under Independent Power Plants effective January 1, 2019.

International Electricity Generation

International electricity generation activities supply electricity in Australia and Mexico. In Australia, two natural gas-fired generation plants supply electricity in Australia: the Osborne plant in South Australia and the Karratha plant in Western Australia. Source Energy Co. also provides energy solutions to residential and commercial customers in Australia using a combination of grid electricity and solar energy. In Mexico, electricity is supplied from a distributed electricity generation station near San Luis Potosí and a hydroelectric generation station near Veracruz.

International electricity generation adjusted earnings of \$1 million and \$7 million in the third quarter and first nine months of 2019 were \$1 million and \$2 million lower than the same time periods in 2018. Lower earnings were mainly due to the impact of the new Osborne Power Purchase Agreement which came into effect in December 2018.

Alberta PowerLine

Alberta PowerLine is a partnership between Canadian Utilities (80 per cent) and Quanta Services, Inc. (20 per cent), with a 35-year contract from the Alberta Electric System Operator (AESO) to design, build, own, and operate the 500 km, Fort McMurray West 500-kV Transmission project, running from Wabamun, near Edmonton to Fort McMurray, Alberta.

APL's adjusted earnings of \$4 million in the third quarter of 2019, were comparable to the same period in 2018.

APL's adjusted earnings of \$22 million in the first nine months of 2019 were \$3 million higher than the same period in 2018. Higher earnings were mainly due to lower income taxes from lower Alberta corporate income tax rates, and higher service concession arrangement interest income, partially offset by lower earnings from the completion of construction activity in the first quarter of 2019.

ELECTRICITY RECENT DEVELOPMENTS

Sale of Canadian Fossil Fuel-Based Electricity Generation Business

In the third quarter of 2019, Canadian Utilities finalized the sale of its entire 2,100-MW Canadian fossil fuel-based electricity generation portfolio in a series of transactions. In September, Canadian Utilities sold 10 partly- or fully-owned natural gas-fired and coal-fired electricity generation assets in Alberta and BC to Heartland Generation Ltd., an affiliate of Energy Capital Partners. In August, Canadian Utilities sold its 50 per cent ownership interest in the 580-MW Brighton Beach joint venture, located in Windsor, Ont., to Ontario Power Generation Inc. In July, Canadian Utilities completed the sale of its 50 per cent ownership interest in the 260-MW Cory Cogeneration Station to SaskPower International.

Canadian Utilities received \$821 million of aggregate proceeds on the sale and recognized a year to date gain on sale of \$139 million (after-tax), which is excluded from adjusted earnings. The purchase price is subject to customary closing adjustments that could result in a change in the cash proceeds and the gain recognized.

Following the close of the transaction, Canadian Utilities continues to own 244 MW of electricity generation assets in Canada, Mexico and Australia that are 90 per cent contracted with a weighted average contract term of 9 years.

Alberta PowerLine

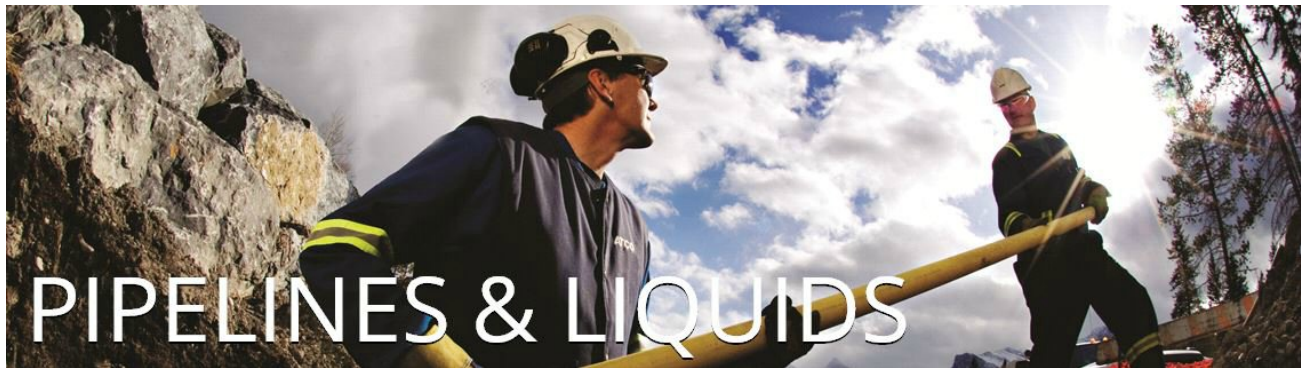
In March 2019, the 500-km, Fort McMurray West 500-Kv Transmission Line, owned by Alberta PowerLine Limited Partnership (APL), was energized ahead of schedule, on-budget and with an impeccable safety record.

On June 24, 2019, Canadian Utilities and Quanta Services Inc. entered into definitive agreements for the sale of 100 per cent of their interest in APL through a competitive process for total proceeds of approximately \$300 million, and the assumption of approximately \$1.4 billion of APL debt. As part of these agreements, Canadian Utilities offered an opportunity for certain Indigenous communities along the transmission line route to obtain up to a 40 per cent equity interest in APL.

On September 23, 2019, Canadian Utilities confirmed that seven Indigenous communities had entered into definitive agreements to purchase a combined 40 per cent ownership in APL. The remaining 60 per cent of APL will be owned by an investment consortium.

Canadian Utilities will remain as the operator of APL over its 35-year contract with the AESO.

The sale is expected to close in the fourth quarter of 2019, subject to receipt of regulatory and bondholder approvals, and satisfaction of other customary closing conditions.



REVENUES

Pipelines & Liquids revenues of \$334 million in the third quarter of 2019, and \$1,166 million in the first nine months of 2019, were \$47 million and \$79 million higher than the same periods in 2018. Higher revenues were mainly due to higher flow-through revenues in natural gas distribution for third party franchise and transmission fees, and growth in the regulated rate base.

PIPELINES & LIQUIDS ADJUSTED EARNINGS

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	Change	2019	2018	Change
Regulated Pipelines & Liquids						
Natural Gas Distribution	(18)	(17)	(1)	57	46	11
Natural Gas Transmission	19	17	2	57	53	4
International Natural Gas Distribution	17	15	2	39	43	(4)
Total Regulated Pipelines & Liquids Adjusted Earnings	18	15	3	153	142	11
Non-regulated Pipelines & Liquids						
Storage & Industrial Water	1	2	(1)	6	3	3
Total Pipelines & Liquids Adjusted Earnings	19	17	2	159	145	14

Pipelines & Liquids recorded adjusted earnings of \$19 million in the the third quarter of 2019, \$2 million higher than the same period in 2018. Higher earnings were mainly due to ongoing growth in the regulated rate base and lower income taxes.

