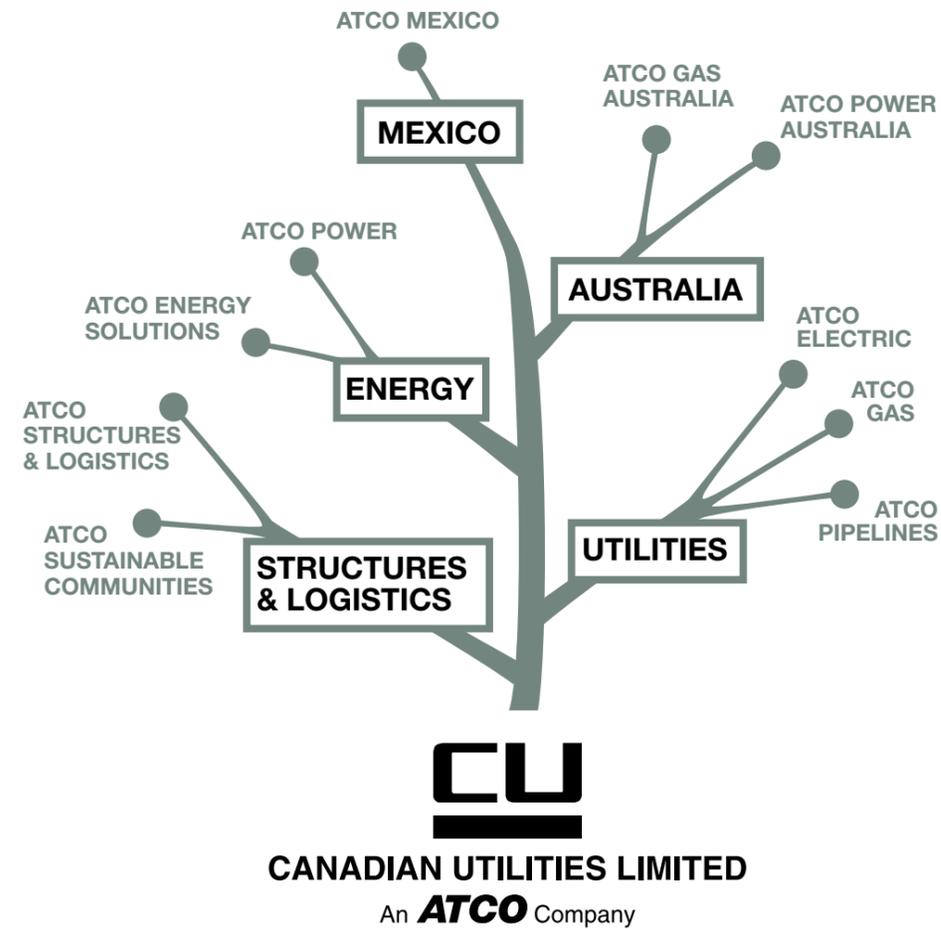




CANADIAN UTILITIES LIMITED

An **ATCO** Company

2014 | **CANADIAN UTILITIES**
ANNUAL REPORT



With more than 6,800 employees and assets of approximately \$17 billion, Canadian Utilities Limited is an ATCO company, 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).

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ATCO Electric's Hanna Region Transmission Development project was completed on-time and under budget in 2013.

Canadian Utilities' Global Operations

UTILITIES

ATCO Electric
Builds, owns and operates electrical transmission and distribution facilities in east-central and northern Alberta providing safe, reliable electricity to more than 224,000 customers in 245 communities, including large industrial and oilfield customers.

Major transmission projects
Fort McMurray West proposed routes

Canadian Utilities in the North
Northland Utilities and ATCO Electric Yukon build, own and operate generation, transmission and distribution facilities in the Northwest Territories and the Yukon.

ATCO Gas
In the area broadly identified on this map, ATCO Gas delivers safe, reliable and cost-effective natural gas to more than 1.1 million customers in nearly 300 Alberta communities.

ATCO Pipelines
Owns and operates key natural gas transmission facilities throughout Alberta transporting clean, efficient energy from producers and other pipelines to utilities, power generators and major industries.

AUSTRALIA

ATCO Australia
Based in Perth, Western Australia, ATCO Australia develops, builds, owns and operates energy infrastructure assets across the country.

ENERGY

ATCO Power
Builds, owns and operates independent power generation plants providing industry-leading, reliable, responsible and cost-effective solutions to customers and partners with 13 plants in Canada and one in the United Kingdom.

ATCO Energy Solutions
Builds, owns and operates non-regulated energy and industrial water-related infrastructure and provides natural gas gathering, processing and storage, and natural gas liquids extraction services.

MEXICO

Canadian Utilities opened an office in Mexico City in August 2014 to pursue opportunities in Mexico's energy market with a growth plan modelled after the company's Canadian and Australian operations.

ATCO Mexico
Focused on building, owning and operating natural gas infrastructure, power generation, electricity transmission and distribution, and providing workforce accommodation and site services.

ATCO Gas Australia
Delivers safe, reliable natural gas to more than 700,000 regional and metropolitan customers through Western Australia's largest gas distribution network.

STRUCTURES & LOGISTICS

ATCO Structures & Logistics
Complete infrastructure solutions for customers worldwide, including workforce housing, innovative modular facilities, construction, site support services, logistics, operations management, and noise and emission reduction solutions.

Manufacturing facilities
Offices and/or operations

ATCO Sustainable Communities Projects
Full range of pre-fabricated, culturally-sensitive building solutions for Indigenous and other remote communities.

Indigenous Partnerships
Building and sustaining Indigenous relationships helps form the foundation for how Canadian Utilities does business and is reflected through both our longstanding relationships with Indigenous communities and how the company engages with these communities every day.

ATCO Power Australia
Builds, owns and operates environmentally-progressive power generation stations, providing reliable, responsible and cost-effective solutions to customers and partners with three plants in Queensland, South Australia and Western Australia.



Canadian Utilities Limited Financial Highlights

| Consolidated Annual Results | | |
|---|----------------|---------|
| YEAR ENDED DECEMBER 31 | | |
| (Millions of Canadian dollars except per share data) | 2014 | 2013 |
| FINANCIAL | | |
| Revenues | 3,600 | 3,381 |
| Earnings attributable to equity owners | 711 | 587 |
| Adjusted earnings | 575 | 572 |
| Total assets | 16,702 | 15,051 |
| Class A & Class B share owners' equity | 4,305 | 3,936 |
| Funds generated by operations | 1,643 | 1,687 |
| Capital expenditures | 2,274 | 2,398 |
| CLASS A NON-VOTING & CLASS B COMMON SHARE DATA | | |
| Earnings per share | 2.52 | 2.10 |
| Diluted earnings per share | 2.52 | 2.09 |
| Dividends paid per share | 1.07 | 0.97 |
| Shares outstanding (thousands) | 263,907 | 261,030 |
| Weighted average shares outstanding (thousands) | 262,013 | 258,433 |

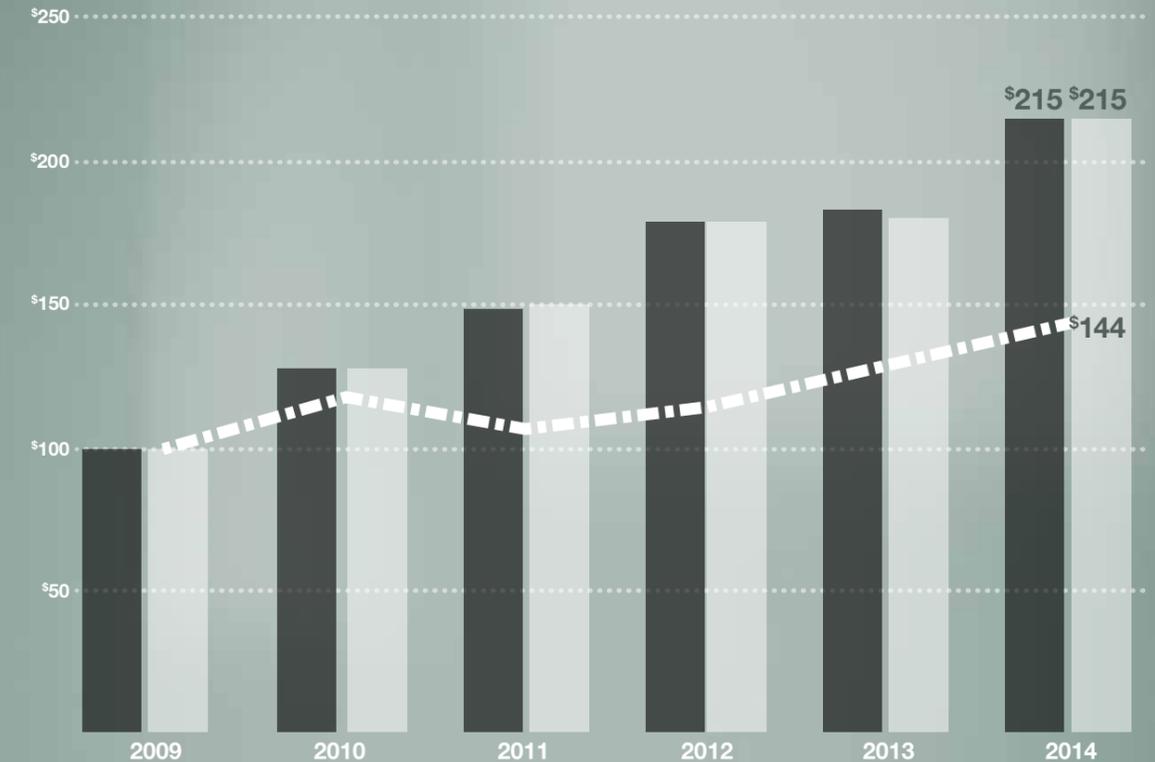
This data (other than funds generated by operations) has been extracted from financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting currency is the Canadian dollar.

For further information, please see Canadian Utilities Limited Consolidated Financial Statements and Management's Discussion and Analysis - www.sedar.com.

FORWARD-LOOKING INFORMATION:

Certain statements contained in this Annual Report 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 Corporation 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.

Five-Year Total Return on \$100 Investment



| Compound Growth Rate | Cumulative Return | Series |
|----------------------|-------------------|-----------------------|
| 16.6% | \$215 | Class A shares (CU) |
| 16.6% | \$215 | Class B shares (CU.X) |
| 7.5% | \$144 | S&P/TSX Composite |

This graph compares the cumulative share owner return over the last five years of the Class A non-voting and Class B common shares of the Company (assuming reinvestment of dividends) with the cumulative total return of the S&P/TSX composite index.

CANADIAN UTILITIES LIMITED SHARE OWNERSHIP FOR PRESENT & PROSPECTIVE OWNERS

It is important for prospective owners to understand that Canadian Utilities Limited is a diversified group of companies principally controlled by ATCO Ltd., which in turn is principally controlled by Sentgraf, a Southern family holding company. It is also important for present and prospective share owners to understand that the Canadian Utilities share registry has both non-voting and voting common shares.

■ Letter to Share Owners



Nancy C. Southern
Chair, President & Chief Executive Officer

To our Owners,

As I reflect on the events of 2014, it is clear that the year was one of challenges and opportunities. The markets we operate in are experiencing extreme volatility from commodity pricing, and complex regulatory and social policies have made it increasingly difficult for our resource customers to pursue their larger projects in a timely fashion.

The impact of these circumstances was apparent towards the end of last year and they will no doubt be the cause of significant headwinds in 2015. It is for exactly these precipitous, volatile and unpredictable times that your company has been disciplined in building our balance sheet.

An unwavering commitment to our customers' needs, our ability to continue to invest without dilution, and the targeted and surgical removal of excess costs and redundant processes, will allow your company to distinguish itself from our competitors in these tumultuous times. The piston effect of your company's diverse earning power continues to be a core strength.

Leading the way, once again in 2014, were our utility companies that have consistently achieved premium growth and continue to have a strong outlook, both in Canada and Australia.

It is hard to believe, but since 2000 when I first began as Co-Chair of your company, our utility asset base was approximately \$3.3 billion. We ended 2014 with a utility asset base, including Australia, of \$14.5 billion! The earnings for this group were \$108.4 million in 2000 and \$444 million in 2014.

I am very proud of the people in our Utility group and the top tier growth

they have achieved without adding costly goodwill through acquisitions.

Sett Policicchio, Bobbi Lambricht and their teams in ATCO Electric have led the record-breaking capital investment of more than \$6 billion these past three years.

Bill Stephens, Brian Hahn, Brendan Dolan, Alan Dixon and their teams in ATCO Gas, ATCO Pipelines and ATCO Gas Australia have been solid contributors to our rate base growth. They are also breaking new ground in Mexico, winning the first competitively bid natural gas pipeline under Mexico's new legislative reform, from Comisión Federal de Electricidad, the national electricity company. The combined effort of these executives and their expert teams assures us continued expansion over the next few years with approximately \$5 billion of planned greenfield investment.

Steven Landry made great strides in Mexico and established our headquarters in Mexico City to manage the infrastructure development occurring in that country.

George Opocensky and Pat Creaghan in our Energy group have been experiencing tough times in their respective businesses, ATCO Power and ATCO Energy Solutions.

There is no doubt the rapidity of excess supply and slower growth hit power prices hard and fast in all of our markets. Having said this, I believe ATCO Power will emerge well ahead of its peers who may not be able to weather the current suppressed pricing situation. ATCO Energy Solutions is in a rebuilding process and construction is well underway on our new salt cavern development. As well, they are developing significant interest and

expansion opportunities for our water license and pipelines.

Wayne Stensby and the ATCO Australia team achieved all of their targets in 2014. We now have more than 700,000 natural gas utility customers.

All of your operating companies remain steadfastly committed to operational excellence, a Canadian Utilities hallmark that our customers count on: reliable, safe delivery of our products and services – Always There. Anywhere.

Our four core strategies were well-exercised throughout 2014, allowing us to achieve our solid results. These include:

- 1. Geographic expansion;**
 - Successful entry into Mexico
- 2. Win competitively bid new greenfield projects;**
 - \$1.4 billion Fort McMurray West 500 kV Transmission Project in Alberta
 - USD\$50 million Tula pipeline project in Mexico
- 3. Monetize non-core assets;**
 - \$200 million sale of ATCO I-Tek
- 4. Continuous improvement and innovation;**
 - 30 per cent reduction in small substation footprint and cost through modular construction

On behalf of all share owners, I would like to recognize two of our

executives who greatly contributed to your company's success last year and for the past three decades: Susan Werth, Senior Vice President & Chief Administration Officer, and Harry Wilmot, President & Chief Operating Officer of ATCO Structures & Logistics. Susan and Harry both retired in 2014 but will continue to provide their incomparable advice and talent to your company through new governance roles.

I wish to convey my deepest appreciation to Susan and Harry for their commitment to your company. They are the epitome of the 'ATCO Heart and Mind' and the living example of our Founder's definition of excellence –

"...always striving for the highest standards and paying attention to the smallest detail..."

Susan and Harry, thank you!

Siegfried Kiefer, another sterling leader, has made impressive strides in managing the impacts of regulations and legislation, especially on the environmental front, while continuing to progress our hydro generation initiatives. I recommend Siegfried's article on page 5 to our readers.

The challenges that lie ahead will need the disciplined and determined approach that has long governed your company. To support our growth

strategies and enhance expertise, we have diversified our board membership. Collectively, our board brings a wide breadth of experience to your company. I wish to thank them for their extraordinary efforts. Their wisdom and pursuit of premier performance, combined with the visionary leadership of my father, have overseen your company's stellar growth.

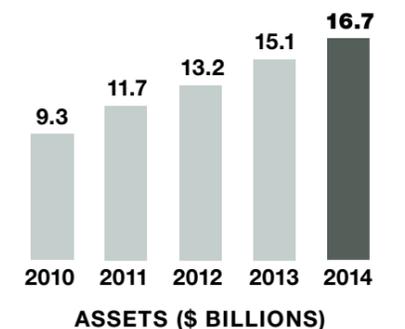
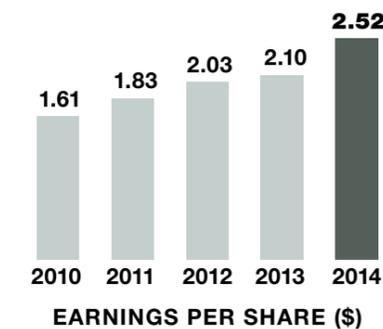
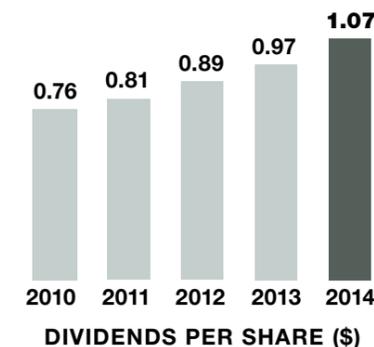
To you, our owners, thank you for entrusting your capital with us. Today, as we face the uncertainties of the future, I believe you own an unmatched group of Canadian and international businesses managed by a group of outstanding executives.

The diversity of our earnings, our financial strength and the 'can-do' attitude of our people give me great confidence, which I convey to you, that your company and your investment will continue to create meaningful value for you and your families for generations to come.

It is a distinct honour for me to be working with each of you.

Sincerely,

Nancy Southern



■ Diversifying Alberta's Electricity Fuel Sources



Siegfried W. Kiefer
Chief Operating Officer, Power & Utilities

Alberta has demonstrated great long-term foresight with decisions to replace and upgrade critical electrical transmission and natural gas pipeline infrastructure. To support the development, Canadian Utilities (CU) has invested \$6.4 billion in new utility infrastructure in the province between 2012 and 2014. A number of well-thought-out projects are increasing reliability and improving public safety.

ATCO Pipelines and ATCO Gas are undertaking the Urban Pipeline Replacement Project, which will see technically advanced high-pressure natural gas pipelines relocated into specifically designated Transportation Utility Corridors and out of densely populated areas of Calgary and Edmonton. This initiative will improve gas supply into our major cities and dramatically increase safety by minimizing the risk of any serious incidents.

ATCO Electric's largest project ever, the \$1.8 billion Eastern Alberta Transmission Line, is scheduled to be energized in 2015 reinforcing the backbone of the provincial transmission system.

CU will also build and operate the \$1.4 billion transmission line planned for west of Edmonton to Fort McMurray. This project was awarded to CU after an intensely competitive international bidding process, demonstrating that CU provides the lowest possible cost infrastructure for our customers.

This significant infrastructure investment will deliver benefits to all Albertans for generations to come. Similar foresight is now needed as Alberta prepares to decommission coal-fired power generating facilities

and replace them with more environmentally friendly sources of generation. As a province, we need to carefully consider and plan on how to best replace these soon-to-be retired coal-fired power plants.

Throughout history, low-cost coal has been the primary source of the province's power generation. In 2014, approximately 39 per cent of all power generated in Alberta came from coal plants. The situation is about to change as coal-fired plants are decommissioned to help meet our country's greenhouse gas (GHG) emissions targets. By 2034, the Alberta Electric System Operator (AESO) projects coal will provide only 10 per cent of provincial power.

To support growth and replace coal, Alberta will need to build 10,385 MW of new generation within two decades—6,471 MW in the next decade alone. The current direction Alberta is taking will see the province become dependent on natural gas-fired power generation. These plants are quicker to build, less expensive than other long-term options, cost-effective as long as natural gas remains reasonably priced, and have a streamlined and established regulatory process in place. Forecasts show that natural gas will fuel three-quarters of the province's power generation within two decades.

Two issues arise from this forecasted outcome. Firstly, if we use only natural gas as a replacement for coal, Alberta will not meet its climate change targets. Natural gas is only 50 per cent better than coal in terms of GHG emissions. In absolute numbers, when provincial growth is factored in, total GHG emissions

will actually increase once coal is eliminated.

Secondly, there is no long-term assurance of price stability or protection against price spikes. Alberta has experienced significant volatility in natural gas prices in recent years, as have other parts of the world.

Dependency on natural gas can create real challenges when that commodity is the foundation of the vast majority of the province's electricity and heating needs. When prices increase, it will have a significant impact on the economy by driving up the electricity and heating bills of consumers and businesses.

As a province, we must take a step back and evaluate the best options for Alberta's future and understand the implications of not diversifying our base load generation mix.

Hydro generation is emissions-free and offers unmatched opportunity for Alberta to achieve reduced GHG emissions, while creating a "Green Corridor" stretching along the east side of the province. Although much more capital-intensive and requiring government and regulatory policy support, hydro offers payback through sustainable power rates. It is a fuel source that is not at the



for financing. We need Indigenous participation, consultation and true partnerships that provide northern growth and job opportunities.

In Alberta, three high-quality projects immediately stand out—a minimally invasive run-of-river 1,800 MW facility on the Slave River and a more traditional 1,500 MW facility on the Athabasca River, near Fort McMurray. The Peace River could also be used to generate 1,500 MW of green power.

Alberta, with appropriate foresight and firm political will could, within two decades, end up with just under 30 per cent of its power needs met through hydro generation. The price volatility of natural gas would be mitigated.

Add to the mix significantly increased cogeneration, where excess steam generated from other industrial processes is used to produce electricity, and the province could report an exceptionally positive environmental story as coal generation is phased out.

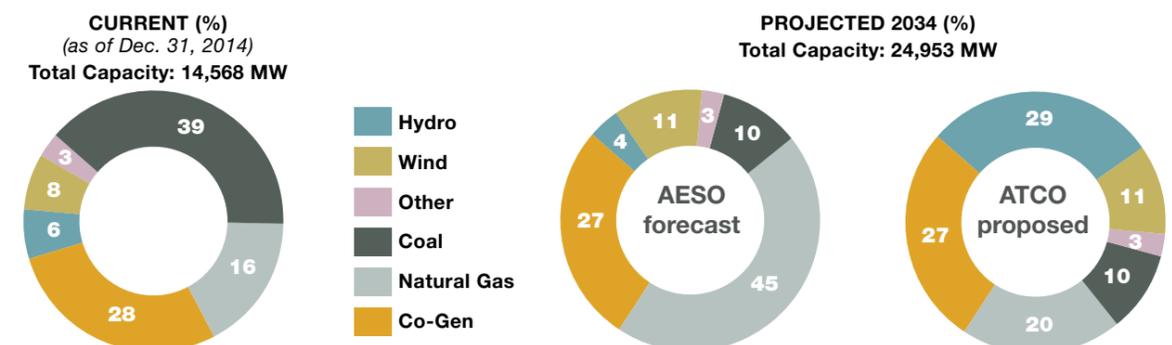
For future generations, it truly is a story worthy of telling but it will take the cooperation and collaboration of all involved parties to achieve it. It is a once-in-a-generation opportunity and we should not miss it.

financial mercy of a North American commodity market.

Hydro can also be an important water management tool, allowing better control during periods of high flow to prevent farmland flooding and to protect communities, such as Peace River and Fort McMurray.

To succeed, we must create regulatory certainty and efficiency and a viable commercial framework

CURRENT AND PROJECTED ALBERTA ELECTRICAL ENERGY GENERATION



Utilities

- ATCO Electric
- ATCO Gas
- ATCO Pipelines

These companies are focused on the safe, reliable and efficient transportation and distribution of natural gas and electricity.

The 500 kilovolt direct current Eastern Alberta Transmission Line running between Brooks and the Gibbons-Redwater area northeast of Edmonton, Alberta.

ATCO Electric builds, owns and operates electrical transmission and distribution facilities in east-central and northern Alberta. It delivers safe, reliable electricity to more than 224,000 farm, business and residential customers in 245 communities. By supplying power to large industrial and oilfield customers, ATCO Electric supports the development of Alberta's energy-rich industrial sector.

ATCO Electric's electrical system in Alberta includes approximately 11,000 km of transmission lines and 69,000 km of distribution lines. The company also maintains approximately 4,000 km of distribution lines on behalf of farmer-owned Rural Electrification Associations.

ATCO Electric's Transmission Division is accountable for planning, development, operations and maintenance of transmission infrastructure that transports electricity from generating stations to substations. The Distribution Division is accountable for planning, development, operations and maintenance of distribution facilities that deliver power from substations directly to customers' homes and businesses.

ATCO ELECTRIC TRANSMISSION DIVISION

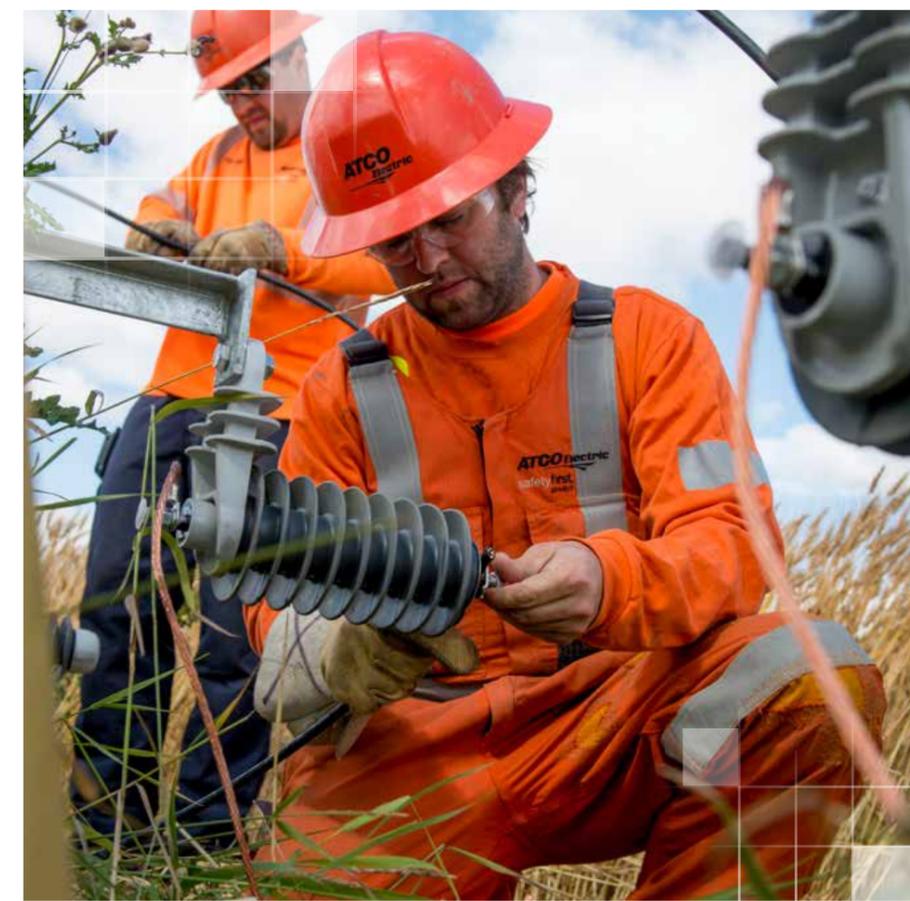
The Transmission Division's mandate is to build transmission facilities on-time and on-budget, mitigate social and environmental impacts and consult with First Nations, landowners and other Albertans to minimize impacts associated with the construction and maintenance of its projects.

In 2014, the Transmission Division invested \$1.2 billion in new transmission facilities and upgrades to existing infrastructure.

Many projects completed in 2014 were components of the Central East Transmission Development, an upgrade of the transmission system to meet the increased need for electricity in east-central Alberta.

Best Practices and Innovation

Continually striving to provide the best value to its customers, the Transmission Division established an Asset Management Office and



Dallas Fjeld, Equipment Operator (back) and Brad Gerbrandt, Powerline Technician - Line (front), replace a gang switch near Grande Prairie. ATCO's electrical system serves more than 224,000 customers in northern and east-central Alberta.

**CENTRAL EAST
TRANSMISSION DEVELOPMENT
Major Project Components Completed in 2014***

| Component | Description Of Work |
|---|--|
| Bonnyville to Bourque Transmission Project - Phase 1 | 54 km of new 144 kV transmission line built to 240 kV standards to allow for future 240 kV capacity, from the existing Bonnyville substation to the new Bourque substation |
| Kitscoty Transmission Project | Upgrades to the existing Kitscoty substation and 10 km of new 144 kV transmission line to connect it to the existing transmission grid |
| Whitby Lake Substation | New 144 kV circuit breaker and telecommunications tower |
| Beartrap Substation | New 144 kV line and substation |
| Irish Creek Substation | Capacity upgrade |
| Cold Lake Development | 44 km of new 144 kV line, one new substation and upgrades to four existing substations |

*This table shows the major project components completed for the Central East Transmission Development in 2014. Additional projects of a smaller scope are not represented.

began implementation of an asset management system to become ISO 55001 compliant. The system ensures adherence to best practices in the management of ATCO Electric Transmission's \$6.1 billion in assets, as well as ensuring the company provides the best value to customers throughout each asset's life cycle.

The Transmission Division also implemented a Project Innovate team which developed a new, modular 144-25 kV substation design called the Next Generation substation. This innovative new design has resulted in a 40 per cent reduction in labour required for the engineering, construction and commissioning of these substations and a 46 per cent reduction in construction costs over the previous standard 144-25 kV substation designs.

Safety

Health and safety is one of the Transmission Division's core values, and continuous improvement in this area is an ongoing goal. In 2014, Health and Safety Advisors

were placed in the field to provide ongoing support to Project Management teams, giving the company the ability to review leading and lagging indicator trends and put corrective measures in place to quickly eliminate or mitigate hazards. In addition, two Safety Improvement Steering Committees were established to develop a comprehensive action plan to address the top opportunities for improvement identified by an extensive health and safety perception survey conducted among employees.

**ATCO ELECTRIC
DISTRIBUTION DIVISION**

Growth

Reinforcing system reliability and meeting customer demand continued to be key priorities in 2014. Approximately \$369 million was invested to add to and improve ATCO Electric's distribution system, particularly in areas of the province experiencing significant growth

driven by oilfield and industrial activity.

September marked the opening of a new, more efficient service centre in Valleyview, Alberta. By bringing employees from two buildings into one, the company has improved the flow of communications between work groups and streamlined operations to better serve customers in this busy region.

Also in the fall, members of the Stry and Warwick Rural Electrification Associations (REAs) voted in favour of selling their electrical distribution assets to ATCO Electric. Pending the approval of each sale, ATCO Electric looks forward to welcoming just over 600 new customers in 2015. In both REAs, ATCO Electric has been the contracted service provider for many decades.

Customer Service Improvements

With continued high volumes of industrial activity in Alberta, the company enhanced its customer engagement and communication to better meet the needs of this fast growing sector.

ATCO Electric Distribution Division created cross-functional customer delivery teams for major customers undertaking large projects. The teams include specialists from various professional disciplines that represent the full end-to-end process for building new services. This new approach helps keep projects on track and identify opportunities to apply flexible solutions to meet specific needs. Customers have responded enthusiastically by participating in meetings and have expressed appreciation in having direct access to specific expertise as the project progresses. The result is faster, more effective project completion with early identification

and resolution of issues and challenges.

The company also introduced a new, online customer self-serve portal, ATCO Electric Connects. This web service provides industrial and oilfield customers with access to "smart" service request forms that they can submit and track online in a secure environment. The site also provides access to project updates, maps and information on rates and regulatory changes that impact customers.

In response to customer feedback about the complexities of the

electricity industry, residential, farm and commercial customers were introduced to an online electricity awareness campaign. The goal of the campaign is to help customers understand how different electricity services, including those provided by ATCO Electric, contribute to their electricity bills. The new campaign includes an engaging video and informative resources made available online at www.atcoelectric.com.

Safety

ATCO Electric Distribution Division continued its commitment to

public safety by developing a new and improved power line safety training program for emergency first responders. ATCO Electric Powerline Technicians and safety professionals provide the half-day training at no charge to fire, ambulance and police personnel in ATCO Electric service communities. This training provides responders with the knowledge and resources to safely handle emergencies involving power lines.

The risks associated with "routine" and complacency were the targets of a new "Where's the Line" safety

ATCO Electric recognized for environmentally-innovative project in Jasper

ATCO Electric received national profile for an environmentally-innovative power line construction project in Jasper National Park. The project was featured as an environmental performance case study in the Canadian Electricity Association's 2014 annual report, "Engaged for a Sustainable Future".

The project involved upgrading a section of power line serving some of Jasper's most popular tourist

attractions including Marmot Basin Ski Resort and the Jasper Tramway. The line was built on rocky terrain along a narrow, heavily treed right-of-way that crosses three mountain rivers. Some sections of the line couldn't be accessed by traditional means, so ATCO Electric engineers and construction crews developed several innovative solutions that allowed work to be completed while protecting the environment and increasing service reliability.

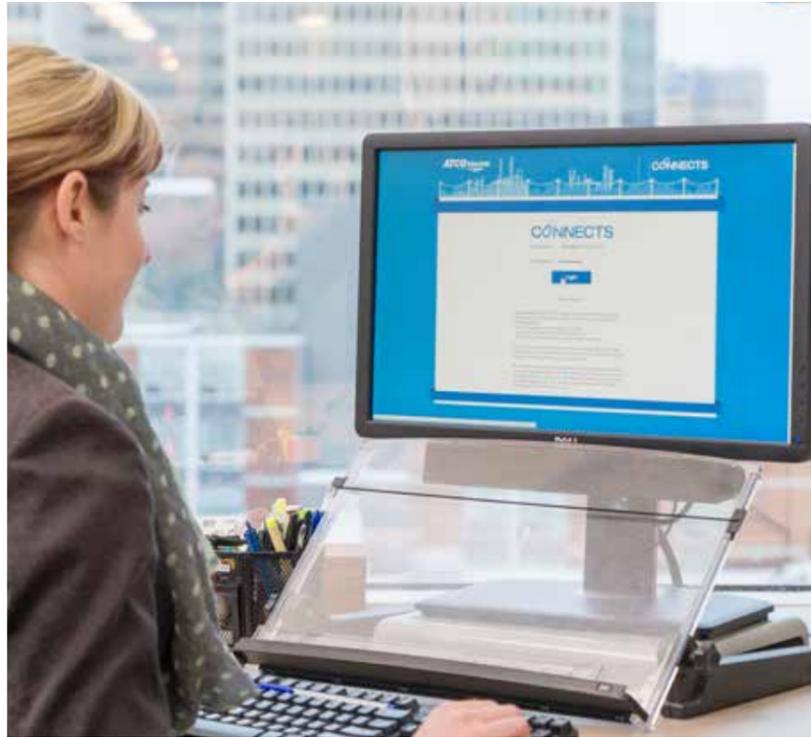
The company used a helicopter and small rubber-tracked vehicles to reduce ground disturbance in this environmentally-sensitive area and protected the line from heavy snowfall and falling trees by using spacer cable along a six km section. The insulated power cable is constructed with a heavy-gauge, non-energized messenger wire for protection which reduces the risk of power outages and the need for emergency maintenance.



During the project, boatswain chairs were brought in allowing ATCO Electric crews to perform aerial work in areas not accessible by bucket truck.

campaign co-sponsored by ATCO Electric and other members of Alberta's Joint Utility Safety Team (JUST). Launched in the fall, the television ads remind heavy equipment operators of the serious dangers of being complacent when conducting hazard assessments on the job site. Through JUST, Alberta's electric utilities, including ATCO Electric, co-sponsor power line safety messaging that benefits all Albertans.

Risk of contact with a power line during the busy seeding and harvest seasons continues to be an important topic in the farming communities ATCO Electric serves. Through radio, print and online advertisements, the company reached out to farm customers, urging them to call ahead and work with ATCO Electric when moving tall equipment near power lines.



ATCO Electric Connects, a new online customer self-serve portal, was launched this year to provide industrial and oilfield customers with project statuses, maps and information about rates and regulations.