Pipelines & Liquids recorded adjusted earnings of \$159 million in the first nine months of 2019, \$14 million higher than the same period in 2018. Higher earnings were mainly due to ongoing growth in the regulated rate base, incremental earnings from hydrocarbon storage, cost efficiencies, and lower income taxes.

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

REGULATED PIPELINES & LIQUIDS

Natural Gas Distribution

Natural gas distribution services municipal, residential, business and industrial customers throughout Alberta and in the Lloydminster area of Saskatchewan.

Natural gas distribution recorded a loss of \$18 million in the third quarter of 2019, \$1 million lower than the same period in 2018, mainly due to timing of operations and maintenance costs, offset by growth in the rate base.

Natural gas distribution recorded adjusted earnings of \$57 million in the first nine months of 2019, \$11 million higher than the same period in 2018, mainly due to ongoing growth in the rate base and customers, cost efficiencies and lower income taxes.

Natural Gas Transmission

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

Natural gas transmission recorded adjusted earnings of \$19 million in the third quarter of 2019 and \$57 million in the first nine months of 2019, \$2 million and \$4 million higher than the same periods in 2018. Higher adjusted earnings were mainly due to continued growth in the rate base and lower income taxes.

International Natural Gas Distribution

International natural gas distribution is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions.

In the third quarter of 2019, international natural gas distribution adjusted earnings of \$17 million were \$2 million higher than the same period in 2018. Higher earnings were mainly due to rate base growth.

The international natural gas distribution business recorded adjusted earnings of \$39 million in the first nine months of 2019, \$4 million lower than the same period in 2018, mainly due to a difference between inflation rates in the first quarters of 2018 and 2019. Earnings adjustments are made for the inflation rate published by the Australian Bureau of Statistics. The published inflation rate for the first quarter of 2019, when applied to the rate of return calculations, produced a reduction to the revenues and earnings in the first nine months of 2019.

NON-REGULATED PIPELINES & LIQUIDS

Storage & Industrial Water

Storage & industrial water provides non-regulated natural gas storage and transmission activities, hydrocarbon storage, and industrial water services in Alberta.

The storage & industrial water business recorded adjusted earnings of \$1 million in the third quarter of 2019, \$1 million lower than the same period in 2018 mainly due to lower demand and pricing for natural gas storage services.

The storage & industrial water business recorded adjusted earnings of \$6 million in the first nine months of 2019, \$3 million higher than the same period in 2018. Higher earnings were mainly due to incremental earnings from two additional hydrocarbon storage caverns that became operational in the second quarter of 2018 and lower income taxes from lower Alberta corporate income tax rates, partially offset by lower demand and pricing for natural gas storage services.

PIPELINES & LIQUIDS RECENT DEVELOPMENTS

Pembina-Keephills Transmission Pipeline

In August 2018, natural gas transmission filed a facilities application requesting approval for the installation of the Pembina-Keephills transmission pipeline. The 59-km high-pressure natural gas pipeline supports coal-to-gas conversion of power producers in the Genesee and surrounding areas of Alberta with the capacity to deliver up to 550 TJ per day. An AUC decision was received on August 6, 2019 approving the project as filed. Construction has commenced and the pipeline is expected to be in service by mid-2020. The estimated cost to construct this project is approximately \$230 million and is included in natural gas transmission's three year capital investment plan.



Canadian Utilities' Corporate & Other segment includes Retail Energy through ATCOenergy, launched in 2016 to provide retail electricity and natural gas services in Alberta. Corporate & Other also includes the global corporate head office in Calgary, Canada, the Australia corporate head office in Perth, Australia and the Mexico corporate head office in Mexico City, Mexico. Canadian Utilities Corporate and Other also includes CU Inc. and Canadian Utilities preferred share dividend and debt expenses.

Including intersegment eliminations, Canadian Utilities Corporate & Other adjusted earnings in the third quarter and first nine months of 2019 were \$6 million and \$5 million lower compared to the same periods in 2018 mainly due to timing of certain other expenses.

REGULATORY DEVELOPMENTS

ATCO ELECTRIC RECOVERY OF 2016 REGIONAL MUNICIPALITY OF WOOD BUFFALO WILDFIRE COSTS

In October 2019, the AUC issued two decisions associated with ATCO Electric's application for the recovery of costs related to the 2016 Regional Municipality of Wood Buffalo wildfire. Electricity transmission's applied-for cost recoveries were all substantially approved as part of the ATCO Electric Transmission 2018-2019 GTA. Approximately 90 per cent of the applied-for cost recoveries were approved in ATCO Electric Distribution's Z Factor application. The capital cost to replace the destroyed assets was approved as filed as were the majority of the operating and maintenance costs and recovery for lost revenues. However, the value of electricity distribution's destroyed assets were deemed to be an extraordinary retirement and were not approved for recovery in customer rates, resulting in a reduction of electricity distribution adjusted earnings of \$2 million after-tax.

ATCO ELECTRIC TRANSMISSION 2020-2022 GTA

On October 3, 2019, ATCO Electric Transmission filed a GTA for its operations for 2020, 2021, and 2022. The application requests, among other things, additional revenues to recover higher depreciation costs. The application also requests, at ATCO Electric Transmission's discretion, the ability to advance an application to establish 2023 and 2024 revenue requirements by escalating the 2022 approved revenue requirement. A decision from the AUC is expected by the fourth quarter of 2020.

ATCO ELECTRIC DISTRIBUTION DEPRECIATION PROCEEDING

In the third quarter of 2019, the AUC issued a decision for electricity distribution on depreciation parameters that extends the overall depreciable life of the electricity distribution assets and incorporates historical retirements related to severe weather events. The Commission determined the depreciation parameters as filed are reasonable, resulting in an electricity distribution depreciation rate change and lowered depreciation expense in the third quarter of 2019.

ATCO GAS AUSTRALIA ACCESS ARRANGEMENT (2020-2024)

International natural gas distribution received the draft decision related to its five-year Access Arrangement 5 (AA5) application from the Economic Regulation Authority (ERA) on April 18, 2019. The ERA also published its final rate of return guidelines which outline the parameters for the weighted average cost of capital (WACC) applicable to AA5. The AA5 WACC calculation was completed using a 20-business day period of observation in September 2019 to determine the risk free rate portion of the WACC calculation prior to the final decision. The WACC also determines the regulated return on equity (ROE) for ATCO Gas Australia. The AA5 ROE is expected to be 5.02 per cent compared to 7.21 per cent in the previous Access Arrangement.