Canadian Utilities partnership wins \$1.4 billion competitive transmission project

In December 2014, following a worldwide competitive process, Alberta PowerLine was awarded a \$1.4 billion contract to build, own and operate the Fort McMurray West 500 kV Transmission Project. This is the first transmission project in Alberta awarded by the Alberta Electric System Operator (AESO) using the AESO's Competitive Process. This win demonstrates that Canadian Utilities provides the lowest cost infrastructure for its customers

Alberta PowerLine is 80 per cent owned by Canadian Utilities and 20 per cent owned by Quanta Services. Valard Construction, a Canadian subsidiary of Quanta, will

be responsible for designing and constructing the project and ATCO Electric Transmission Division will be responsible for route planning and the operation and maintenance of the facilities for 35 years.

The project, comprising approximately 500 km of 500 kV transmission line and associated facilities from Wabamun (west of Edmonton) to Fort McMurray, has been deemed Critical Transmission Infrastructure by the Government of Alberta, needed to reinforce the reliability, capacity and efficiency of the electric grid and address increasing growth in northeast Alberta.



ATCO Electric's exceptional response to weather-related emergencies

ATCO Electric responded to two widespread weather-related outages in 2014. In spite of weather and electrical system challenges, the company continued to provide safe and reliable service to customers.

In January 2014, a record-breaking windstorm ripped through Alberta. At times, wind speeds exceeded 120 km/h, toppling ATCO Electric transmission towers and distribution poles and creating dangerous public safety hazards. In total, 500 separate outages covered ATCO Electric's service area, leaving 14,000 customers without power.

ATCO Electric's Transmission and Distribution Divisions acted swiftly. More than 65 crews responded immediately, restoring power to approximately 12,000 customers within 36 hours. Power to remaining customers in heavily damaged

isolated areas was restored in the days that followed. All the work was done with no major safety incidents.

ATCO Electric enacted its crisis management plan, establishing incident command centres in eight major hubs across the affected service territory in northern and east-central Alberta.

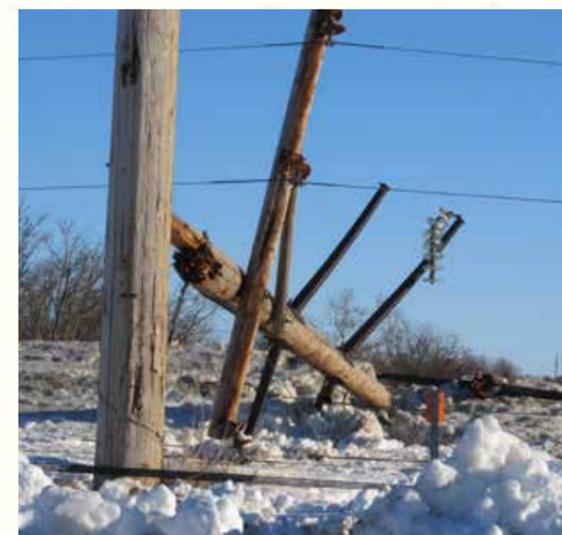
Throughout the incident, communication to customers and communities was unprecedented. The company shared regular updates via the ATCO Electric website and Twitter account. Words of thanks poured in from customers and government officials alike.

Alberta was also hit with a frost storm in December 2014. Heavy frost triggered a series of outages across the southeast part of the province. The frost caused downed

and sagging lines and broken wires, resulting in more than 29,000 customer service interruptions from more than 1,080 separate outages over 12 days.

On the first day of the storm, ATCO Electric opened incident command centres in Drumheller and Lloydminster to manage the areas most affected. At the peak of the storm, more than 63 crews worked to restore power. Despite a high volume of work and difficult conditions, all restoration was done without major safety incidents.

Again, customers were kept up-to-date through the company website and Twitter account. Many customers thanked crews for restoring power as quickly as possible in such challenging weather.



In January, severe windstorms resulted in extensive damage to transmission towers and distribution poles throughout northern Alberta, leaving more than 14,000 ATCO Electric customers without power.



Dangerous public hazards like the toppled transmission structure shown here characterized the damage caused by the windstorm. ATCO Electric crews responded immediately, restoring power to more than 85 per cent of its customers within the first 36 hours.

Eastern Alberta Transmission Line

The \$1.8 billion Eastern Alberta Transmission Line (EATL) is the largest project in Canadian Utilities' history, the largest transmission project ATCO Electric has ever constructed, and one of the first high voltage direct current (HVDC) lines in Alberta. It consists of 485 km of 500 kV line between the Gibbons-Redwater area north of Edmonton and an area south of Brooks, with each end anchored by a converter station that will change direct current (DC) into alternating current (AC).

Line construction was completed in early 2015; once energized, EATL will strengthen and reinforce Alberta's electrical grid to meet increased demand and ensure all Albertans have access to the most reliable and cost-effective electricity available.

Nearly 100 ATCO Electric employees were dedicated to the construction of the project, and there were more than

800 contracted construction workers during peak construction.

To mitigate environmental impacts, much of the tower assembly and foundation work took place during the winter months, helping reduce disturbance of wildlife and the spread of soil-borne diseases. Clean-up and reclamation on the right-of-way began in September 2014. A significant amount of the clean-up, de-compaction of the soil and site grading was completed prior to ground freeze-up. Full reclamation activities will resume in the second quarter of 2015 and will be completed by November 2015.

EATL's advanced telecommunications network consists of 485 km of optical ground wire plus four optical repeater stations and a 500 km microwave network with 14 radio systems, 14 microwave towers, plus control buildings, buried fiber

and six communications rooms. The advanced telecommunications system monitors the line to make sure it is functioning properly. In the event of a malfunction, damage to the line or security breach, the system safeguards the line and works to keep it operational.



The Eastern Alberta Transmission Line stretches along the east side of Alberta and comprises 485 km of 500 kilovolt, direct current line and associated converter stations and facilities. The project will reinforce the reliability, increase the capacity and improve the efficiency of Alberta's electricity grid.



1 These spools at the laydown yard near Duchess represent a small fraction of the approximately 5,200 km of conductor wire used to string EATL.

2 Much of EATL was built on private land, part of the reason why ATCO Electric held more than 8,300 consultations with Albertans. Here workers put the finishing touches on a section of the line near Lamont, Alberta.

3 Minimizing environmental impacts of ATCO Electric's operations remains at the core of how each project is approached. Here, Environmental Coordinator Joel VanderMey, drives stakes into the ground to prevent workers from straying off protective mats used during construction.

EATL by the numbers

14

Open Houses

8,300

consultations with landowners and interested parties

6,153

crossing permits, environmental review permits, licences and acquisition agreements

70,000

mats

19,528

cubic metres of concrete

4.4

million bolts

28,400

tons of tower steel

1,387

towers

5,200

km of conductor wire

16

upgraded telecommunications towers

2

new telecommunications towers

Canadian Utilities in the North

Canadian Utilities (CU) is one of Northern Canada's largest and most diverse corporations. With investments and partnerships across all three northern territories, CU provides a wide range of industrial and commercial services, the majority of which are focused on energy.



Fish Lake Hydro One is the Yukon's first hydro power facility, dating back 64 years. In 2014, ATCO Electric Yukon completed the redevelopment of the station.

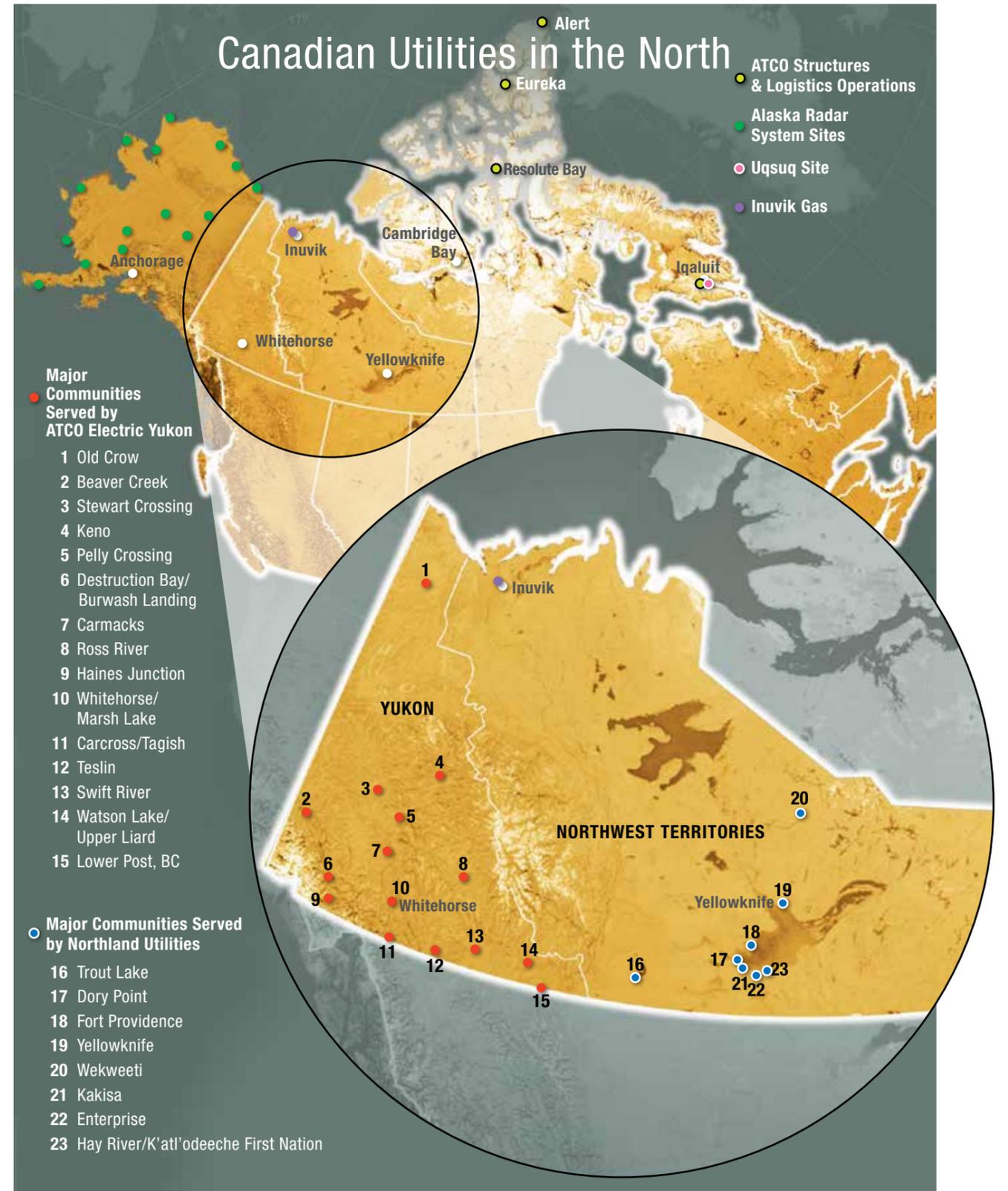
ATCO ELECTRIC YUKON

After 113 years of providing safe, reliable electrical service and playing a key role in supporting the development of the territory, in 2014 Yukon Electrical Company Limited entered a new chapter in its long history as ATCO Electric Yukon. The company began operations in 1901 when it began generating electricity for the residents of Whitehorse using a wood-fired, horizontal piston steam engine. Today, the company serves more than 17,000 customers in 19 communities from south of the Yukon border, to north of the Arctic Circle. The main office and service centre are both located in Whitehorse.

The new name also provided an opportunity for the company and its employees to connect with customers through community events and communication celebrating the name change.

Another highlight of the year was the completion of the redevelopment of Fish Lake Hydro One. The station has provided electrical power to the Yukon for 64 years and was the first hydro power facility in the territory.

During the redevelopment process, it was discovered that some of the oldest equipment onsite was original to the Engineer Mine, dating back to the 1890s. In order to preserve the historical value of the equipment, ATCO Electric Yukon entered into a partnership with the MacBride Museum to create a permanent hydro exhibit featuring the original pelton wheel and generator. The exhibit was opened in conjunction with the unveiling of the company's new name to reinforce its long history and renewed commitment to the territory.



ATCO Electric Yukon also received a decision on its 2013–2015 General Rate Application submission that included the approval of a two-year Demand Side Management Conservation program.

NORThLAND UTILITIES

Northland Utilities is jointly owned by ATCO Electric and Denendeh Investments Incorporated (DII), whose members represent 27 Dene First Nations communities in the Northwest Territories (NWT). Northland Utilities provides electricity services to more than 11,000 customers in nine communities in the NWT through its two divisions located in Yellowknife and Hay River.

The ATCO and Denendeh partnership in Northland Utilities has been in place for 30 years. This highly successful business model has continued to evolve to the benefit of both organizations and their customers. A successful northern company, with roots going back more than 60 years, Northland Utilities also supports initiatives that contribute to sustainable economic and social development. ATCO and DII work together to encourage local skill development through programs such as Northland Utilities Job Shadowing and its Aboriginal Placement Program.

In 2014, Northland Utilities (Yellowknife) completed an extensive renovation of its existing service centre. Originally constructed in 1984, the service centre was designed to accommodate eight to 10 workers. The renovations focused on accommodating the growth in the number of employees—23 staff work in the new building—and it features two new vehicle bays.

ATCO STRUCTURES & LOGISTICS

In 2014, ATCO Structures & Logistics continued its commitment to the North and the communities located there.

In September, ARCTEC Alaska, a joint-venture partnership between ATCO Structures & Logistics and ASRC Federal Primus, was awarded a contract to provide operations and maintenance services to the 15 strategic radar sites that form the Alaska Radar System (ARS). The 10-year contract, awarded by the United States Department of the Air Force, is valued at more than USD\$340 million.

The contract continues the 19-year partnership that has seen ARCTEC responsible for maintaining the geographically isolated radar sites (accessible only by air or seasonal barge), three remote radio sites, and providing operations and maintenance of facilities at the primary base for the ARS - Joint Base Elmendorf-Richardson.

Resolute Bay is the second most northern community in the world. ATCO Structures & Logistics supports the needs of this remote community by operating two hotels, a water treatment plant, the Resolute Bay Incoherent Scatter Radar and a bulk fuel storage facility.

ATCO Structures & Logistics and the Northern Aboriginal Services Company established a joint venture in 1998 to operate and maintain facilities, towers and power generating systems at 150 Northwestel microwave sites in the Northwest Territories, northern British Columbia and the Yukon.



Northland Utilities Board of Directors, including Denendeh CEO Darrell Beaulieu (left), ATCO/Canadian Utilities Chair, President & CEO, Nancy Southern (centre), and Manager, Northland Utilities, Duane Morgan (right), at a town hall with employees.

Since 1996, ATCO Structures & Logistics and joint-venture partner Nunavut Petroleum Corporation (representing the Nunasi Corporation and Qikiqtaaluk Corporation) have operated the bulk fuel storage facility and pipeline distribution system in Iqaluit, Nunavut. Uqsuq's workforce is 100 per cent local and 85 per cent Inuit.

The Eureka Weather Station is located approximately 1,000 km from the North Pole and is the northern-most civilian outpost in Canada. ATCO Structures & Logistics supports the station for the Government of Canada by providing year-round life system support for buildings and facilities, including electricity, heat and water and building maintenance, and operation and maintenance of equipment, airstrips and roads.

INUUVIK GAS

Inuvik Gas, a partnership between the Inuvialuit Petroleum Corporation, ATCO Energy Solutions and AltaGas, was formed to deliver energy to residential, commercial, institutional and municipal customers in the Town of Inuvik.

In 2014, Inuvik Gas and the Town of Inuvik signed a new 10-year franchise agreement that ensures the more than 900 customers in the community will continue to have access to a safe, reliable gas distribution system for their energy needs.

ATCO Gas has been heating homes and warming communities across Alberta for more than a century. Today, ATCO Gas provides safe, reliable and cost-effective natural gas delivery to more than 1.1 million customers in nearly 300 Alberta communities.

As Alberta's largest natural gas distribution company, ATCO Gas builds, operates and maintains more than 40,000 km of natural gas distribution pipelines. ATCO Gas provides 24-hour response to natural gas emergencies in its service territory, responds to customer service requests and works to maintain the reliability of its pipeline system. Through the ATCO Blue Flame Kitchen and ATCO Energy Sense, ATCO Gas also provides safety and energy efficiency programs and services.

OPERATIONS AND CUSTOMER GROWTH

ATCO Gas experienced another year of strong customer growth, adding more than 25,000 customers.

The company negotiated a new franchise agreement template with the Alberta Urban Municipalities Association. This new template agreement, which is expected to receive Alberta Utilities Commission approval early in 2015, will enable ATCO Gas to renew distribution service rights in communities as their franchise terms expire.

With the launch of its Combined Heat and Power (CHP) program in 2014, ATCO Gas secured contracts to install CHP technology at the Collicutt Centre recreation facility in Red Deer and the Sierras of Tuscany adult condo complex in Calgary. Aimed at increasing energy efficiency, and reducing energy costs and greenhouse gas emissions in municipal and commercial facilities across Alberta, CHP is a technology that uses natural gas as a primary fuel source to generate both heat and electricity simultaneously. ATCO Gas plans to install several more CHP units in facilities across the province within the next two years. The CHP program is partially funded by the Climate Change and Emissions Management Corporation.



As part of a large distribution system upgrade, ATCO Gas employee Brad Trautman, Distribution Operator – Field, Camrose, works on a “farm tap unit” near Camrose, Alberta.

INVESTING IN CAPITAL INFRASTRUCTURE

ATCO Gas continued to deliver strong capital growth, investing nearly \$300 million in capital projects, adding more than 500 km of pipeline to its network and installing more than 23,000 service lines.

As part of its capital expenditure, the company invested more than \$60 million in replacing nearly 350 km of plastic and more than 20 km of steel natural gas pipelines with polyethylene pipe, to help ensure the safety and reliability of its pipeline network.

ATCO Gas is also working with ATCO Pipelines on its Urban Pipeline Replacement (UPR) Project. With this project, ATCO Pipelines is relocating high-pressure natural gas pipelines located in densely populated areas of Calgary and Edmonton into the Transportation Utility Corridors (TUCs) surrounding both cities, helping ensure public safety and providing capacity for future growth. For its part of the UPR program, ATCO Gas will construct regulating (gate) stations within the TUCs and new lower pressure distribution pipelines to meet customer needs. In

addition, some existing high-pressure pipelines will be transferred to the ATCO Gas distribution system to be operated at lower pressures. This program is expected to be completed in 2018.

DEDICATED TO PUBLIC SAFETY

Safety is a core component of ATCO Gas's business. The company provides natural gas safety education and resources to homeowners, renovators, contractors and builders, as well as for school safety programs. ATCO Gas also works with and provides safety training to local fire departments and first responders for emergency situations involving natural gas.

In 2014, the company implemented a number of safety initiatives across the province. ATCO Gas continued its commitment to public safety through its Damage Prevention Program. Aimed at achieving progressive, year-over-year reductions in the frequency of damages to its buried infrastructure, this program promotes safe digging practices around natural gas pipelines. Last year, the company provided more than 300,000 gas line locates to support safe digging practices across the province.

In partnership with the Alberta Common Ground Alliance, the company hosted learning breakfasts for excavators in Edmonton, Calgary and Lethbridge in support of Safe Digging Month.

ATCO Gas launched Alberta's first-ever Carbon Monoxide Awareness Week in 2014, raising awareness about the dangers of carbon monoxide and how Albertans can prevent and detect it. This program was developed in partnership with the Office of the Fire Commissioner and local fire departments.

ATCO Energy Theatre introduced a new production in the fall, educating students on natural gas and electricity safety. In 2014, the theatre troupe performed in front of more than 14,500 students in 66 communities. Since its inception in 2007, it has educated more than 112,000 Alberta students.

A highlight of the year for ATCO Gas employees was being recognized as Heroes of the Flood by the Government of Alberta for outstanding service to Albertans during the June 2013 southern Alberta flood.

COMMITTED TO OUR CUSTOMERS

ATCO Gas customers continue to enjoy the lowest natural gas delivery rates in Canada. In 2014, ATCO Gas responded to nearly 135,000 customer-initiated service calls and to nearly 3,000 natural gas emergency calls.

The company introduced several new customer service improvements in the year, including a more streamlined approach for service line alteration estimates. The easier and more efficient new rate structure ensures greater equity in service rates for customers across the province.

ATCO Gas also enhanced its Emergency Parts Replacement Program. This program ensures consistency and efficiency when managing the parts needed to fix appliances during emergency service calls. This cost-recovery service is highly valued by customers and is unique among natural gas distribution companies in Canada.

ATCO ENERGYSENSE

ATCO EnergySense, established by ATCO Electric and ATCO Gas in 2001, provides Albertans with energy management services, including energy assessments for commercial customers and energy efficiency advice for residential customers.

The ATCO Energy Education Mobile, an interactive classroom on wheels, continued educating students and the public about Alberta's energy resources and using energy wisely. In its first five years, the ATCO Energy Education Mobile has visited more than 170 communities and engaged more than 65,000 participants.

IdeaWorks 2.0 – ideas that work

ATCO Gas launched IdeaWorks 2.0 in 2014, a program that encourages ATCO Gas employees to share ideas that lead to positive change in the areas of safety, reliability, productivity, efficiency or innovation.

IdeaWorks 2.0 is led by the company's Continual Improvement Team, consisting of employees from across the company. In addition to promoting the program, the team collects and evaluates improvement ideas and recognizes individuals and teams when ideas are successfully implemented.

In 2014, ATCO Gas employees submitted more than 330 ideas – 23 of which have already been implemented.

One idea that is making an impact at ATCO Gas is a tubing tool that was designed to enable employees to safely and efficiently connect an existing steel gas line with a

new portion of polyethylene gas line while the gas is still flowing. The tool completely halts the gas flow, so no gas is released into the atmosphere, providing employees with a safe way to perform the connection.

The tubing tool (shown below) has been tested to meet ATCO Gas and all applicable code requirements. Employees and contractors throughout Alberta are currently being trained to use it.



Through the IdeaWorks 2.0 program, ATCO Gas employee Paul Kendall, left, submitted an idea for a new tubing tool that is now being rolled out to employees and contractors throughout Alberta. The tool provides a safe way to connect two gas lines while gas is still flowing.



The Collicutt Centre, a 260,125 sq. ft. recreation facility in Red Deer, Alberta, was one of the first customers to sign up for ATCO Gas's Combined Heat and Power program. The program incorporates technology that increases energy efficiency and reduces energy costs and greenhouse gas emissions.

ATCO Blue Flame Kitchen expands its reach

ATCO Blue Flame Kitchen (BFK), a service offered by ATCO Gas, has provided Albertans with natural gas safety information, energy efficiency tips and household advice related to food, cooking, recipes, stain removal and other household problems for 85 years. The service has been expanded to include cooking classes and educational programs for participants of all ages.

In 2014, ATCO Blue Flame Kitchen focused on expanding connections with customers, both in person through classes led by professional chefs and home economists, and online through the web, social media and smartphone and tablet apps.

Community engagement remains an essential initiative at ATCO Blue Flame Kitchen. This year, the BFK team heightened community outreach through numerous speaking engagements to a wide range of audiences across Alberta including various community groups, military families and post-secondary students.

The Calgary Learning Centre facility had another year of strong attendance for cooking classes and corporate events, and the partnership with Alberta Health Services South Health Campus in Calgary has also assisted with an increased customer reach. The team of community educators in the Edmonton location has likewise been hosting popular lunch classes for ATCO employees and customers in addition to their regular selection of evening classes. In total, more than 8,000 people have attended BFK classes in Calgary and Edmonton in 2014.

The ATCO BFK app was launched in January 2014 to a positive reception

making it possible for consumers to look up recipes, create shopping lists, watch YouTube tutorial videos and chat live with the team of community educators from the comfort of their smartphone or tablet screen.

The ATCO Blue Flame Kitchen website saw continued updates and user experience improvements including expanded how-to guides, a large menu planning section and a

new blog. The resulting rise in traffic is a strong indication that these efforts are paying off.

This year saw the addition of Facebook to the social media platforms embraced by the ATCO Blue Flame Kitchen. The BFK page started collecting 'likes' almost as soon as it went live, and there has been an enthusiastic response to both Facebook posts and ads.

From Farm-to-Table

At ATCO Blue Flame Kitchen camps, kids expect to get their hands dirty. But at one special camp this year, they also got their boots muddy.

As a founding partner of Ag for Life, a non-profit organization dedicated to building a greater understanding and appreciation of agriculture and its fundamental connection to life, ATCO worked with the organization to offer a unique one-day Farm-to-Table experience for BFK campers.

The August 22 camp took kids to Poplar Bluff Organics and Carrots

by Cam, real working farms near Strathmore, Alberta, where they spent the morning digging up organic potatoes and carrots.

In the afternoon, they came back to the Calgary Learning Centre facility to learn how to turn those freshly picked veggies into potato gnocchi and carrot cupcakes. It was an educational experience for the kids, especially those who had little exposure to farming or vegetable gardening.



Kids ages 9-11 harvest organic potatoes as part of ATCO Blue Flame Kitchen's Farm-to-Table summer camp.

CONNECT WITH US



ATCO Pipelines plays an integral role in delivering natural gas in the Alberta marketplace, serving producers throughout Alberta, as well as distribution companies and major industrial customers.

With peak delivery of 3.8 billion cubic feet per day, ATCO Pipelines owns and operates more than 8,500 km of pipeline, serving Alberta customers through approximately 4,000 receipt and delivery points.

In 2014, ATCO Pipelines received regulatory approval to proceed with two of its major projects: the Urban Pipeline Replacement Project and the Alberta System Integration. The year also saw the company complete the longest directional drill in the company's history, achieve 12 years without a lost-time incident, install a new aerial crossing near Banff and receive an environmental award for its innovative approach to a pipeline river crossing.

URBAN PIPELINE REPLACEMENT PROJECT

Over the past 50 years, urban development has overgrown the existing network of high-pressure pipelines that were originally built on the outskirts of Calgary and Edmonton. This created three areas of concern: public safety, construction standards and future demand.

As a result, ATCO Pipelines initiated the Urban Pipeline Replacement (UPR) Project to proactively relocate the transmission of high-pressure natural gas from pipelines currently running through densely populated areas of Edmonton and Calgary to new, modern pipelines located in the Transportation Utility Corridors (TUCs) that surround the two cities.

In January 2014, ATCO Pipelines received approval from the Alberta Utilities Commission (AUC) to proceed with its UPR Project.

With the approval in place, ATCO Pipelines has conducted additional public consultation activities for the first Calgary segments



ATCO Pipelines successfully completed a new aerial crossing along the Banff Transmission Pipeline, near Seebe, Alberta. Originally installed in 1951, the pipeline was suspended from a vehicle bridge no longer fit to safely support the pipeline river crossing.

and received AUC approval on its Northeast Calgary Connector facilities application in January 2015.

Public consultation activities for the first Edmonton segment, the Southwest Edmonton Connector, took place in early 2015.

Building new, modern pipelines in the TUCs will improve public safety by reducing the risk of an incident. The new pipeline system will be built to modern-day construction standards and will help to ensure that ATCO Pipelines can meet the demand for natural gas as both cities continue to grow.

ALBERTA SYSTEM INTEGRATION

ATCO Pipelines and Nova Gas Transmission Limited (NGTL) achieved a major regulatory milestone in 2014 as the companies continue to work towards completing the Alberta System Integration. In October, the National Energy Board (NEB) approved the asset swap between ATCO Pipelines and NGTL.

The initiative stretches back to 2008 and will see the integration of the two companies' respective operating systems, rates and customer service functions within Alberta.

This integration combines the physical assets of the companies under a single rate and services structure with a single commercial interface for customers. However, each company will continue to separately own and manage assets within distinct operating territories. It is expected that this model will end duplicative tolling and operational activities and will result in more efficient regulatory processes.

With approvals from both the NEB and AUC in place, all regulatory

pieces of the integration have been secured and the companies can move forward with the physical swap of assets. In 2015, both companies will begin the exchange of pipelines and facilities with all aspects of the swap expected to be completed by the end of 2016.

A NEW RECORD

Each year, ATCO Pipelines undertakes a number of construction projects in Alberta cities. This year, the company completed a project to supply natural gas to a new 800 megawatt (MW) combined-cycle, natural gas-fired power plant in southeast Calgary.

“In September, ATCO Pipelines marked 12 years without a lost-time incident.”

The project involved the installation of approximately 16 km of 508 mm (20”) pipeline and control facilities. Adding to the complexity of this project was that the pipeline would have to cross a major highway intersection at the edge of the city.

To do this, ATCO Pipelines used horizontal directional drilling that allows pipelines to be installed without disturbing the area directly above the pipe. For this project, the team completed a 1.7 km horizontal drill underneath the roadways, which is a record length for ATCO Pipelines and the City of Calgary. The project was also completed on-time and on-budget.

SAFETY

In September, ATCO Pipelines marked 12 years without a lost-time incident, a milestone achieved by continuously focusing on building

and maintaining safe work practices, both in the field and the office.

As of that date, employees worked the equivalent of 7.2 million person-hours without a reportable workplace injury serious enough to prevent someone from reporting to work on the next calendar day.

ATCO Pipelines' strong safety culture permeates throughout the organization. The company's safety program – Target Zero – strives to keep all employees injury, incident and collision-free on the job by reminding each individual of the importance of personal safety.

Comprehensive training programs are in place to ensure everyone at ATCO Pipelines, including contractors, has the knowledge and resources to work safely and achieve Target Zero. Only those who share these safety values are selected to work on ATCO Pipelines projects.

BANFF TRANSMISSION LINE

This year also saw ATCO Pipelines complete a new aerial crossing along the Banff Transmission Pipeline. Originally installed in 1951, the Banff Transmission Pipeline was suspended from the TransCanada Highway 1 vehicle bridge over the Bow River near the town of Seebe, Alberta. While the bridge was closed to vehicle traffic in 1977, it and the pipeline remained in place until this year when ATCO Pipelines determined that the bridge was no longer fit for supporting the pipeline river crossing.

ATCO Pipelines removed the existing pipeline, as well as the abandoned vehicle bridge and installed a new aerial pipeline crossing of the Bow River at the same location.

Innovative techniques safely restore pipeline infrastructure

The southern Alberta floods of 2013 had a significant impact on the natural gas and electricity infrastructure that Albertans rely on to deliver utility services. In Calgary's Weaselhead Flats Park, high flow rates in the Elbow River washed away riverbed, exposing one of ATCO Pipelines' high-pressure pipelines that serves natural gas to southwest Calgary. Restoring this infrastructure posed a unique challenge with the park falling in an environmentally-sensitive area.

In conjunction with a number of government agencies, ATCO Pipelines developed a comprehensive plan that would not only protect the 12” high-pressure natural gas pipeline, continuing its safe and reliable operation, but also minimize the disruption to the park and surrounding natural habitat.

Some of the innovative techniques employed to restore the riverbed and surrounding banks over the pipeline included:

- Transporting geo-technical drilling equipment in and out of park areas with helicopters to limit the impact on natural vegetation and disruption for regular park users
- Using existing pathways and specialized low-impact equipment to bring in 1000 m³ of rock
- Installing special environmental elements such as woody debris to protect and enhance fish habitat
- Using complete in-stream isolation to prevent sediment disturbance and ensuring this technique was effective by employing a full water quality monitoring program

- Using the rock structure as a work surface to avoid unnecessary disturbance on the bank
- Minimizing pruning or clearing for access and workspace
- Planting new trees and bushes to ensure long-term bank preservation

The Elbow River Crossing Project was successfully completed in the spring of 2014. As a result of careful planning and engagement, the project received the 2014 Alberta Roadbuilders & Heavy Construction Association's (ARHCA) Environment Award. The award recognizes the positive achievements of ARHCA member companies as they complete projects or initiatives that change operations in a way that respects or enhances the environment.



1 Innovative techniques employed during the restoration of the riverbed and surrounding banks, minimized environmental impacts and ensured the safe and reliable operation of the pipeline.

2 Following construction, the soil is seeded, biodegradable coconut-fibre erosion control blankets are installed, and native shrubs are planted to help accelerate the reclamation process.

■ Canadian Utilities Moves into the Mexico Market



Steven J. Landry
Senior Vice President & Chief Development Officer

MEXICO'S ENERGY MARKET REFORM

In August 2014, comprehensive reforms were passed into law in Mexico with the intention of transforming Mexico's energy sector (hydrocarbon and electricity) and paving the way for private-company investment for the first time since the sector was nationalized in 1938. The goal of the reforms is to increase competitiveness and economic growth, and have a positive impact on trade and investment in the country.

Mexico's energy sector is almost entirely state-owned. Petróleos Mexicanos (Pemex), the state-owned oil and gas company, owns all of Mexico's oil and gas reserves and is exclusively responsible for exploration, production and retail distribution. The Comisión Federal de Electricidad (CFE), the state-owned electricity company, owns and controls 85 per cent of power generation and 100 per cent of electricity transmission and distribution. As part of these industry reforms, each of these companies becomes a "State Productive Enterprise" which provides a motivation and encouragement to partner with private enterprise.

Key elements of the reforms that could potentially be of interest to Canadian Utilities (CU) include:

- The opening of power generation activities to the private sector, allowing private businesses to enter into bilateral contracts for the sale of electricity to industrial and commercial customers.
- Allowing joint ventures with private parties for the financing, installation, maintenance,

management, operation and expansion of natural gas and electricity transmission and distribution networks.

- Establishing a wholesale market for electricity and natural gas in Mexico.

Overall, greater private-sector participation is expected across the energy sector value chain.

CANADA-MEXICO RELATIONSHIP

Mexico is the world's tenth largest oil producer with some of the largest reserves in the Western Hemisphere. The country is Canada's largest export market in Latin America and fifth largest in the world after the U.S., U.K., China and Japan.

Canada and Mexico are strategic North American partners with strong economic, political, social and cultural ties. Since the creation of the North America Free Trade Agreement in 1994, bilateral merchandise trade between Canada and Mexico has increased six-fold. In 2013, Canada-Mexico two-way trade amounted to \$32 billion.

CU IS A GOOD FIT FOR MEXICO

The opening of Mexico's market to foreign investment in the country's energy sector will bring expertise in the fields of engineering and operating energy infrastructure assets.

CU's worldwide expertise and experience in its businesses of power generation, natural gas and electricity transmission and distribution, and gas processing and storage is a good fit for Mexico's infrastructure development plans. The capabilities of ATCO Structures & Logistics are

a logical complement to provide the accommodations and site services support required for large-scale projects. This provides a strong backdrop for CU to continue its global growth strategy with a focus on Mexico.

ATCO Mexico has opened a new office in Polanco, Mexico City to continue to pursue business in this busy country. ATCO Mexico's growth plan is modelled after Canada and Australia, which is to develop, build, own and operate new energy infrastructure assets through both greenfield projects and acquisitions.

EARLY SUCCESSES

In the fall of 2014, ATCO Mexico had early success with two business wins. In October, the company was awarded a contract by the CFE to design, build, own and operate a natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico.

Valued at approximately USD\$50 million, the project involves the design, construction, operation and maintenance of the pipeline that will transport natural gas approximately

16 km to fuel the existing Francisco Pérez Rios power plant, near Tula. The environmentally-friendly and cost-effective natural gas in this new pipeline will replace the 'crude oil' that currently fuels this power plant. Expected to be in-service in 2015, the company has hired Cocomex, a local engineering, procurement and construction firm, to carry out most of the construction of the project.

At a special event in Mexico in February 2015, CU representatives joined Mexico's Secretary of Energy, the Head of the CFE and the Governor of the state of Hidalgo to celebrate the official start of construction of the project.

The second business win also came in October 2014, when ATCO Mexico and partner Grupo Hermes S.A. de C.V. were selected by an affiliate of Pemex, PMX Cogeneracion S.A.P.I. de C.V., to begin the project development and approval process for a natural gas cogeneration plant at the Miguel Hidalgo refinery near Tula.