The final decision from the ERA on AA5 is expected in the fourth quarter of 2019. The tariffs included in the final decision will be applicable for the period January 1, 2020 to December 31, 2024. A further reduction to achieved ROE is expected to arise from the rebasing of operating costs, the approved capital expenditure program, and the forecast of demand and throughput.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

We believe that reducing our environmental impact is integral to the pursuit of operational excellence and long-term sustainable growth. Our success depends on our ability to operate in a responsible and sustainable manner, today and in the future.

SUSTAINABILITY REPORTING

ATCO's annual Sustainability Report, published in June 2019, focuses on material topics including:

- Energy Stewardship: access and affordability, security and reliability, and customer satisfaction,
- Environmental Stewardship: climate change and energy use, and environmental compliance,
- Safety: employee health and safety, public safety, and emergency preparedness, and
- Community and Indigenous relations.

The Sustainability Report is based upon the internationally recognized Global Reporting Initiative (GRI) Standards. Our reporting is also guided by frameworks such as the Sustainability Accounting Standards Board and the Financial Stability Board's Task Force on Climate-related Financial Disclosures' recommendations.

The 2018 Sustainability Report, Sustainability Framework Reference Document, and other disclosures are available on our website, at www.canadianutilities.com.

CLIMATE CHANGE AND ENERGY TRANSITION

To contribute to a lower carbon future, we continue to pursue initiatives looking at integrating lower intensity fuels, such as natural gas, hydrogen, renewables, and other clean energy solutions.

In 2018, Canadian Utilities installed three electric vehicle (EV) charging stations between Calgary and Edmonton, Alberta providing end-users an opportunity to replace liquid fuel with a low-carbon emitting energy. In 2019, Canadian Utilities has continued to expand its number of EV direct current, fast charging stations. In addition to the Canmore location energized in the second quarter of 2018, three more EV fast charging stations were energized in the third quarter of 2019, two more have been energized in October 2019, and 14 additional EV fast charging stations are planned for installation through the remainder of 2019 and 2020.

In the third quarter of 2019, Canadian Utilities completed the sale of 2,100 MWs of its Canadian fossil fuel-based electricity generation in a series of transactions. These sale transactions remove coal-fired electricity generation assets from Canadian Utilities' asset portfolio and significantly reduce overall greenhouse gas emissions as of October 1, 2019.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months of 2019 and 2018 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.

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	Change	2019	2018	Change
Operating costs	455	404	51	1,478	1,444	34
Service concession arrangement costs	15	104	(89)	118	620	(502)
Depreciation and amortization	117	158	(41)	428	491	(63)
Proceeds from termination of Power Purchase Arrangement	-	62	(62)	-	62	(62)
Gain on sale of operation	163	-	163	153	-	153
Earnings from investment in joint ventures	3	7	(4)	15	19	(4)
Net finance costs	116	115	1	350	344	6
Income taxes	62	74	(12)	(35)	141	(176)

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation and amortization, increased by \$51 million and \$34 million in the third quarter and first nine months of 2019 when compared to the same periods in 2018. Higher operating costs were mainly due to lower unrealized gains on mark-to-market forward commodity contracts in Independent Power Plants.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs are recorded for third party construction and operation activities for the Fort McMurray West-500kV Project. Service concession arrangement costs in the third quarter and first nine months of 2019 were \$89 million and \$502 million lower compared to the same periods in 2018, mainly due to the completion of APL construction activities in March 2019. The project was energized on March 28, 2019. With the commencement of operations in the second quarter of 2019, costs incurred in the third quarter primarily relate to operating and maintenance activities.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense decreased by \$41 million and \$63 million in the third quarter and first nine months of 2019 when compared to the same periods in 2018. The lower depreciation is mainly due to an electricity distribution depreciation rate change in the third quarter of 2019 that extends the overall depreciable life of the electricity distribution assets, and the ceasing of depreciation of Canadian fossil fuel-based electricity generation assets that were classified as held for sale in the second quarter of 2019 and sold in the third quarter of 2019. In 2018, depreciation and amortization expense included costs related to decisions to discontinue certain projects that no longer represented long-term strategic value to the Company.

PROCEEDS FROM TERMINATION OF PURCHASE POWER ARRANGEMENT

On September 30, 2018, the Battle River unit 5 PPA was terminated by the Balancing Pool and dispatch control was returned to Canadian Utilities. Canadian Utilities received a \$62 million payment from the Balancing Pool in the third quarter of 2018.

GAIN ON SALE OF OPERATIONS

In the third quarter of 2019, the Company closed a series of transactions on the sale of its Canadian fossil fuel-based electricity generation portfolio resulting in a year-to-date gain on sale of operations of \$153 million. This gain on sale includes \$10 million of transaction costs recognized in previous quarters.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of our ownership position in several electricity generation plants and the Strathcona Storage Limited Partnership which operates hydrocarbon storage facilities near Fort Saskatchewan, Alberta.

Earnings decreased by \$4 million in the third quarter and first nine months of 2019 compared to the same periods in 2018 due to the impact of the new PPA and deferral of variable operating and maintenance revenue related to the Osborne Power Station.

NET FINANCE COSTS

Net finance costs increased by \$1 million and \$6 million in the third quarter and first nine months of 2019 when compared to the same periods in 2018, mainly due to lower interest income on APL cash balances and interest expense associated with the incremental debt issued to fund the ongoing capital investment program in Canadian Utilities' Regulated Utilities.

INCOME TAXES

Income taxes decreased by \$12 million in the third quarter and \$176 million in the first nine months of 2019 when compared to the same periods in 2018 mainly due to lower corporate income tax rates enacted by the Government of Alberta in June 2019, partially offset by higher earnings before income taxes. In the second quarter of 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent over four years, commencing with a one per cent decrease on July 1, 2019, followed by one per cent reductions on January 1 of each of the next three years.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Regulated Utility and long-term contracted operations. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and the debt and preferred share capital markets.

We consider 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.

CREDIT RATINGS

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

On July 17, 2019, Dominion Bond Rating Service affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities' subsidiary CU Inc. On August 9, 2019, Dominion Bond Rating Service affirmed its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities.