Cogeneration is a highly efficient, and environmentally attractive process that produces both electricity and heat. The Tula cogeneration plant is expected to have a generating capacity of 638 megawatts of electricity and produce 1,247 tonnes of steam per hour. Initial estimates value the capital cost of the proposed project at USD\$820 million of which CU will be responsible for approximately half of the required investment. Partnership approval is expected in 2015, with a commercial operation date in the second half of 2018.

LONG-TERM INVESTMENT

CU is making a long-term commitment to develop operations in Mexico and will continue to pursue new opportunities in 2015 and beyond. The company will also continue with its longstanding practice of developing long-term local partnerships to grow our business and invest in the local communities where we have the privilege to operate. Becoming part of the community fabric is a CU tradition.



Construction of the Ramal Tula Pipeline Project in Mexico was officially launched in February 2015. Above, the first section of pipe is lowered into the ground.

Energy

- ATCO Power
- ATCO Energy Solutions

These companies are engaged in power generation and sales and industrial water infrastructure, natural gas gathering, processing, storage and liquids extraction.



ATCO Power's Brighton Beach Combined-Cycle Generation Plant, uses waste heat from the gas turbines to generate steam, significantly increasing the efficiency of power production for the facility.

ATCO Power leverages its decades of experience and industry-leading expertise developing, building and operating independent power generation facilities to provide customers with cost-effective power solutions including commercial and industrial power sales and distributed power generation.

In 2014, ATCO Power had an ownership position in 14 power generation plants in Alberta, British Columbia, Saskatchewan, Ontario and the United Kingdom, with a combined capacity of 4,591 megawatts (MW) and total ownership interest in 2,541 MW. The company has expertise in developing, constructing and operating gas-fired, cogeneration, combined-cycle, hydro and coal-fired generating stations.

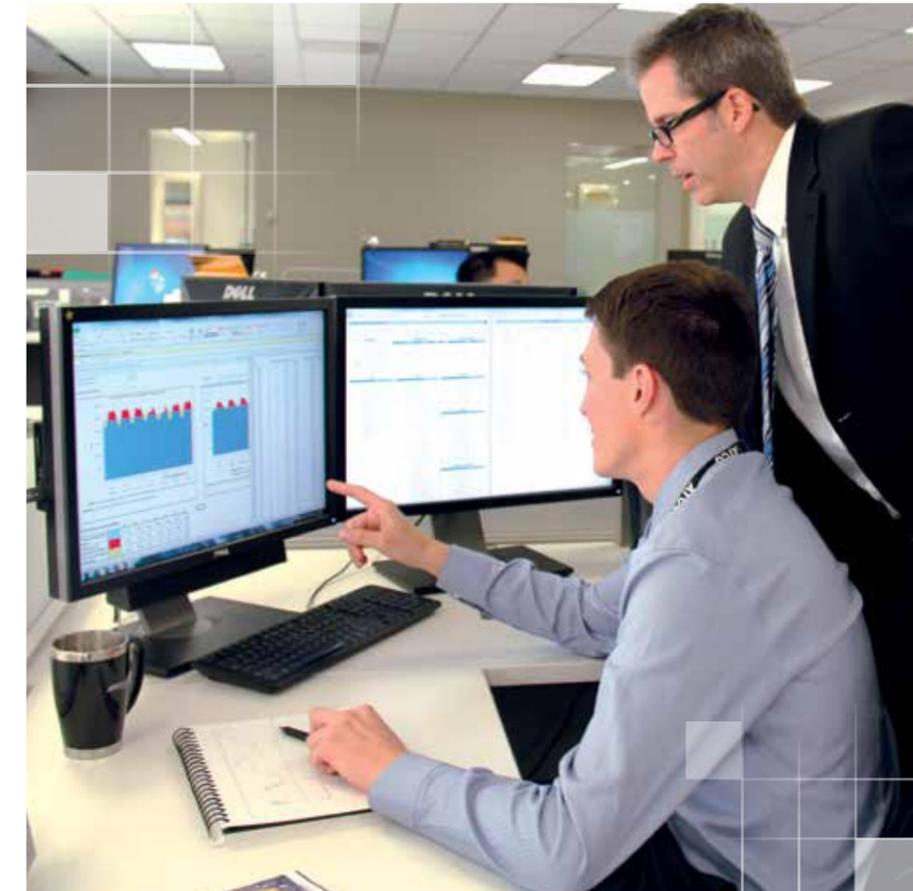
FINANCIAL PERFORMANCE

From 2011-2013, ATCO Power's financial performance was very good and indicative of the strong Alberta market with high plant availability and tight margins caused by a two-year outage of a large competitor generating station. In 2014, the Alberta market weakened considerably due to an increased supply of electricity, mild weather and high unit availability in the province.

ATCO Power extensively analyzes the market and is focused on operational excellence through the safe, reliable and economic operation of existing assets.

With the power demand in Alberta forecasted to increase by more than 50 per cent by 2022, alongside a retiring coal-fired power fleet, Alberta will need to build 6,471 MW of capacity over the next 10 years. ATCO Power intends to develop new, clean and efficient natural gas-fired power generation to meet Alberta's growing electricity demand.

The U.K. electricity market continued to be challenging in 2014, making it difficult for a mid-merit, high-availability gas-fired facility such as ATCO Power's Barking plant to economically compete. After the completion of a successful 15-year contract to supply power in the U.K., Barking provided periodic



In 2014, ATCO Power introduced a new power choice for Alberta businesses by offering competitively priced electricity for large commercial and industrial customers.

support to the market through the provision of ancillary services. The U.K. government's recent Energy Market Reform (EMR) was seen as a potential avenue for the station to continue its operations; however, as Barking was unable to economically secure term contracts under the EMR, the decision was made to shut down the facility and decommissioning of the station commenced in the latter part of 2014

GROWTH

Significant project development work continued on the proposed 400 MW Heartland Generating Station in Strathcona County near Edmonton, Alberta. Following the completion of environmental studies and public consultation, ATCO Power submitted applications for regulatory approval to the Alberta Utilities Commission (AUC) and Alberta Environment and Sustainable Resource Development (AESRD) to construct and operate the Heartland Generating Station. The AUC approval was received in 2014 and the AESRD approval is expected soon. Work remains ongoing with potential partners and power off-takers in order to remain fully engaged until the market signals optimal timing for the project to commence.

ATCO Power also explored several other growth and development opportunities over the year as part of the company's ongoing commitment to further expand its capabilities and provide the same level of trusted reliable service Canadian Utilities (CU) has become known for in Alberta. This included expanding into new geographies with the launch of ATCO Mexico. Last year the company publicly announced that, along with a Mexican partner, it was selected to begin 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.

The cogeneration plant is expected to have a generating capacity of 638 MW of electricity and produce approximately 1,247 tonnes of steam per hour. Initial estimates value the capital cost of the proposed project at USD\$820 million, of which CU will be responsible for approximately half of the required investment. A final investment decision will take place in 2015, with a commercial operation date in the second half of 2018.

“Cost-effective power solutions have won ATCO Power a number of contracts in its first seven months in the market.”

ATCO Power also entered a new market in Alberta in 2014, selling electricity directly to commercial and industrial (C&I) customers. These power solutions include several versatile product offerings that can be customized for the needs of each specific customer, helping customers optimize their electricity costs while providing a high level of customer service. ATCO Power has won a number of contracts in its first seven months and remains focused on providing innovative and cost-effective solutions for C&I customers.

In 2014, ATCO Power began another new generating initiative with the Distributed Generation business. Distributed Generation develops natural gas-fired, smaller scale generating projects that are designed to connect to the electricity grid or act as standalone generation, either temporarily or in longer-term partnerships with industrial facilities.

In December, Distributed Generation signed its first contract with Apache Canada Corporation to generate electricity at its House Mountain drilling site, which will be sold into the Alberta grid.

OPERATIONS

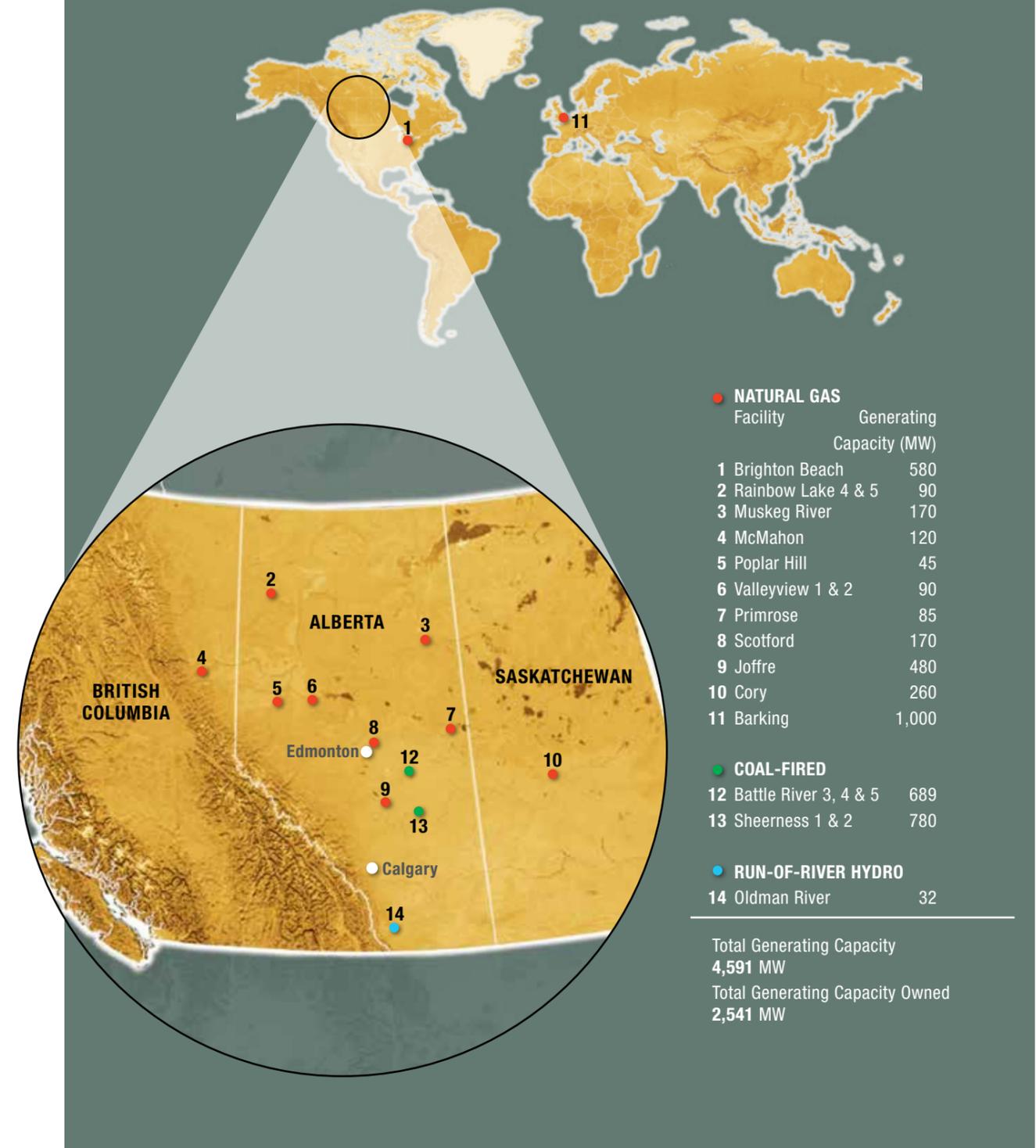
The company's generation fleet's excellent availability of 95 per cent provided safe and reliable power throughout the year. Over the past several years, maintenance windows at both coal-fired power stations (Sheerness and Battle River) provided the opportunity for ATCO Power to uprate the steam turbines and generators by an additional 20 MW per station, increasing capacity numbers to 780 MW at Sheerness and 689 MW at Battle River.

ATCO Power continues to work closely with industry, government and environmental organizations to help develop standards for the Alberta electricity sector. The company has implemented and optimized mercury emission controls through the injection of activated carbon into the flue gas to capture mercury at the Sheerness and Battle River coal-fired generating stations, achieving a capture rate of greater than 80 per cent and resulting in a 26 per cent decrease in mercury emissions as compared to the previous year.

SAFETY

Strong health and safety performance continued with several new programs implemented in 2014 including the New and/or Young Worker Mentorship Program across all ATCO Power sites, Standardized Safe Work Processes, Training Content Standardization, Hazard Identification, Assessment and Control Process Improvement and Safety Communication Standardization (Safety Alerts and Safety Meeting templates).

ATCO Power's 2014 Generation Facilities



ATCO Energy Solutions builds, owns and operates non-regulated energy and water-related infrastructure. The company focuses on offering industrial water infrastructure solutions; natural gas gathering, processing, storage and liquids extraction; transportation and services to the energy industry.



ATCO Energy Solutions recently doubled its land position in Alberta's Industrial Heartland, an area critical to Alberta's energy industry. With the additional 160 acres of land, the company has the potential to develop more than 40 salt caverns on Canadian Utilities-owned land in the area.

ATCO Energy Solutions owns or has interest in five natural gas gathering and processing facilities and four natural gas extraction facilities which, combined, have a total processing capacity of more than 1.7 billion cubic feet per day.

In 2014, the company repositioned itself as an energy infrastructure provider within Alberta's Industrial Heartland, Canada's largest hydrocarbon processing region with more than 40 companies involved in the chemical, petrochemical, and oil and gas sectors. Industrial water contracts were executed and a major storage partnership was announced as part of this new direction.

The ATCO Heartland Energy Centre, located approximately 12 km west of Bruderheim, Alberta, is an area of energy activity in Alberta's Industrial Heartland. ATCO Energy Solutions, alongside the operations of ATCO Pipelines and ATCO Power, will be furthering its position as an energy infrastructure provider in the region and moving to secure additional opportunities in the areas of industrial water and hydrocarbon storage.

HYDROCARBON STORAGE

In September, ATCO Energy Solutions, in partnership with Petrogas Energy Corp., announced the development of a hydrocarbon storage facility consisting of four salt caverns and associated above-ground hydrocarbon handling facilities in Alberta's Industrial Heartland region. The location and in-service date of this facility will help customers solve the logistical challenges that restrict moving natural gas liquids to market.

The caverns will contain propane, butane and ethylene and this storage facility will be connected to Petrogas Energy Corp.'s existing

Fort Saskatchewan hydrocarbon truck and rail terminal that currently receives and distributes multiple products in the marketplace.

Cavern drilling and long-lead procurement are currently underway for the facility that will be built and operated by ATCO Energy Solutions. Commercial operation for two caverns is targeted for the second quarter of 2016, with the additional two caverns anticipated to be completed by the second quarter of 2017.

To support long-term salt cavern developments, ATCO Energy Solutions acquired an additional 160 acres of land and 400 acres of salt mineral rights for further surface facility and cavern development, expanding the ATCO Heartland Energy Centre to include more than 600 acres of contiguous, Canadian

Utilities-owned land to provide services to existing customers and explore future opportunities and solutions within the Industrial Heartland region.

INDUSTRIAL WATER

In 2014, progress continued on two industrial water projects to provide essential water transportation services and value-added benefits to other customers in the region from a common multi-user water system.

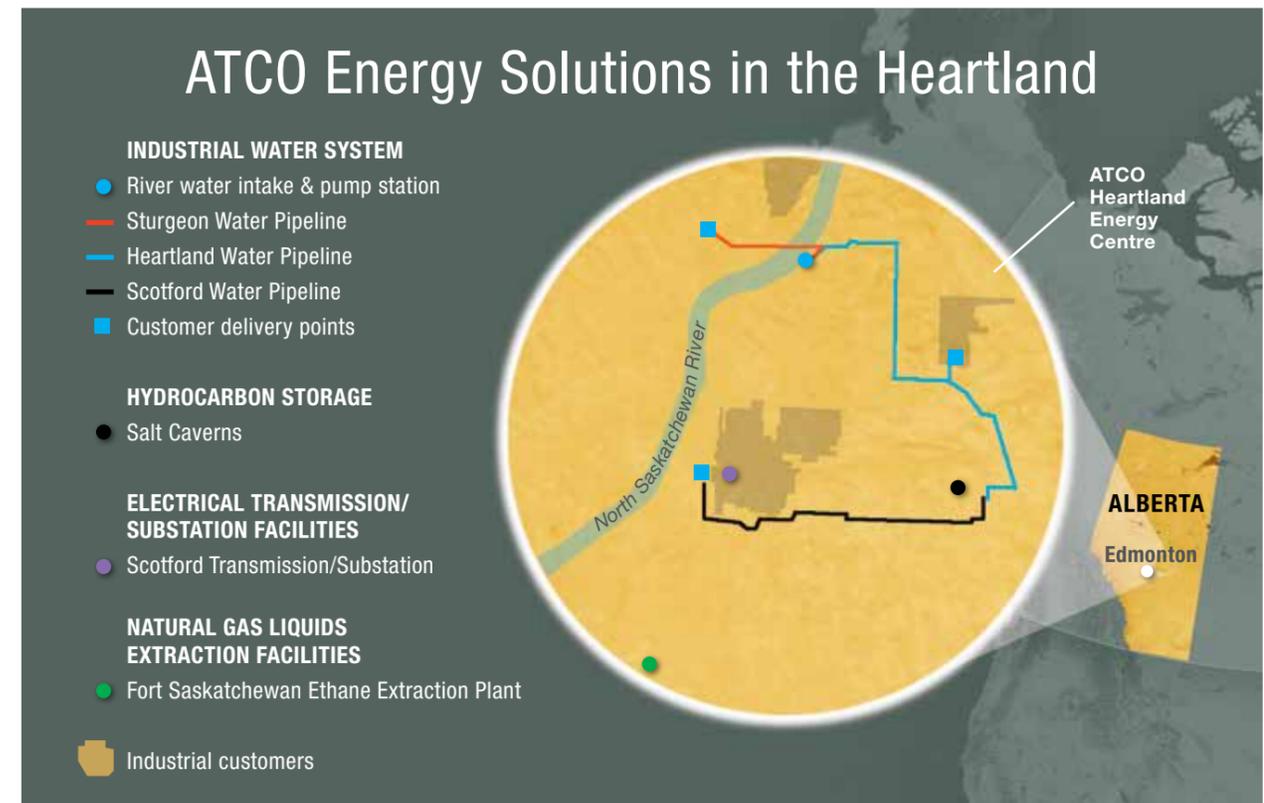
The Sturgeon Water Pipeline was constructed to increase capacity to service the North West Redwater Partnership's Sturgeon Refinery and provide increased water accessibility to the area. A new pump station is under construction and is anticipated to be completed by mid-2015.

In addition, the Scotford Water Pipeline is under construction and is

also anticipated to be completed by mid-2015.

Expansion of the ATCO Heartland Industrial Water System to include additional pumping and storage facilities commenced in 2014 to provide Air Products Canada Ltd. with industrial water services at its hydrogen facility located adjacent to the Shell Scotford Refinery in Strathcona County.

ATCO Energy Solutions also provided short-term water services in 2014. The company negotiated hydrotest water supply agreements for two major pipeline construction projects in close vicinity to the ATCO Heartland Industrial Water Centre. The first hydrotest water supply service was completed in October and the second will be completed in the first quarter of 2015.



Australia

- ATCO Australia
- ATCO Power Australia
- ATCO Gas Australia

These companies provide a full range of energy infrastructure services.



The state-of-the-art business and operations centre in Jandakot is part of ATCO Australia's ongoing commitment to the region and the safe, reliable delivery of natural gas in Western Australia.

ATCO Australia, based in the Western Australian capital, Perth, develops, builds, owns and operates energy infrastructure assets across Australia.

ATCO Australia has ownership in and operates three power generation facilities in the country. ATCO Australia also owns and maintains the largest gas distribution network in Western Australia covering Geraldton, Bunbury, Busselton, Harvey, Pinjarra, Brunswick Junction, Capel and the greater Perth metropolitan area. It also operates two separate non-regulated gas distribution networks, one serving Kalgoorlie and the other, a liquefied petroleum gas storage-fed gas distribution network serving Albany.

With a combined electricity generation capacity of 299 megawatts (MW), more than 13,700 km of gas distribution pipelines serving more than 700,000 customers, ATCO Australia has established a solid asset base from which to grow.

ATCO POWER AUSTRALIA

ATCO Power Australia experienced solid performance in 2014 across its three power stations, with commercial availability of approximately 98 per cent. The Bulwer Island Cogeneration Facility in Queensland is a 33 MW electrical and 55 MW thermal equivalent cogeneration facility. The 180 MW Osborne Combined-Cycle Facility is located near Adelaide in South Australia. The 86 MW Karratha Power Station is the most efficient and environmentally-friendly facility connected to the North West Interconnected System in the Pilbara region in Western Australia.

Building upon the company's relationship with Horizon Power, in November 2014, the Karratha Power Station secured an operations and maintenance contract for Horizon's gas turbine which provides additional generation capacity to the Pilbara region when required.



Jody McNeill and Pete Dainton, Gas Distribution Officers, Facilities Maintenance at ATCO Gas Australia, service the pressure reduction station in Ballajura to ensure the safe and reliable delivery of natural gas for consumers in Perth and surrounding regions.

In April 2014, BP announced that the Bulwer Island Refinery will cease operations by mid-2015. In preparation for its closure, ATCO Power Australia and BP continue discussions regarding the operational requirements for the Bulwer Island Cogeneration Facility. The facility currently provides 100 per cent of the electrical load, process steam and the demineralized water needs for the BP refinery.

In July 2014, ATCO Power Australia's Osborne Facility ceased its supply of steam to Penrice Soda Holdings following the company's closure. The Osborne Facility subsequently adjusted its operation from cogeneration to combined-cycle mode. Additionally, due to the changing gas market in Australia, a new Power Purchase Agreement (PPA) was negotiated with Origin Energy, the 100 per cent off-taker of power from Osborne. Effective July 2015, the revised PPA will provide for flexible dispatch of the facility.

ATCO GAS AUSTRALIA

Despite a warmer than average winter, ATCO Gas Australia has performed well, driven by continued growth in its rate base from capital investment and interest savings related to the credit rating upgrade and refinancing that occurred at the end of 2013.

During the year, ATCO Gas Australia contributed to the development of several major infrastructure projects around Perth, including Perth City's riverfront development, Elizabeth Quay. This significant network installation will deliver a reliable long-term gas supply, estimated at 80 terajoules per year, providing the potential for cogeneration and trigeneration for commercial developments surrounding the Quay.

With Perth being the fastest growing capital city in Australia, ATCO Gas Australia continued to extend the gas distribution network to new subdivisions, supporting the city's expansion in the outer-lying suburbs of Yanchep, Yunderup, Byford and Forrestdale. Servicing these areas saw more than 200 km of polyethylene pipeline added to the existing network during the year, with the expansion program positively contributing to the overall increase of more than 19,000 customers in 2014. In the three years of ATCO Gas Australia's ownership, the total number of new homes able to access natural gas has increased by more than 55,000 and in December, ATCO Gas Australia connected its 700,000th customer.

“ATCO Gas Australia connected its 700,000th customer in 2014.”

Also under ATCO Gas Australia's ownership, the Mains Replacement Program has been accelerated and is ahead of schedule. The program involves replacing the cast iron and unprotected metallic gas mains with polyethylene pipe to help ensure the continued safe and reliable delivery of natural gas to Perth and surrounding regions.

ATCO Gas Australia's capital infrastructure growth has been supported by investing in marketing campaigns to increase natural gas connections. In November 2014, ATCO Gas Australia exceeded 2,650 connections in a single month, the highest monthly connection figure recorded during the past five years.

During the first quarter of 2014, ATCO Gas Australia submitted its access arrangement, for the period July 1, 2014 to Dec. 31, 2019, to the Western Australian Economic Regulation Authority (ERA). In October 2014, the ERA published its draft decision. ATCO Gas Australia has responded to the decision and, as part of the process, other interested parties were invited to provide comment by mid-January 2015. Following conclusion of the consultation process, the ERA is expected to publish its final decision in the second quarter of 2015.

In keeping with an ongoing focus on customer satisfaction, ATCO Gas Australia's customer service call centre was selected as a finalist by the National Customer Service Council and received a bronze medal for excellence.

SAFETY

In its ongoing commitment to safety, ATCO Australia held a safety summit which brought together all the Canadian Utilities companies in Australia—ATCO Gas Australia, ATCO Power Australia and ATCO Structures & Logistics. The summit provided an opportunity for an exchange of knowledge and sharing of practices to maintain the highest levels of safety in the workplace across all operations.

ATCO Gas Australia, in its continued commitment to public safety, launched a gas safety awareness campaign, focusing on how to detect a gas leak and what to do in the event of smelling gas either inside or outside the home.

COMMUNITY ENGAGEMENT

ATCO Australia continued its commitment to the community during 2014, supporting a range of initiatives in the areas of youth education,

arts and culture, and Indigenous communities. ATCO Gas Australia also continued its support of Nulsen Disability Services through the supply of safer, more reliable and more cost-effective natural gas appliances to the homes which house its residents.

ATCO Australia's relationship with Nomad Two Worlds continued

throughout 2014 by supporting the Boorongurup Project, a world-first art project capturing the cultural significance of the Porongurup Ranges, one of the most sacred Indigenous sites in the southwest region of Western Australia. In keeping with CU's commitment to develop and broaden an

understanding and appreciation of the culture and history of the oldest civilization in the world, ATCO Australia provided the opportunity for employees to attend cultural awareness sessions, both in Perth and Albany, as well as hosting the art exhibition which was open to the public.

Jandakot Operations Centre & Blue Flame Kitchen

In March 2014, ATCO Gas Australia opened its new operations centre in the southern Perth suburb of Jandakot.

The purpose-built facility showcases new natural gas technologies. Its state-of-the-art natural gas-powered air conditioning units help to minimize operating costs and its environmental footprint. Covering more than 3,100 m², the Jandakot facility houses more than 200 employees

and brings together operational and office-based staff for the first time in the company's history.

The construction process incorporated the removal and storage of 243 native Australian plants from the site, including 220 grass trees and 23 Macrozamia. Upon completion, they were replanted around the new facility, restoring the appearance and ecology of the site to its former state.

The facility also houses the new ATCO Gas Blue Flame Kitchen, which introduced a schools program in 2014. The hands-on, informative program teaches Grades 5 and 6 students how to use gas cooking appliances and cooking skills and techniques with the aim to improve the understanding of gas safety, particularly with appliances.



The Australian chapter of the ATCO Blue Flame Kitchen launched its school program in 2014 designed for students in Grades 5 and 6. The workshops teach students about gas safety and healthy food choices.

ATCO Structures & Logistics offers modular buildings, site and lodging services, and industrial noise and emissions control solutions worldwide. With manufacturing facilities in North America and Australia, a global supply chain, and operations on five continents, the company has the expertise to rapidly deliver a turnkey solution anywhere it is needed.



In December, ATCO Structures & Logistics won a five-year contract to provide around-the-clock fire protection services to the North Atlantic Treaty Organization (NATO) troops in Kosovo. Above: Firefighter Rick Herbel at the NATO Flying Training in Canada at 15 Wing Moose Jaw.

ATCO Structures & Logistics (ATCO), in which Canadian Utilities holds a 24.5 per cent interest, comprises four core businesses worldwide: Modular Structures, Lodging & Support Services, Logistics and Facilities Operations & Maintenance, and Emissions Management.

MODULAR STRUCTURES / LODGING & SUPPORT SERVICES

In 2014, demand for lodge operation services (including stand-alone catering, janitorial and maintenance contracts) grew, particularly in North America where ATCO won a number of contracts.

The company won business from K+S Potash Canada GP to operate a 1,470 person lodge in southern Saskatchewan. ATCO provides catering, housekeeping, janitorial and maintenance services for the facility that houses workers constructing the K+S Potash Canada Legacy Project.

In October 2014, ATCO secured another lodge operations contract with a major Canadian exploration and production company to operate a 1,900-person lodge in Alberta's oilsands region. ATCO is providing catering, housekeeping, janitorial and maintenance services over the course of the five-year contract that is valued at an estimated CAD\$150 million.

In Atlantic Canada, Torngait Services Inc. (TSI), an Aboriginally-owned business and partnership between the Nunatsiavut Group of Companies and ATCO Structures & Logistics, has been awarded a contract by Valard Construction LP to operate five workforce accommodations lodges in Newfoundland and Labrador. The lodges will house workers

constructing the transmission line in support of the Muskrat Falls Project in Newfoundland and Labrador. The 36-month, occupancy-based contract is valued at approximately CAD\$40-45 million. TSI will be providing catering, janitorial and commercial laundry services to five 100 to 300-person lodges.

In December 2014, a bundled service contract was awarded to ATCO by TransCanada PipeLines Limited to design, build and operate a 150-person workforce accommodations lodge that will house workers constructing the Otter Lake Compressor Station in the Peace River region of Alberta.

In the United States, continued growth in the production of shale plays meant that demand for ATCO's wellsite units was unprecedented. These spacious, executive living accommodations feature high-end contemporary interiors, with a rugged exterior that can withstand the most challenging conditions of any petroleum exploration or mining site.

In Australia, demand for workforce housing moderated in 2014. To help supplement the gap in a softer resource sector, ATCO grew its business with the Government of Australia, supplying modular solutions for facilities such as immigration and medical centres.

ATCO continues to be the major workforce accommodations provider on Curtis Island, Queensland. In 2014, ATCO delivered a 400-person expansion lodge for the Australia Pacific liquefied natural gas (LNG) project as well as a number of smaller upstream building contracts across the three LNG projects located on the island.

In December 2014, ATCO completed the design, manufacture and site construction of 357 blast resistant modular buildings for Bechtel on the Chevron-operated Wheatstone Project in Western Australia. The agreement valued at AUD\$100 million was delivered within time and budget requirements. Additional Wheatstone Project scope for the design, manufacture and installation of 435 modular units was awarded to ATCO by Bechtel. This scope, valued at an estimated AUD\$130 million, will commence in March 2015 and is scheduled for completion in late 2015. The units are being manufactured at ATCO's new Kwinana facility near Perth in Western Australia.

As part of ATCO's innovation initiative, the company's Australian operation developed new modular products to meet the demands of the modular rental and sales market.

The first is a new "mobile wagon" product, a self-contained unit equipped to operate independently of primary water and power supplies, and the second is a "park cabin" for recreational accommodation to be used at tourist camp sites. This same product can also be used for extended family accommodation at a primary residence.

LOGISTICS AND FACILITIES OPERATIONS & MAINTENANCE

This business line provides a variety of services to private and public sectors worldwide, including defense operations.

In April 2014, ATCO was awarded a contract to provide services to five resource development sites in northern Alberta, operated by a major Canadian exploration and production company.

In September, the division was awarded a 10-year remote defense contract in Alaska, secured by ARCTEC Alaska, a joint-venture partnership between ATCO Structures & Logistics and ASRC Federal Primus. The contract, awarded by the United States Department of the Air Force, is valued at more than USD\$340 million, and is to provide operations and maintenance services to 15 strategic radar sites that form the Alaska Radar System.

ATCO Structures & Logistics, through its wholly-owned subsidiary company ATCO Frontec Europe Ltd., continues to support the North Atlantic Treaty Organization (NATO) and its International Security Assistance Force in Afghanistan. ATCO provides first responder services, including fire and ambulance, at Kandahar Airfield for NATO troops assisting the Government of Afghanistan's nation rebuilding efforts. ATCO won an extension to its current fire response contract, to provide support to at least mid-2015.

In December 2014, ATCO won a contract to provide around-the-clock fire protection services to support NATO troops at Camp Novo Selo near Pristina, known as Kosovo Force. This contract, which commenced in January 2015, may be renewed annually for up to five years.

ATCO also provides the communications and information services to support NATO and European Forces Headquarters in Sarajevo, Bosnia.

Indigenous Partnerships Building and sustaining Indigenous relationships helps to form the foundation of how Canadian Utilities does business. This is reflected through Canadian Utilities' longstanding relationships with Indigenous communities and how the company engages with these communities every day.



ATCO Structures & Logistics President George Lidgett shares a laugh with Chief Shawn Longman of the George Gordon First Nation. The company's joint-venture partnership with the George Gordon First Nation was established in 2010 and has included work on large projects in Saskatchewan.

Partnerships that stand the test of time involve respect, trust, understanding and transparency. Each party commits to bringing value to the partnership and continues to negotiate in good faith as the relationship evolves over time. Canadian Utilities (CU) conducts all of its business in this spirit, striving to maintain positive relationships that contribute to sustainable economic and social development in the communities where CU does business.

CU has more than 40 joint-venture partnerships, services agreements and other relationships with Indigenous communities. Some of the Indigenous partnerships are now celebrating more than 25 years of working together (see map on page 42).

BUILDING STRONGER RELATIONSHIPS

In 2014, CU continued to expand and strengthen its relationships with Indigenous communities across Canada, which included a number of new relationships in British Columbia, Alberta and the Northwest Territories.

In February, ATCO Energy Solutions signed a Relationship Agreement with the Simpcw First Nation, in the North Thompson and Robson Valley region of British Columbia, that will see the two parties jointly pursue a number of sustainable business opportunities related to energy infrastructure development.

In May, ATCO Structures & Logistics signed a joint-venture partnership with the Alexander First Nation in Alberta to pursue business opportunities and, in July, the company also began a joint venture with the Naha Dehe (Nahanni Butte Dene Band) in the Northwest Territories.

In December, ATCO Power signed a joint-venture agreement with the Sahtu Dene

■ Kitchen skills program creates job opportunities

Two chefs from the ATCO Blue Flame Kitchen in Calgary travelled to the Woodland Cree First Nation near Peace River, Alberta, to deliver a week-long, accredited kitchen skills course to 16 high school students in the afternoon and 16 community members in the evening, initiating a crucial first step in creating opportunities for potential food service and hospitality careers. This course is just one facet of ATCO's joint-venture partnership with the Woodland Cree First Nation, which began in 2013 and involves construction and operation of the 1,200-person Bluesky Lodge, which will serve as living quarters for workers on the nearby Shell Carmon Creek heavy oil project.

By the end of the week, the high school students and adults who participated in the course learned how to prepare several dishes including entrées, soups, sauces and breads. Important safety skills such as food handling, proper temperatures for raw meat, as well as knife-handling techniques were also covered. The final exam involved preparing and serving an elegant, four-course roast beef banquet for more than 80 community members.



ATCO Blue Flame Kitchen chef Paul Dokmanovic instructed Woodland Cree First Nation students and community members in the week-long culinary training program.

Council to focus on developing renewable energy projects in the 44,000 sq. km Sahtu region of the Northwest Territories. The Sahtu's five main communities are not connected to the electrical grid and they rely on expensive diesel for electrical generation. Through this agreement, traditional knowledge along with new and emerging technologies will be combined to minimize diesel consumption and greenhouse gas emissions, while creating a new renewable energy future for the Sahtu Dene and Métis.

ATCO Structures & Logistics further expanded its existing partnership with the Woodland Cree First Nation with the December announcement of the construction and operation of a 150-person camp to support a compressor station in the Peace River area. The community will participate in all facets of the construction and operation of the

lodge, which opened in January 2015.

ATCO Structures & Logistics was recognized for its work in the area of Indigenous relations when it received a silver-level certification from the Canadian Council for Aboriginal Business Progressive Aboriginal Relations program. The program independently certifies and evaluates all aspects of the company's Indigenous relations, including strategy, policies, employment, community engagement and investment, and also provides valuable feedback for continued improvement.

EDUCATION, MENTORSHIP AND EMPLOYMENT

CU is committed to bridging employment barriers and creating a lasting legacy through programs that encourage mentorship, education and employment in Indigenous communities. For example, ATCO

Pipelines and ATCO Structures & Logistics provide ongoing educational awards and scholarship programs that provide valuable financial assistance to Indigenous students, many of whom support a family while pursuing post-secondary education.