On October 3, 2019, S&P Global Ratings affirmed its 'A-' long-term issuer credit rating and stable outlook on Canadian Utilities and its subsidiary CU Inc.

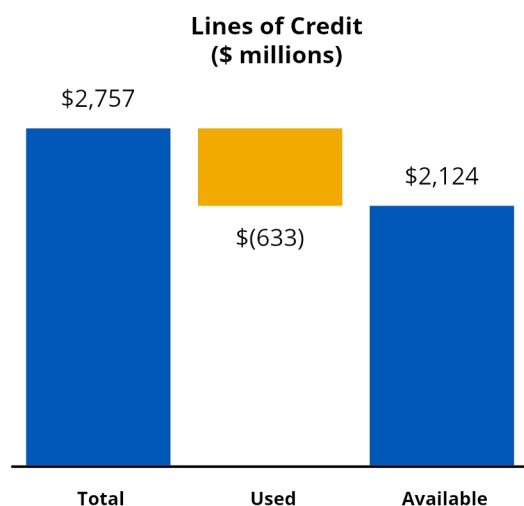
LINES OF CREDIT

At September 30, 2019, Canadian Utilities and its subsidiaries had the following lines of credit.

<i>(\$ millions)</i>	Total	Used	Available
Long-term committed	2,204	362	1,842
Uncommitted	553	271	282
Total	2,757	633	2,124

Of the \$2,757 million in total credit lines, \$553 million was in the form of uncommitted credit facilities with no set maturity date. The other \$2,204 million in credit lines was committed, with maturities between 2020 and 2023, and may be extended at the option of the lenders.

Of the \$633 million credit line usage, \$359 million was related to ATCO Gas Australia Pty Ltd. with the majority of the remaining usage pertaining to the issuance of letters of credit. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs.



CONSOLIDATED CASH FLOW

At September 30, 2019, the Company's cash position was \$903 million, an increase of \$304 million compared to December 31, 2018. The increase was mainly due to the proceeds received on the sale of Canadian Utilities' Canadian fossil fuel-based electricity generation portfolio and increased earnings, partially offset by higher dividends paid.

Funds Generated by Operations

Funds generated by operations were \$414 million in the third quarter of 2019, \$87 million lower than the same period in 2018 mainly due to the higher cash earnings received in the third quarter of 2018 from the termination of the Battle River unit 5 PPA.

Funds generated by operations were \$1,355 million in the first nine months of 2019, \$33 million higher compared to the same period in 2018. The increase was mainly due to higher earnings, the 2018 impact of a refund of customer deferral accounts in electricity transmission and a refund of over collected transmission costs in natural gas distribution, partially offset by higher earnings received in 2018 from the termination of the Battle River unit 5 PPA.

Cash Used for Capital Investment

Cash used for capital investment was \$297 million in the third quarter of 2019, \$88 million lower than the same period in 2018. Lower capital spending was mainly due to the completion of construction activities in Alberta PowerLine.

Cash used for capital investment was \$852 million in the first nine months of 2019, \$719 million lower than the same period in 2018. Lower capital investment was mainly due to lower planned capital investment in Alberta PowerLine, and lower capital spend activity within the Regulated Utilities. Electricity generation capital investment in 2018 included the acquisition of the Mexico hydroelectric facility.

Capital investment in the third quarter and first nine months of 2019 and 2018 is shown in the table below.

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	Change	2019	2018	Change
Electricity						
Electricity Distribution	63	58	5	151	164	(13)
Electricity Transmission	32	39	(7)	139	159	(20)
Electricity Generation	22	9	13	47	141	(94)
Alberta PowerLine	-	104	(104)	95	620	(525)
Total Electricity	117	210	(93)	432	1,084	(652)
Pipelines & Liquids						
Natural Gas Distribution	88	75	13	192	210	(18)
Natural Gas Transmission	69	63	6	163	174	(11)
International Natural Gas Distribution	16	24	(8)	50	69	(19)
International Natural Gas Transmission and Storage & Industrial Water	6	7	(1)	12	21	(9)
Total Pipelines & Liquids	179	169	10	417	474	(57)
Corporate & Other	1	6	(5)	3	13	(10)
Canadian Utilities Total ^{(1) (2)}	297	385	(88)	852	1,571	(719)

(1) Includes capital expenditures in joint ventures of \$2 million and \$2 million (2018 - \$7 million and \$15 million) for the third quarter and first nine months of 2019.

(2) Includes additions to property, plant and equipment, intangibles and \$5 million and \$14 million (2018 - \$6 million and \$16 million) of interest capitalized during construction for the third quarter and first nine months of 2019.

Base Shelf Prospectuses

CU Inc. Debentures

On June 11, 2018, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of \$1.5 billion of debentures over the 25-month life of the prospectus. As of October 30, 2019, aggregate issuances of debentures were \$965 million.

Canadian Utilities Debt Securities and Preferred Shares

On June 11, 2018, Canadian Utilities 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. No debt securities or preferred shares have been issued to date under this base shelf prospectus.

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 47-year track record. Dividends paid to Class A and Class B share owners totaled \$116 million in the third quarter and \$347 million in the first nine months of 2019.

On October 10, 2019, the Board of Directors declared a fourth quarter dividend of 42.27 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.



**47 year
track record of
increasing
common
share dividends**

Canadian Utilities Dividend Reinvestment Plan (DRIP)

Effective January 10, 2019, Canadian Utilities' DRIP was suspended and no Class A non-voting shares have been issued under its DRIP.

SHARE CAPITAL

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

At October 29, 2019, we had outstanding 199,515,081 Class A shares, 73,720,244 Class B shares, and options to purchase 690,250 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 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 our stock option plan, 5,159,000 Class A shares were available for issuance at September 30, 2019. 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 December 31, 2017 through September 30, 2019.

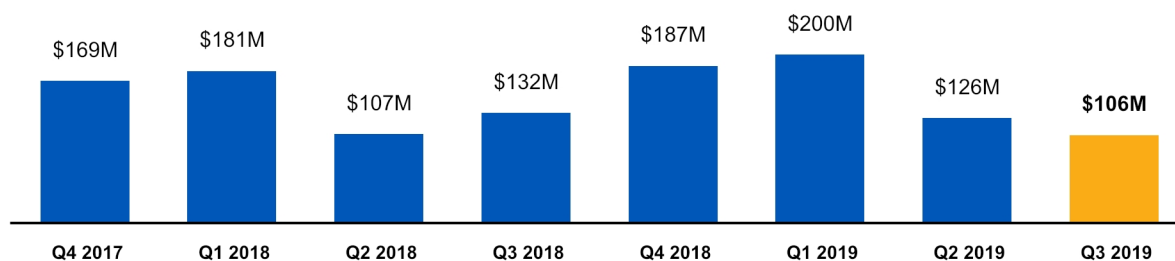
<i>(\$ millions, except for per share data)</i>	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Revenues	1,035	1,189	902	885
Earnings attributable to equity owners of the Company	256	217	299	284
Earnings attributable to Class A and B shares	239	200	283	267
Earnings per Class A and Class B share (\$)	0.87	0.73	1.03	0.99
Diluted earnings per Class A and Class B share (\$)	0.87	0.73	1.03	0.99
Adjusted earnings per Class A and Class B share (\$)	0.69	0.73	0.46	0.39
Adjusted earnings				
Electricity	103	116	106	112
Pipelines & Liquids	102	98	42	19
Corporate & Other and Intersegment Eliminations	(18)	(14)	(22)	(25)
Total adjusted earnings	187	200	126	106

<i>(\$ millions, except for per share data)</i>	Q4 2017 ⁽¹⁾	Q1 2018	Q2 2018	Q3 2018
Revenues	1,208	1,385	967	990
Earnings (loss) attributable to equity owners of the Company	102	179	(3)	202
Earnings (loss) attributable to Class A and Class B shares	85	162	(19)	185
Earnings (loss) per Class A and Class B share (\$)	0.32	0.60	(0.07)	0.68
Diluted earnings (loss) per Class A and Class B share (\$)	0.32	0.60	(0.07)	0.68
Adjusted earnings per Class A and Class B share (\$)	0.63	0.67	0.39	0.49
Adjusted earnings				
Electricity	95	97	100	134
Pipelines & Liquids	94	101	27	17
Corporate & Other and Intersegment Eliminations	(20)	(17)	(20)	(19)
Total adjusted earnings	169	181	107	132

(1) These numbers have been restated to account for the impact of IFRS 15 adopted on January 1, 2018.

ADJUSTED EARNINGS

Our financial results for the previous eight quarters reflect continued growth and regulatory decisions in Regulated Utility operations as well as fluctuating commodity prices in electricity generation and sales, and natural gas storage operations. Interim results will vary due to the seasonal nature of demand for electricity and natural gas, and the timing of utility regulatory decisions.



ELECTRICITY

Electricity adjusted earnings are impacted by the timing of certain major regulatory decisions, and Alberta Power Pool pricing and spark spreads.

Fourth quarter 2017 earnings were impacted by lower contributions in the electricity generation business from forward sales and increased business development expenses.

In 2018, earnings were adversely impacted by performance base regulation rate rebasing under Alberta's regulated model in electricity distribution and lower electricity transmission interim rates approved by the AUC.

In the first quarter of 2018, Electricity earnings were adversely impacted by realized forward sales and minor plant outage costs in the Independent Power Plants, partially offset by earnings from Alberta PowerLine due to construction activity and earnings in Thermal PPAs due to the recognition of availability incentives.

In the second quarter of 2018, earnings increased compared to the second quarter of 2017 mainly due to improved market conditions for Independent Power Plants and higher recognition of availability incentives in the Thermal PPA Plants.

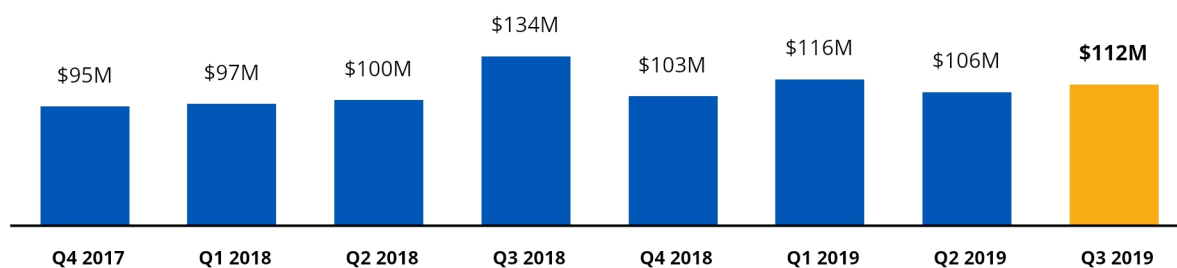
In the third quarter of 2018, earnings increased compared to the third quarter of 2017 mainly due to the completion of performance obligations and additional availability incentive earnings which resulted from the Battle River unit 5 PPA termination, and improved market conditions for Independent Power Plants. These improved earnings were partially offset by lower earnings due to lower scheduled construction activity at Alberta PowerLine.

In the fourth quarter of 2018, higher earnings compared to the fourth quarter of 2017 were mainly due to earnings from the sale of the Barking Power assets and improved conditions in the Alberta power market, as well as higher APL earnings recorded as result of an early energization incentive.

In the first quarter of 2019, higher earnings were mainly due to increased Alberta power market prices, ongoing growth in the regulated rate base and cost efficiencies in electricity distribution.

In the second quarter of 2019, higher earnings compared to the second quarter of 2018 were mainly due to the impact of the electricity transmission 2018-2019 GTA decision, continued growth in the regulated rate base, cost efficiencies, and lower income taxes.

In the third quarter of 2019, lower earnings compared to the third quarter of 2018 were mainly due to favorable earnings realized in 2018 associated with the Balancing Pool's termination of the Battle River unit 5 PPA and associated availability incentive and performance payments. Lower earnings were partially offset by the positive impact of the electricity transmission 2018-2019 GTA decision which was received in the second quarter of 2019, cost efficiencies, lower income taxes, and improved realized forward sales in Independent Power Plants.



PIPELINES & LIQUIDS

Pipelines & Liquids' adjusted earnings are impacted by the timing of certain major regulatory decisions, seasonality, and demand for hydrocarbon and natural gas storage and water services.

Higher earnings in the fourth quarter of 2017 were mainly a result of rate base growth across Pipelines & Liquids' regulated utilities.

In 2018, earnings were adversely impacted by performance base regulation rate rebasing under Alberta's regulated model in natural gas distribution.

In the first quarter of 2018, earnings were positively impacted by higher seasonal demand and growth in rate base across the Pipelines & Liquids' Regulated businesses.