In 2014, ATCO Gas and ATCO Structures & Logistics embarked on a three-year partnership with the Siksika Nation Community Cadet Corps to support a program that engages and mentors at-risk youth during a critical time in their lives. Now in its second year of operation, the program is run by the Siksika Nation Justice Department and the Gleichen, Alberta RCMP.

Employment opportunities through joint-venture partnerships provide Indigenous communities with valuable work placement opportunities and on-the-job training. In turn, CU benefits through much-

needed skilled labour for its projects. One example is ATCO Structures & Logistics' joint venture with the Haisla First Nation in British Columbia. Through this partnership, the company provides community members with job placements in its Calgary offices and manufacturing plant. Another example is the company's partnership with the Woodland Cree First Nation (see story on page 40).

COMMUNITY INVOLVEMENT

CU supports and participates in a multitude of events throughout the year that bring Indigenous and non-Indigenous people together to raise awareness, to learn and to celebrate. Several initiatives undertaken in 2014 include National Aboriginal Day in Canada, National Aboriginal and Islander Week in Australia and the

Canadian Truth and Reconciliation Commission national events.

Canadians across the country take part in National Aboriginal Awareness Day on June 21 to recognize, support and celebrate the country's Aboriginal community. In 2014, the company was a sponsor of Calgary's Aboriginal Awareness Week and several awareness events for employees were also organized during the month.

With the opening of a new manufacturing facility in Australia, ATCO Structures & Logistics stepped up to support National Aboriginal and Islander Week that celebrated the unique Indigenous culture in Kwinana, Western Australia.

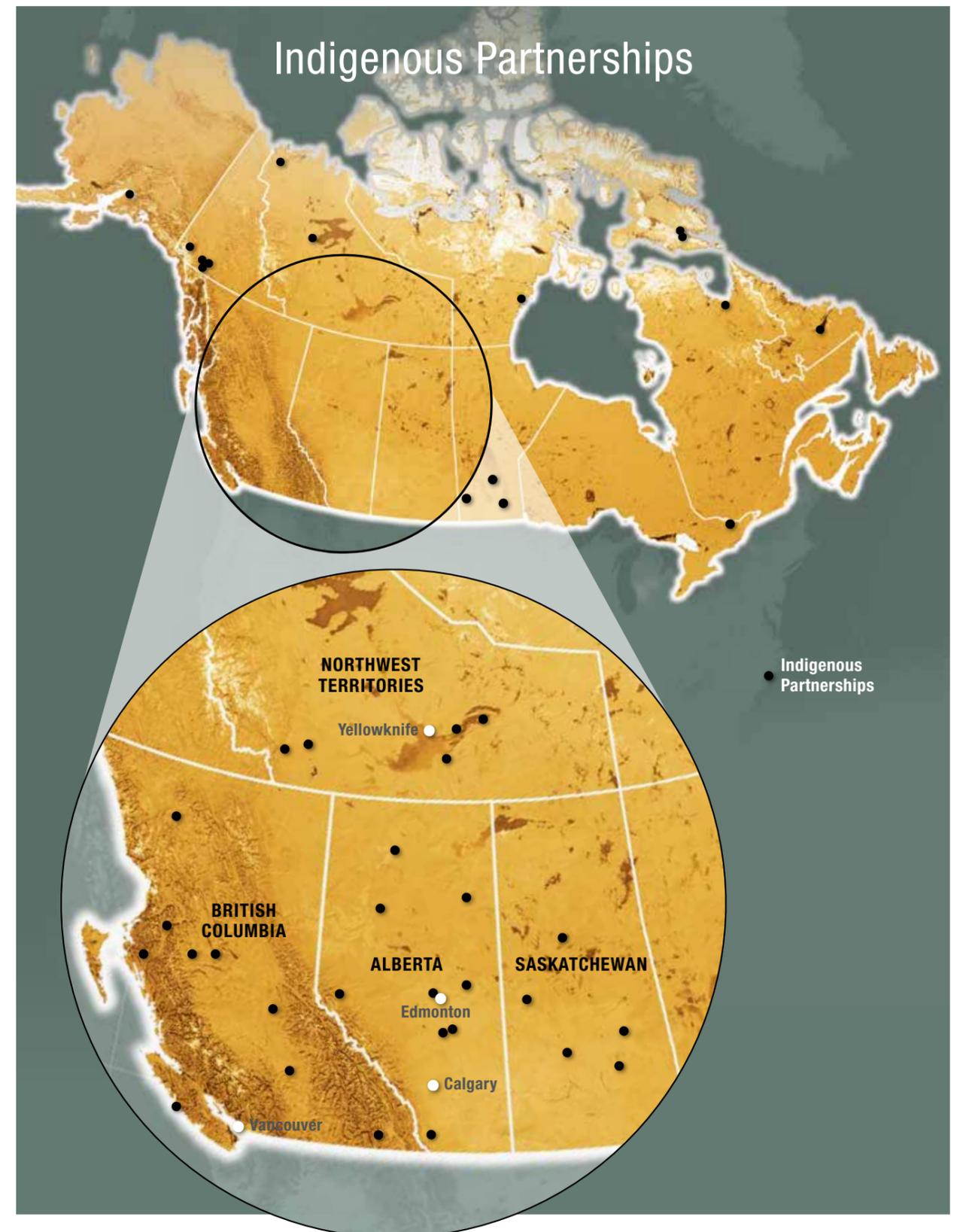
The company also provided financial and in-kind support to the Truth and

Reconciliation Commission National events in Western Canada. The events promoted a healing journey for families who were involved in Canada's residential school system, while providing a platform to educate Canadians on the impact of this time in the country's history.

CU's long-standing involvement in communities involves supporting young athletes who showcase their talents in a variety of athletic and cultural events. In 2014, the company was involved in the Arctic Winter Games in Fairbanks, Alaska, the Circumpolar Northern Games in Inuvik, Northwest Territories, and the North American Indigenous Games in Regina, Saskatchewan.



2014 recipients Danielle Lightning (left) and Danika Lightning (right) celebrate after receiving scholarships through the ATCO Pipelines Indigenous Education Awards Program. The program recognizes students from Indigenous communities who demonstrate leadership capabilities and strive to be role models in their schools and communities.



ATCO Sustainable Communities

ATCO Sustainable Communities provides a full range of pre-fabricated, culturally-sensitive building solutions for Indigenous and other remote communities.



Members of the Piikani First Nation conducted a land blessing ceremony that included ceremonial drumming and dancing in preparation for a new sportsplex to be constructed by ATCO Sustainable Communities in 2015.

Now in its third year of operation, ATCO Sustainable Communities has continued to demonstrate Canadian Utilities' (CU) commitment to working with Indigenous and remote communities across Canada. With a focus on creating healthy communities, the company employs a holistic engagement process to develop high-quality facilities in keeping with each community's unique needs and cultural values.

APPROACH

Taking an engaged approach enables ATCO Sustainable Communities to work closely with all of its customers to truly understand their specific cultural and physical requirements, and identify solutions that best meet their needs. The holistic engagement process also welcomes and encourages community-owned businesses and members to participate throughout the life cycle of the project. Identifying and incorporating these resources strengthens the partnership with the community and ensures the project's overall success.

Following completion of a project, the company also supports the community by offering specific training and education programs to ensure qualified resources exist in the community to manage and maintain the infrastructure over the long-term.

GROWTH

2014 was a year of growth for ATCO Sustainable Communities. In total, eight significant projects were completed or nearing completion across Canada. In May, members of the George Gordon First Nation, located 120 km north of Regina, Saskatchewan, celebrated the grand opening of a new retail centre. The 5,000 sq. ft. centre features a grocery, deli and gas station and is the only retail facility in the 3,300-member community.

In addition to creating nine full-time jobs, the centre is projected to generate between \$400,000 and \$500,000 in revenue for the First Nation, which will support additional community projects.

In July, ATCO Sustainable Communities was also engaged to support the re-opening of a housing manufacturing facility owned and operated by the Blood Tribe in southern Alberta. The company has been working closely with Blood Tribe Housing to provide management and operations support, and on-the-job training for community members, in an effort to meet the community's immediate housing needs and encourage professional growth in the long-term. With the company's support, the re-opening of the facility has resulted in 40 full-time positions in the community.

Other projects undertaken include a gas station at Dene Tha' First Nation

near Meander River, Alberta; fire halls at Peerless Trout First Nation near Slave Lake, Alberta and Attawapiskat First Nation in Attawapiskat, Ontario; a school expansion for the Blood Tribe in southern Alberta; a soccer arena for Cowessess First Nation near Regina, Saskatchewan; and community centres in Nain, Newfoundland and Labrador, and Swan River First Nation in Kinuso, Alberta.

INNOVATION

The past year can also be characterized by continuing innovation. ATCO Sustainable Communities launched a number of innovative products including new standardized designs for critical community facilities like fire halls, convenience stores, gas stations, community centres and gymnasiums. Developed based on feedback from community members, these new standardized designs incorporate

modern materials with the attention to detail the company is known for.

These products were developed by ATCO Sustainable Communities' in-house architectural design team that has worked closely with clients to create designs that are attractive, easy to maintain and economical. The designs also leverage the company's expertise in off-site pre-construction techniques and tackling the unique challenges of building in remote communities.

The team also launched two new school designs accommodating school populations of 100 and 300 or more students. These new designs feature bright and functional custom spaces that can be expanded as a community grows. Through pre-fabrication, community schools can be constructed quickly and economically, two characteristics that have been well-received by ATCO Sustainable Communities' customers.

■ ATCO Sustainable House elevates modular housing

After identifying a gap in the market for high-quality, ready-to-move-in housing, ATCO Sustainable Communities launched the ATCO Sustainable House – available in three, five, and 11 bedroom models.

The new contemporary designs incorporate durable and mold-resistant materials, ideal for remote,

non-urban locations. Features like large skylights, oversized tubs in the main bath, energy efficient furnaces and water heaters and vaulted ceilings have been incorporated and create welcoming and comfortable spaces. The new models also offer improved serviceability and require minimal maintenance - important

qualities for customers located in remote communities.

Combined with the company's expertise in building quality turnkey solutions and excellent project management skills, the ATCO Sustainable House helps to create lasting value for communities across Canada.



Canadian Utilities in the Community

Canadian Utilities and its people are committed to helping create healthy, vibrant communities by developing meaningful partnerships with various organizations and by providing time, expertise and financial support.



During the celebration events held in February 2015, a record-breaking \$4.3 million was raised by the company and its people for charitable causes through the 2014 campaign.

Canadian Utilities (CU) employees are at the heart of the company's ATCO EPIC (Employees Participating In Communities) fundraising program. Based on more than a century of ongoing community support by CU and its employees, the program was launched in 2006 as a way to unite all of the CU companies' fundraising efforts and make a more meaningful impact in communities. Since that time, the award-winning program has raised more than \$28 million for more than 500 charities around the world, while also facilitating hundreds of thousands of employee volunteer hours.

The employee-led program combines fundraising events, 'Days of Caring' volunteer activities and financial donations that employees direct to the charitable causes that matter most to them. CU enhances its peoples' generosity by matching donations to human health and wellness organizations. The company also covers all administration costs for the program, ensuring that the charities benefit from 100 per cent of the financial donations.

In Canada, the annual ATCO EPIC fundraising campaigns run in the fall, while in Australia the campaign runs year-round. Employee-led committees plan and execute fundraising events that encourage team comradery, friendly competition and pride in their community.

2014 CAMPAIGN HIGHLIGHTS

This year's campaign lasted 42 days and involved 147 fundraising and volunteering events in locations across Alberta, and in Saskatchewan, the Yukon, and Perth, Australia. The result was a record-breaking \$4.3 million raised by CU and its people for charitable causes around the world.

Fundraising events included auctions, chili cook-offs, bake sales, street hockey tournaments, scavenger hunts and other friendly team competitions. Unique events like the perogy lunch hosted by ATCO Gas, truly demonstrate the spirit and dedication CU employees put into their campaigns. The lunch, now in its tenth year, was conceived by ATCO Gas employee John Lembryk who enlisted the assistance of his mother and a team of volunteers to prepare 2,750 perogies that were sold to employees in support of their feature charity.

As part of the annual fall campaign, the employees of each company select feature charities that receive the funds raised through the campaign events. These feature charities work closely with each employee-led organizing committee to identify ways of educating and inspiring employees about the cause they selected to support.

These causes often help shape the unique fundraising events that each company holds. This year, memory games were played by ATCO Electric Transmission Division employees in support of the Alzheimer Society

of Alberta and NWT. "Hero Feud" was played by ATCO Structures & Logistics employees paying homage to their "Be An Everyday Hero" campaign.

VOLUNTEERISM

Another key component of the ATCO EPIC program is volunteerism. ATCO EPIC recognizes and encourages employees who volunteer their time and share their talents with charitable and non-profit organizations. Employees who volunteer 50 hours or more are eligible to apply for a donation to a registered charity of their choice. In 2014, employees volunteered more than 28,000 hours to the communities where they work and live.

The fall campaign included a number of 'Days of Caring' where CU employees rolled up their sleeves and participated in volunteering activities to support their feature charities. This year's events saw employees head out in the community to tackle specific projects including refurbishing facilities, stocking food bank shelves and selling items to fundraise for charity.

ATCO EPIC by the numbers

42

Fall campaign days

147

Fundraising and volunteering events

500

Charitable organizations across Canada and Australia supported

28,000

Hours volunteered by CU employees

\$4.3M

Raised by CU and its people

\$28M

Raised since program launched in 2006

ATCO recognized with international philanthropy award



Andrew Watt, President & CEO, AFP (left) presents Erhard Kiefer, Senior Vice President & Chief Administration Officer, ATCO Group (right) with the 2014 Outstanding Corporation Award.

In 2014, ATCO was recognized as the year's Outstanding Corporation by the Association of Fundraising Professionals (AFP) for the company's many extraordinary contributions to philanthropy and to the charitable sector. In particular, the award recognized the ATCO EPIC program.

ATCO was nominated for the award by Inn from the Cold, a charitable organization that provides emergency shelter, support and programs to

homeless children and their families in Calgary. The organization is a past feature charity of the ATCO EPIC program and a member of the AFP, which represents more than 32,000 charities and charitable fundraisers around the world.

ATCO accepted the award at the AFP's National Philanthropy Day® Honors – A Celebration of People and Impact in Washington, D.C in November.

ATCO EPIC in Action



▲ **ATCO ELECTRIC DISTRIBUTION DIVISION** Employees across Alberta launched their 2014 fundraising campaign with a variety of exciting events in support of Pancreatic Cancer Canada. Events included a game with Louie the Lightning Bug and “Donate for Duct Tape”.



▲ **ATCO ENERGY SOLUTIONS** Employees hit the trails around Calgary’s Glenmore Reservoir in support of the Canadian Cancer Foundation.



▲ **ATCO PIPELINES** Employees built and stained new benches for Easter Seals Camp Horizon located 50 km southwest of Calgary for an ATCO EPIC ‘Day of Caring’. Teams in Edmonton competed in an “Amazing Race” in support of the Zebra Child Protection Centre.



▲ **ATCO POWER** Messages of hope and courage for young people battling cancer appeared on the streets of downtown Calgary as part of ATCO Power’s support of Kids Cancer Care.



▲ For a donation, **ATCO ELECTRIC YUKON** employees could bring their dogs to work in support of the Mae Bachur Animal Shelter.



▲ **KATHY’S RUN FOR PANCREATIC CANCER** When co-worker and friend Kathy McCollum was diagnosed with pancreatic cancer, ATCO employees Jessica Laird (left) and Danielle Brown (right) helped start Kathy’s Run in support of Pancreatic Cancer Canada, the feature charity selected by ATCO Electric Distribution Division employees.



▲ **ATCO GAS** The EPICHL street hockey tournament is the marquee event of ATCO Gas’s annual fundraising campaign. ATCO Gas employees across their service territory geared up to support this year’s feature charity the Alzheimer Society of Alberta and NWT.



▲ **ATCO SUSTAINABLE COMMUNITIES** Marketing Support Coordinator, Tammy Breeze got a tour of the STARS Air Ambulance facilities – the feature charity selected by their employees.



▲ **ATCO ELECTRIC TRANSMISSION DIVISION** The Division surpassed its campaign fundraising and participation goals in support of the Alzheimer Society of Alberta and NWT, which resulted in President Sett Policchio shaving his 46-year-old moustache and taking a pie in his cleanly-shaved face.



▲ **ATCO STRUCTURES & LOGISTICS** Superheroes suited up with capes designed by their feature charities – Momentum, Calgary Women’s Emergency Shelter and Champions Career Centre – and competed head-to-head in games of “Hero Feud”.

▲ **ATCO GROUP** Sold! ATCO Group’s campaign kicked-off with a lunch and live auction hosted by ATCO Group Chair, President & CEO, Nancy Southern. Employees were encouraged to “Be a Dream Maker” and support the campaign’s feature charity, the Rainbow Society of Alberta.



▲ **ATCO AUSTRALIA** Employees across the ATCO Australia companies ATCO Australia, ATCO Gas Australia and ATCO Power Australia – embraced the spirit of community and participated in fundraising events that included the Cool Night Classic, a run/walk for charity in Perth.

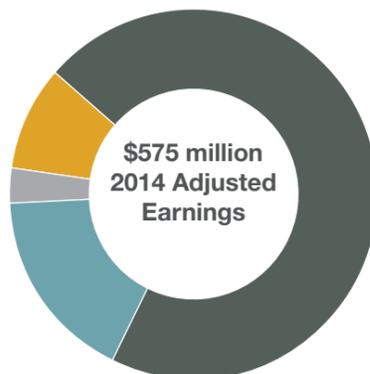
Financial Excellence 2014



Brian R. Bale
Senior Vice President & Chief Financial Officer

Canadian Utilities' earnings attributable to equity owners were \$711 million in 2014 compared to \$587 million in 2013. These earnings included one-time gains from the sale of assets as we continuously assess our operations to optimize our assets and effectively redeploy capital. In 2014, the Company completed the sale of its information technology business. In 2013, ATCO Structures & Logistics monetized its investment in its South American operations. Proceeds from these sales were redeployed to finance the Company's growth initiatives, including the significant capital expenditure program in the Utilities.