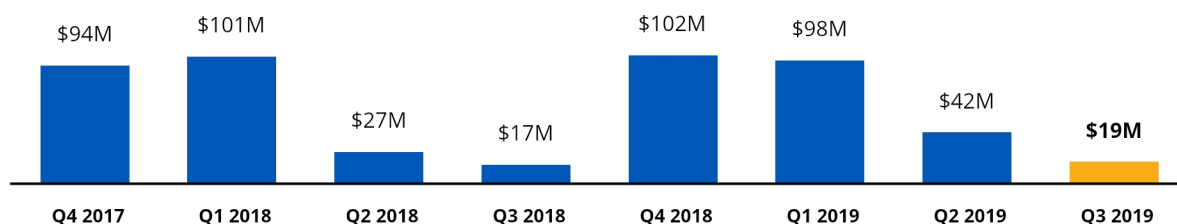
In the second and third quarters of 2018, lower earnings compared to the same periods in 2017 were mainly due to lower seasonal demand and the impact of rate rebasing under Alberta's regulated model in natural gas distribution, partially offset by growth in rate base across our Regulated Pipelines & Liquids businesses.

In the fourth quarter of 2018, higher earnings compared to the fourth quarter of 2017 were mainly due to growth in rate base, the timing of regulatory decisions and higher seasonal demand.

In the first quarter of 2019, lower earnings compared to the first quarter of 2018 were mainly due to inflation rate adjustments applied to the rate of return calculations in international natural gas distribution, partially offset by ongoing growth in the regulated rate base and cost efficiencies in natural gas distribution.

In the second quarter of 2019, higher earnings compared to the second quarter of 2018 were mainly due to ongoing growth in the regulated rate base and the impact of the natural gas transmission 2019-2020 general rate application GRA decision, earnings growth in the hydrocarbon storage business, cost efficiencies, and lower income taxes.

In the third quarter of 2019, higher earnings compared to the third quarter of 2018 were mainly due to ongoing growth in the regulated rate base, cost efficiencies, and lower income taxes.



EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company includes timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. They also include one-time gains and losses, significant impairments, restructuring charges and other items that are not in the normal course of business or a result of day-to-day operations recorded at various times over the past eight quarters. These items are excluded from adjusted earnings and are highlighted below:

- In the fourth quarter of 2017, Structures & Logistics recognized an impairment relating to workforce housing assets in Canada and space rental assets in the U.S. Structures & Logistics determined these assets were impaired due to a reduction in utilization, sustained decreases in key commodity prices as well as a significant reduction in the capital expenditure programs of key customers. The Company's 24.5 per cent share of the impairment decreased equity earnings by \$7 million in the Corporate & Other segment.
- In the fourth quarter of 2017, the Company recorded an increase to earnings of \$31 million on derecognition of customer contributions related to a sale of electricity generation assets on transitioning to finance lease accounting which resulted from the implementation of IFRS 15.
- In the second quarter of 2018, restructuring and other costs not in the normal course of business of \$60 million were recorded. These costs mainly relate to staff reductions and associated severance costs, as well as costs related to decisions to discontinue certain projects that no longer represent long-term strategic value to the Company.
- In the third quarter of 2018, the Battle River unit 5 PPA was terminated by the Balancing Pool and dispatch control was returned to Canadian Utilities. Canadian Utilities received a payment from the Balancing Pool and also recorded additional coal-related costs and Asset Retirement Obligations associated with the Battle River generating facility. This one-time receipt and costs in the net amount of \$36 million was excluded from adjusted earnings.
- In the fourth quarter of 2018, Canadian Utilities sold its 100 per cent ownership interest in Barking Power assets. A gain in the amount of \$87 million was excluded from adjusted earnings.

- In the second quarter of 2019, Canadian Utilities recorded transaction costs of \$8 million for the pending sale of the Canadian fossil fuel-based electricity generation portfolio and Alberta PowerLine Limited Partnership. These costs are related to one-time transactions and are therefore excluded from adjusted earnings.
- In the third quarter of 2019, Canadian Utilities closed a series of transactions on the sale of its Canadian fossil fuel-based electricity generation portfolio resulting in a gain on sale of operations of \$146 million, after-tax.

NON-GAAP AND ADDITIONAL GAAP MEASURES

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, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. 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 4 of the unaudited interim consolidated financial statements.

Adjusted earnings per Class A and Class B share is calculated by dividing adjusted earnings by the weighted average number of shares outstanding for the period.

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital and change in receivable under service concession arrangement. In management's opinion, funds generated by operations is a significant performance indicator of the Company's ability to generate cash during a period to fund capital expenditures. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies. A reconciliation of funds generated by operations to cash flows from operating activities is presented in this MD&A.

Capital investment is defined as cash used for capital expenditures, business combinations, service concession arrangements, and cash used in the Company's proportional share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. A reconciliation of capital investments to capital expenditures is presented in this MD&A.

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

Adjusted earnings are earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. 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.

	Three Months Ended September 30				
	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
<i>(\$ millions)</i>					
2019					
2018					
Revenues	530	334	41	(20)	885
	688	287	36	(21)	990
Adjusted earnings (loss)	112	19	(25)	–	106
	134	17	(19)	–	132
Gain on sale of operations	146	–	–	–	146
	–	–	–	–	–
Transaction costs	(1)	–	–	–	(1)
	–	–	–	–	–
Proceeds from Termination of PPA	–	–	–	–	–
	36	–	–	–	36
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	(15)	–	15	–	–
	35	–	–	–	35
Rate-regulated activities	9	7	–	4	20
	(3)	(17)	–	1	(19)
IT Common Matters decision	(2)	(1)	–	–	(3)
	–	–	–	–	–
Dividends on equity preferred shares of Canadian Utilities Limited	–	–	17	–	17
	1	1	15	–	17
Other	–	(1)	–	–	(1)
	–	1	–	–	1
Earnings (loss) attributable to equity owners of the Company	249	24	7	4	284
	203	2	(4)	1	202

(\$ millions)

2019					
2018	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	1,736	1,166	159	(85)	2,976
	2,221	1,087	112	(78)	3,342
Adjusted earnings (loss)	334	159	(63)	2	432
	331	145	(56)	–	420
Gain on sale of operations	139	–	–	–	139
	–	–	–	–	–
Transaction costs	(2)	–	–	–	(2)
	–	–	–	–	–
Proceed from Termination of PPA	–	–	–	–	–
	36	–	–	–	36
Restructuring and other costs	–	–	–	–	–
	(36)	(19)	(5)	–	(60)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	(14)	–	15	–	1
	29	–	–	–	29
Rate-regulated activities	126	70	–	1	197
	(69)	(30)	–	3	(96)
IT Common Matter decision	(9)	(8)	–	–	(17)
	–	–	–	–	–
Dividends on equity preferred shares of Canadian Utilities Limited	2	2	46	–	50
	3	1	46	–	50
Other	–	–	–	–	–
	–	(1)	–	–	(1)
Earnings (loss) attributable to equity owners of the Company	576	223	(2)	3	800
	294	96	(15)	3	378

GAIN ON SALE OF OPERATIONS

In the third quarter of 2019, Canadian Utilities closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation portfolio resulting in a gain on sale of operations of \$163 million (\$146 million after-tax). As this gain is related to a series of one-time transactions, it is excluded from adjusted earnings.

In the first nine months of 2019, the sale resulted in a gain of \$153 million (\$139 million after-tax). This gain on sale includes \$10 million (\$7 million after-tax) of transaction costs recognized in previous quarters. As this gain is related to a series of one-time transactions, it is excluded from adjusted earnings.

TRANSACTION COSTS

The Company incurred transactions costs for the announced sale of Alberta PowerLine Limited Partnership. As these costs are related to a one-time transaction, they are excluded from adjusted earnings.

PROCEEDS FROM TERMINATION OF PPA

Effective September 30, 2018, the Battle River unit 5 PPA was terminated by the Balancing Pool and dispatch control was returned to Canadian Utilities. Canadian Utilities received a \$62 million payment (\$45 million after-tax) from the Balancing Pool. The payment has been recorded as proceeds from termination of PPA in the statement of earnings for the three and nine months ended September 30, 2018. Additional Battle River generating facility coal-related

costs and Asset Retirement Obligations of \$9 million were recorded. These one-time receipts and costs in the net amount of \$36 million were excluded from adjusted earnings.

RESTRUCTURING AND OTHER COSTS

In the second quarter of 2018, restructuring and other costs not in the normal course of business of \$60 million (after-tax) were recorded. These costs mainly relate to staff reductions and associated severance costs, as well as costs related to decisions to discontinue certain projects that no longer represent long-term strategic value to the Company.

UNREALIZED GAINS (LOSSES) ON MARK-TO-MARKET FORWARD AND SWAP COMMODITY CONTRACTS

Prior to the sale of operations, the Company entered into forward contracts in order to optimize available merchant capacity and manage exposure to electricity market price movements for its Independent Power and Thermal Plants not governed by a Power Purchase Arrangement. The forward contracts were measured at fair value. Unrealized gains and losses due to changes in the fair value of the forward contracts were recognized in the Electricity operating segment earnings where hedge accounting was not applied.

In addition, the Company's retail electricity and natural gas business in Alberta enters into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. Prior to the sale of operations, these contracts were accounted for as normal purchase agreements as they were with an affiliate company and the own use exemption was applied. Starting September 30, 2019, these contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of the fixed-price swap commodity contracts are recognized in the Corporate & Other segment earnings.

The CODM believes that removal of the unrealized gains or losses on mark-to-market forward and swap commodity contracts provides a better representation of operating results for the Company's operations.

Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

RATE-REGULATED ACTIVITIES

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

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

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

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

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
Additional revenues billed in current period	Future removal and site restoration costs, and impact of colder temperatures.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
Revenues to be billed in future periods	Deferred income taxes, impact of warmer temperatures, and impact of inflation on rate base.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

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

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	Change	2019	2018	Change
Additional revenues billed in current period						
Future removal and site restoration costs ⁽¹⁾	20	19	1	56	58	(2)
Impact of colder temperatures ⁽²⁾	3	6	(3)	15	18	(3)
Revenues to be billed in future periods						
Deferred income taxes ⁽³⁾	(23)	(20)	(3)	(79)	(79)	-
Deferred income taxes due to decrease in provincial corporate tax ⁽⁴⁾	-	-	-	203	-	203
Impact of inflation on rate base ⁽⁵⁾	(6)	-	(6)	(10)	-	(10)
Regulatory decisions received (see below)	3	-	3	-	-	-
Settlement of regulatory decisions and other items ⁽⁶⁾	23	(24)	47	12	(93)	105
	20	(19)	39	197	(96)	293

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

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

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

(4) In the second quarter of 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent. This decrease is being phased in increments from July 1, 2019 to January 1, 2022. As a result of this change, the Alberta Utilities decreased deferred income taxes and increased earnings in the second quarter of 2019 by \$203 million.

(5) The inflation-indexed portion of ATCO Gas Australia's rate base is billed to customers through the recovery of depreciation in subsequent periods based on the actual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related assets.

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

Regulatory Decisions Received

Under rate-regulated accounting, the Company recognizes earnings from a regulatory decision pertaining to current and prior periods when the decision is received. A description of the significant regulatory decisions recognized in adjusted earnings in 2019 is provided below.

Decision	Amount	Description
1. Information Technology (IT) Common Matters	17	<p>In August 2014, the Company sold its IT services business to Wipro Ltd. (Wipro) and signed a ten-year IT Master Services Agreement (MSA) effective January 1, 2015.</p> <p>In 2015, the AUC commenced an Information Technology Common Matters proceeding to review the recovery of IT costs by the Alberta Utilities from January 1, 2015 going forward. On June 5, 2019, the AUC issued its decision regarding the IT Common Matters proceeding and directed the Alberta Utilities to reduce the first-year of the Wipro MSA by 13 per cent and to apply a glide path that reduces pricing by 4.61 per cent in each of years 2 through 10. The reduction in adjusted earnings resulting from the decision for the period January 1, 2015 to September 30, 2019 was \$17 million. Of this amount, \$14 million relates to the period January 1, 2015 to June 30, 2019 and was recorded in the second quarter of 2019. The remaining \$3 million was recorded in the third quarter of 2019.</p>
2. ATCO Electric Transmission General Tariff Application (GTA)	(17)	<p>In June 2017, ATCO Electric filed a GTA for its operations for 2018 and 2019. The decision was received in July 2019 approving the majority of capital expenditures and operating costs requested. The increase in adjusted earnings resulting from the decision of \$17 million was recorded in the second quarter of 2019.</p>

IT COMMON MATTERS DECISION

As described in the IT Common Matters decision above, in August 2014, the Company sold its IT services business to Wipro Ltd. (Wipro) and signed a ten-year IT Master Services Agreement (MSA) effective January 1, 2015. Proceeds of the sale were \$204 million, resulting in a one-time after-tax gain of \$138 million. In 2014, the Company did not include this gain on sale in adjusted earnings because it was a significant one-time event.