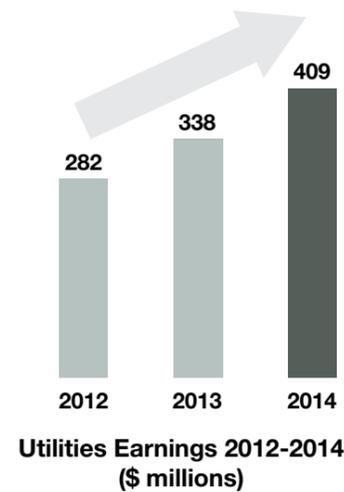
Canadian Utilities' adjusted earnings, which exclude one-time gains, were \$575 million in 2014, \$3 million higher than the earnings achieved in 2013. Earnings growth from continued capital investment in the Utilities, along with improved earnings in ATCO Energy Solutions and ATCO Australia, were partially offset



- Utilities \$409 million (71%)
- Energy \$99 million (17%)
- Australia \$51 million (9%)
- Corporate \$16 million (3%)

by lower earnings in ATCO Power. Unfavourable market prices for ATCO Power, together with reduced market volatility, contributed to lower adjusted earnings from this business.

The Utilities segment continued to make significant investment in Alberta infrastructure. Capital expenditures in 2014 were \$2.1 billion and totaled \$6.4 billion over the last three years. This investment has translated into significant growth in the Utilities' earnings. Adjusted earnings for 2014 were \$409 million, a 21 per cent increase over last year.



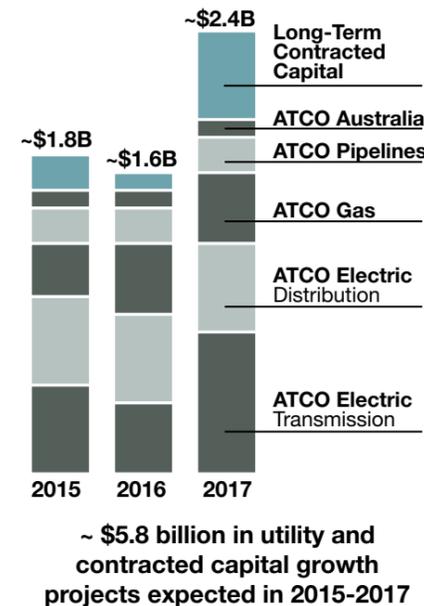
A transition is underway at the Company from growth focused primarily in our regulated Utilities to growth in all our business lines in Canada, Australia, and most recently in Mexico.

In December, we were awarded a 35-year, \$1.4 billion contract to build, own and operate the Fort McMurray West Transmission line. Over the next couple of years, we will be seeking all of our required approvals. We expect

this process to conclude in 2017, at which point we will be in a position to commence construction. The line is expected to come into service in 2019. We are pleased to have come out on top in this international competition to build and operate this critical piece of transmission.

In our Energy Solutions business, we are moving forward with the \$200 million development of four salt caverns for hydrocarbon storage with our partner. Long-term contracts have been secured for all of the storage capacity. In response to growing customer demand, we acquired an additional 160 acres of land for further hydrocarbon storage development potential in the future. Construction also carries on at the two industrial water infrastructure projects we announced in 2013.

In Mexico this past year, we opened a business development office, won a 25-year contract to build a 16 km natural gas pipeline, and announced we are working with Pemex

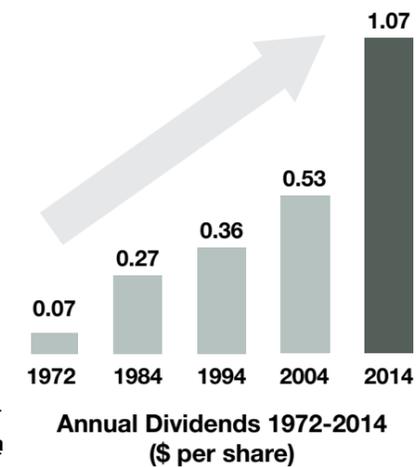


on the project development and approval process for an estimated USD\$820 million, 638 megawatt natural gas cogeneration power plant.

Included in our three-year capital forecasts is \$5.8 billion for utility and contracted capital growth projects. This investment includes \$4.8 billion of planned capital expenditures in our regulated utilities and \$1 billion in long-term contracted projects.

DIVIDENDS

The Board of Directors increased the quarterly dividends paid per Class A and Class B share for the four quarters of 2014 from 24.25 cents per share to 26.75 cents per share, an increase of 10% over 2013.



And in January 2015, the Board of Directors declared a first-quarter dividend of 29.50 cents per share. That amount represents a 10% increase over the quarterly dividends per share paid in 2014.

The Board of Directors has approved an increase in Canadian Utilities' common share dividends each year since 1972; a track record we are very proud of.

FINANCIAL STRENGTH

We have experienced tremendous growth over the last several years. In 2010, we had total assets of \$9 billion. In 2014, we have assets of \$17 billion. Most of that growth has been the result of investment in utility operations. Through all of this growth we have maintained our financial strength. In 2014, Standard and Poor's Ratings Services and DBRS Limited re-affirmed their ratings for the Company as "A" with a stable outlook and "A" with a stable trend, respectively.

We financed this asset expansion through a number of sources. Our most significant source of capital is cash flow from operations. Our strong financial position ensures we maintain excellent access to capital markets. In 2014, we issued \$1.2 billion in debt. This included a \$1 billion, 30-year bond which was the single largest long-dated corporate bond on record in Canada.

The Company has a long track record of generating reliable and growing earnings and dividends over time. There is no doubt we face some challenging conditions with low commodity prices and reduced activity levels in some of our markets. However, we remain focused on making prudent decisions to maintain our strong financial position and create long-term shareholder value.

Consolidated Annual Results ⁽¹⁾

| (Millions of Canadian dollars, except as indicated) | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---------------|--------|--------|--------|-------|
| EARNINGS STATEMENT | | | | | |
| Revenues | 3,600 | 3,381 | 3,039 | 2,999 | 2,700 |
| Earnings attributable to equity owners | 711 | 587 | 553 | 496 | 432 |
| Adjusted earnings ⁽²⁾ | | | | | |
| - Utilities | 409 | 338 | 282 | 236 | 242 |
| - Energy | 99 | 151 | 136 | 164 | 130 |
| - ATCO Australia | 51 | 45 | 43 | 19 | 16 |
| - Corporate & Other and eliminations | 16 | 38 | 54 | 52 | 45 |
| Adjusted earnings | 575 | 572 | 515 | 471 | 433 |
| BALANCE SHEET | | | | | |
| Cash ⁽³⁾ | 347 | 496 | 349 | 613 | 540 |
| Total assets | 16,702 | 15,051 | 13,218 | 11,696 | 9,324 |
| Capitalization | | | | | |
| - Bank indebtedness | 4 | 2 | - | - | - |
| - Long-term debt | 7,188 | 6,126 | 5,288 | 4,352 | 3,063 |
| - Non-recourse long-term debt | 127 | 165 | 186 | 378 | 341 |
| - Equity preferred shares | 1,302 | 1,458 | 1,066 | 1,067 | 848 |
| - Share owners' equity | 4,305 | 3,936 | 3,308 | 3,119 | 2,890 |
| Capitalization | 12,926 | 11,687 | 9,848 | 8,916 | 7,142 |
| CASH FLOW STATEMENT | | | | | |
| Funds generated by operations ⁽⁴⁾ | 1,643 | 1,687 | 1,449 | 1,319 | 1,065 |
| Capital expenditures ⁽⁵⁾ | | | | | |
| - Utilities | 2,079 | 2,178 | 2,142 | 1,316 | 788 |
| - Energy | 75 | 68 | 42 | 33 | 24 |
| - ATCO Australia | 81 | 89 | 74 | 23 | 27 |
| - Corporate & Other & eliminations | 39 | 63 | 14 | 22 | 13 |
| Capital expenditures | 2,274 | 2,398 | 2,272 | 1,394 | 852 |
| PER SHARE DATA | | | | | |
| Earnings per share (\$) | 2.52 | 2.10 | 2.03 | 1.83 | 1.61 |
| Dividends paid per share (\$) | 1.07 | 0.97 | 0.89 | 0.81 | 0.76 |
| Equity per share (\$) | 16.31 | 15.08 | 12.87 | 12.22 | 11.48 |
| Class A non-voting closing share price (\$) | 40.91 | 35.67 | 35.97 | 30.77 | 27.20 |
| Class B common closing share price (\$) | 41.00 | 35.23 | 35.88 | 30.85 | 27.07 |

Full disclosure of all financial information is available on the SEDAR website - www.sedar.com.

(1) Financial results have been prepared in accordance with International Financial Reporting Standards (IFRS).

(2) 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 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. Descriptions of the adjustments are provided in the Segmented Information note of the Financial Statements.

(3) Cash is defined as cash and cash equivalents less current bank indebtedness.

(4) Funds generated by operations is defined as cash generated from operations before changes in non-cash working capital. This measure is not defined by IFRS and GAAP and may not be comparable to similar measures used by other companies.

(5) Includes purchases of property, plant and equipment and intangibles, including capitalized interest.

Consolidated Operating Summary

| (Millions of Canadian dollars, except as indicated) | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|--------|--------|--------|--------|--------|
| Utilities | | | | | |
| Natural gas distribution operations | | | | | |
| Capital expenditures ⁽¹⁾ | 292 | 268 | 323 | 288 | 197 |
| Pipelines (thousands of kilometres) | 40 | 40 | 39 | 38 | 38 |
| Maximum daily demand (terajoules) | 2,148 | 2,064 | 2,128 | 2,069 | 2,169 |
| Natural gas distributed (petajoules) | 263 | 249 | 248 | 247 | 237 |
| Average annual use per residential customer (gigajoules) | 117 | 117 | 121 | 121 | 120 |
| Customers at year-end (thousands) | 1,144 | 1,119 | 1,096 | 1,074 | 1,057 |
| Electricity distribution and transmission operations | | | | | |
| Capital expenditures ⁽¹⁾ | 1,602 | 1,763 | 1,732 | 916 | 507 |
| Power lines (thousands of kilometres) | 81 | 81 | 76 | 74 | 73 |
| Electricity distributed (millions of kilowatt hours) | 11,600 | 11,283 | 10,974 | 10,596 | 10,532 |
| Average annual use per residential customer (kWh) | 7,815 | 7,743 | 7,604 | 7,747 | 7,555 |
| Customers at year-end (thousands) | 252 | 248 | 244 | 240 | 237 |
| Natural gas transmission operations | | | | | |
| Capital expenditures ⁽¹⁾ | 185 | 147 | 87 | 112 | 84 |
| Pipelines (thousands of kilometres) | 9 | 9 | 9 | 9 | 8 |
| Energy | | | | | |
| Capital expenditures ⁽¹⁾ | 75 | 68 | 42 | 33 | 24 |
| Generating capacity (megawatts) | 3,591 | 4,591 | 4,590 | 4,590 | 4,658 |
| Generating capacity owned (megawatts) | 2,286 | 2,541 | 2,550 | 2,550 | 2,389 |
| Availability (%) | 95 | 94 | 90 | 91 | 93 |
| Natural gas processed (mmcf/day) | 337 | 376 | 398 | 393 | 401 |
| - Natural gas liquids extraction (mmcf/day) | 316 | 340 | 350 | 342 | 337 |
| - Natural gas gathering and processing (mmcf/day) | 21 | 36 | 48 | 51 | 64 |
| Natural gas gathering lines (kilometres) | 1,016 | 1,122 | 1,097 | 1,171 | 1,075 |
| ATCO Australia | | | | | |
| Natural gas distribution operations ⁽²⁾ | | | | | |
| Capital expenditures ⁽¹⁾ | 81 | 88 | 72 | 18 | - |
| Pipelines (thousands of kilometres) | 14 | 14 | 13 | 13 | - |
| Maximum daily demand (terajoules) | 121 | 118 | 125 | 106 | - |
| Natural gas distributed (petajoules) | 26 | 26 | 27 | 12 | - |
| Average annual use per residential customer (gigajoules) | 14 | 15 | 15 | 15 | - |
| Customers at year-end (thousands) | 702 | 683 | 667 | 653 | - |
| Power generation and other operations | | | | | |
| Capital expenditures ⁽¹⁾ | - | 1 | 2 | 5 | 27 |
| Generating capacity (megawatts) | 299 | 299 | 299 | 299 | 299 |
| Generating capacity owned (megawatts) | 193 | 193 | 193 | 193 | 193 |
| Availability (%) | 98 | 95 | 98 | 98 | 90 |

(1) Includes purchases of property, plant and equipment and intangibles, including capitalized interest.

(2) 2011 amounts are for the 5 months of operation since the acquisition of ATCO Gas Australia on July 29, 2011.

Canadian Utilities' Global Leadership

Directors

Matthias F. Bichsel
PhD
Corporate Director



Linda A. Heathcott
President & Chief Executive
Officer, Spruce Meadows Ltd.

William G. Sembo
Corporate Director



Roger J. Urwin
PhD, C.B.E.
Corporate Director

Loraine M. Charlton
Vice President & CFO,
Lintus Resources Limited



Robert J. Normand
Chair,
Workers Compensation Board
of Alberta

James W. Simpson
Lead Director,
Canadian Utilities Limited



Karen M. Watson
Corporate Director

David A. Dodge
O.C., LL.D., PhD, F.R.S.C.
Senior Advisor,
Bennett Jones LLP



Hector A. Rangel
President, BCP
Securities Mexico

Nancy C. Southern
Chair, President & Chief
Executive Officer,
Canadian Utilities Limited



Charles W. Wilson
Corporate Director

Robert B. Francis
President,
Agriteam Canada
Consulting Ltd.



Laura A. Reed
Corporate Director

Ronald D. Southern
C.C., C.B.E., LL.D.
Chairman Emeritus & Founder,
ATCO Group



Canadian Utilities' Global Leadership

Officers

Office of the Chair

Ronald D. Southern
Chairman Emeritus & Founder, ATCO Group

Nancy C. Southern
Chair, President & Chief Executive Officer

Siegfried W. Kiefer
Chief Operating Officer, Power & Utilities

Brian R. Bale
Senior Vice President & Chief Financial Officer

Erhard M. Kiefer
Senior Vice President & Chief Administration Officer

Steven J. Landry
Senior Vice President & Chief Development Officer

Corporate Office

Carson J. Ackroyd
Vice President, Marketing & Communications

P. Derek Cook
Vice President, Controller

Carole M.D. Field
Vice President, Pension and Benefits & Human Resources Information Systems

Alfred S. Han
Vice President, Finance & Treasury

Kevin P. Hunt
Vice President, Internal Audit & Risk Management

Lillian Hvatum-Brewster
Vice President, Indigenous Community Relations & Development

Brian G. Milne
Vice President, Risk Management

Robert C. Neumann
Vice President, Internal Audit

Alan M. Skiffington
Vice President & Chief Information Officer

Richard D. Stone
Vice President, Legal & Corporate Secretarial

Tracey L. Wallace
Vice President, Human Resources

Clinton G. Warkentin
Vice President & Treasurer

Carol Gear
Corporate Secretary

Presidents and Senior Executives of Principal Operating Subsidiaries

J.D. Patrick Creaghan
President, ATCO Energy Solutions

Brian R. Hahn
President, ATCO Pipelines

Roberta L. Lambricht
President, Distribution Division, ATCO Electric

George J. Lidgett
President, ATCO Structures & Logistics

George Opocensky
President, ATCO Power

Settimio F. Policicchio
President, Transmission Division, ATCO Electric

Boris I. Rassin
President, ATCO Sustainable Communities

Joseph J. Schnitzer
President, ASHCOR Technologies

Wayne K. Stensby
Managing Director & Chief Operating Officer, ATCO Australia

William C. Stephens
President, ATCO Gas

General Information

INCORPORATION

Canadian Utilities Limited was incorporated under the laws of Canada on May 18, 1927 and was continued under the Canada Business Corporations Act by Articles of Continuance on August 15, 1979.

ANNUAL MEETING

The Annual Meeting of Share Owners will be held at 10:00 a.m. on Tuesday, May 5, 2015, at The Fairmont Hotel Macdonald, 10065-100 Street, Edmonton, AB.

AUDITORS

PricewaterhouseCoopers LLP
Calgary, AB

LEGAL COUNSEL

Bennett Jones LLP
Calgary, AB

STOCK EXCHANGE LISTINGS

Class A non-voting shares - Symbol CU
Class B common shares - Symbol CU.X
Cumulative Redeemable Second Preferred Shares
4.00% Series Y Symbol CU.PR.C
4.90% Series AA Symbol CU.PR.D
4.90% Series BB Symbol CU.PR.E
4.50% Series CC Symbol CU.PR.F
4.50% Series DD Symbol CU.PR.G
Listing: The Toronto Stock Exchange

INVESTOR RELATIONS

Email: investorrelations@atco.com
Telephone: 403-292-7500
Fax: 403-292-7532

Mailing Address:

c/o ATCO Group Investor Relations
1500, 909 - 11 Avenue SW
Calgary, AB
Canada T2R 1N6

REGISTRAR & TRANSFER AGENT

Class A non-voting and
Class B common shares and
Second Preferred (Series Y, AA, BB, CC and DD) Shares
CST Trust Company
Calgary/Montreal/Toronto/Vancouver

Telephone:

8:30 a.m. to 6:30 p.m. ET
Monday - Friday
Toll-Free in North America: 1-800-387-0825
Outside of North America: 1-416-682-3860
Fax in North America: 1-888-249-6189
Fax Outside of North America: 1-514-985-8846
www.canstockta.com

Mailing Address:

CST Trust Company
P.O. Box 700
Station B
Montreal, QC
Canada H3B 3K3

TRUSTEE, TRANSFER AGENT & REGISTRAR FOR DEBENTURES

CIBC Mellon Trust Company
Toronto

Telephone: 1-416-933-8500
Fax: 1-416-360-1711

Mailing Address:

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c/o BNY Trust Company of Canada
320 Bay Street
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