In June 2019, the AUC issued its decision regarding the IT Common Matters proceeding which is described in the regulatory decisions received section above. In the proceeding, the Company presented a considerable amount of evidence, including expert benchmarking and price review studies, to support that the Wipro MSA rates were at fair market value. As such, there was no cross subsidization between the sale price of the Company's IT services business to Wipro in the 2014 transaction and the establishment of IT rates under the MSA. Despite these efforts the AUC found that the Alberta Utilities failed to demonstrate that the IT pricing in the MSA would result in just and reasonable rates.

Consistent with the treatment in 2014, the \$17 million reduction recognized in 2019 year-to-date, along with future impacts associated with this decision, will not be included in adjusted earnings.

OTHER

Each quarter, the Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. For the three and nine months ended September 30, 2019, the Company recorded a foreign exchange loss of \$1 million and nil, respectively (2018 - a foreign exchange gain of \$1 million and a foreign exchange loss of \$1 million) due to a difference between the tax base currency, which is Mexican pesos, and the U.S. dollar functional currency.

RECONCILIATION OF FUNDS GENERATED BY OPERATIONS TO CASH FLOWS FROM OPERATING ACTIVITIES

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital and change in receivable under service concession arrangement. In management's opinion, funds generated by operations is a significant performance indicator of the Company's ability to generate cash during a period to fund capital expenditures. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies.

(\$ millions)

2019 2018	Three Months Ended September 30	Nine Months Ended September 30
Funds generated by operations	414	1,355
	501	1,322
Changes in non-cash working capital	3	(183)
	(185)	(74)
Change in receivable under service concession arrangement	(13)	(152)
	(130)	(710)
Cash flows from operating activities	404	1,020
	186	538

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is defined as cash used for capital expenditures, business combinations, service concession arrangements, and cash used in the Company's proportional share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. A reconciliation of capital investments to capital expenditures is presented in this MD&A.

(\$ millions)		Three Months Ended September 30			
2019					
2018	Electricity	Pipelines & Liquids	CUL Corporate & Other		Consolidated
Capital Investment	117	179	1		297
	210	169	6		385
Capital Expenditure in joint ventures	(1)	(1)	–		(2)
	(7)	–	–		(7)
Service concession arrangement	–	–	–		–
	(104)	–	–		(104)
Capital Expenditures	116	178	1		295
	99	169	6		274

(\$ millions)		Nine Months Ended September 30			
2019					
2018	Electricity	Pipelines & Liquids	CUL Corporate & Other		Consolidated
Capital Investment	432	417	3		852
	1,084	474	13		1,571
Capital Expenditure in joint ventures	(1)	(1)	–		(2)
	(11)	(4)	–		(15)
Business Combination ⁽¹⁾	–	–	–		–
	(112)	–	–		(112)
Service concession arrangement	(95)	–	–		(95)
	(620)	–	–		(620)
Capital Expenditures	336	416	3		755
	341	470	13		824

(1) Business combination includes Canadian Utilities' first quarter 2018 acquisition of Electricidad de Golfo, a long-term contracted, 35 MW hydroelectric power station in the state of Veracruz, Mexico.

OTHER FINANCIAL INFORMATION

ACCOUNTING CHANGES

On January 1, 2019, the Company adopted the new accounting standard, IFRS 16 *Leases*, which replaces IAS 17 *Leases* and related interpretations. This standard introduces a new approach to lease accounting that requires a lessee to recognize right-of-use assets and lease liabilities for the rights and obligations created by leases. It brings most leases on-balance sheet for lessees, eliminating the distinction between operating and finance leases. Lessor accounting under the new standard retains similar classifications to the previous guidance.

The Company adopted the standard using the modified retrospective approach which does not require restatement of prior period financial information, as it recognizes the cumulative impact on the opening balance sheet and applies the standard prospectively. Accordingly, the comparative information in the unaudited interim consolidated financial statements is not restated.

On adoption of the new standard on January 1, 2019, the Company recognized \$67 million of right-of-use assets and \$67 million of lease liabilities. The right-of-use assets and lease liabilities relate to leases for land and buildings. From January 1, 2019, the Company recognizes depreciation expense on right-of-use assets and interest expense on lease liabilities with lease payments recorded as a reduction of the lease liability. Prior to the adoption of IFRS 16, lease payments were recorded as expenses in the statement of earnings. The adoption of IFRS 16 has not had a significant impact on earnings. Further information on the adoption of IFRS 16, right-of-use assets and lease liabilities are provided in Notes 3, 9 and 13 of the unaudited interim consolidated financial statements.

In June 2019, the IFRS Interpretations Committee, acting on a request for interpretation, concluded that a pipeline sub-surface arrangement is, or contains, a lease under IFRS 16. A pipeline sub-surface arrangement is an agreement with a landowner to lay an underground pipeline in exchange for consideration. It contains a lease because the underground space is physically distinct from the landowner's land, and the owner of the pipeline has exclusive use of the underground space. The Company is currently assessing the impact of the interpretation on its pipeline sub-surface arrangements. The assessment is expected to be complete before the end of 2019. Based on the preliminary analysis performed to date, the impact on the consolidated financial statements is not expected to be significant.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on July 1, 2019, and ended on September 30, 2019, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING INFORMATION

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

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

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

ADDITIONAL INFORMATION

Canadian Utilities has published its unaudited interim consolidated financial statements and its MD&A for the nine months ended September 30, 2019. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

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

Alberta Utilities means Electricity Distribution (ATCO Electric Distribution), Electricity Transmission (ATCO Electric Transmission), Natural Gas Distribution (ATCO Gas) and Natural Gas Transmission (ATCO Pipelines).

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.

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

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

DRIP means the dividend reinvestment plan (refer to the "Dividend Reinvestment Plan" section of this MD&A).

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

GAAP means Canadian generally accepted accounting principles.

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 electricity over a one-hour period.

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

Regulated Utilities means Electricity Distribution (ATCO Electric Distribution), Electricity Transmission (ATCO Electric Transmission), Natural Gas Distribution (ATCO Gas), Natural Gas Transmission (ATCO Pipelines) and International Natural Gas Distribution (ATCO Gas Australia).

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.