CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2017

CORPORATE OFFICE: 700, 909 - 11th AVENUE SW, CALGARY, ALBERTA, CANADA T2R 1N6
TEL: 403-292-7500 WWW.CANADIANUTILITIESLIMITED.COM

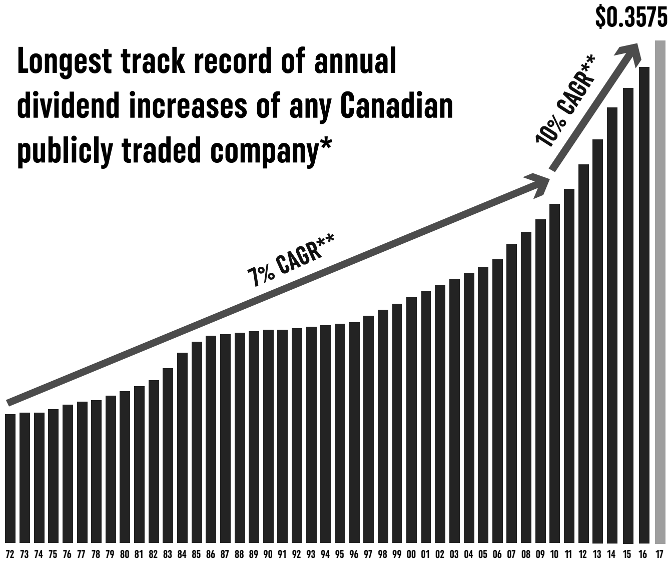
Q1 2017 INVESTOR FACT SHEET

CanadianUtilities.com
ELECTRICITY | PIPELINES & LIQUIDS

CANADIAN UTILITIES LIMITED
An ATCO Company

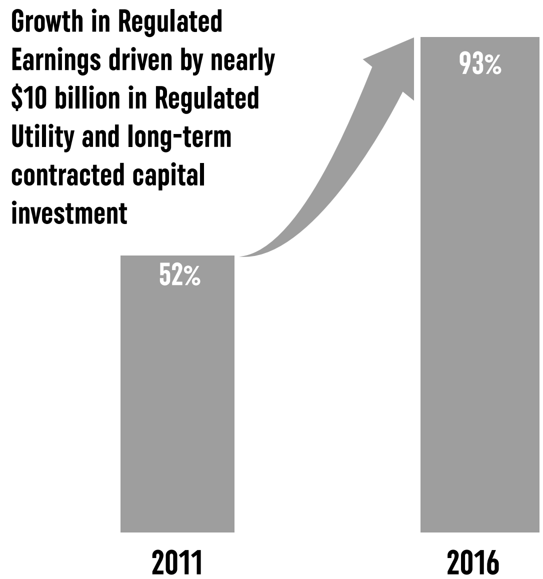
With approximately 5,400 employees and assets of $19 billion, Canadian Utilities Limited is an ATCO company. ATCO is a diversified global corporation delivering service excellence and innovative business solutions in Electricity (electricity generation, transmission, and distribution); Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales).

TRACK RECORD OF DIVIDEND GROWTH



** On April 6, 2017, Canadian Utilities declared a second quarter dividend of $0.3575 per share, or $1.43 per share annualized. This is a 10 per cent increase over the quarterly dividends declared in 2016.*
*** Compound Annual Growth Rate.*

GROWING A HIGH QUALITY EARNINGS BASE



CU AT A GLANCE

"A" rating by Standard & Poor's and DBRS Limited	
Total Assets	$19 billion
Electric Powerlines	88,000 kms
Pipelines	65,000 kms
Power Plants	18 plants globally
Power Generating Capacity Share	2,473 MW*
Water Infrastructure Capacity	85,200 m³/d**
Natural Gas Storage Capacity	52 PJ***
Hydrocarbon Storage Capacity	200,000 m³****

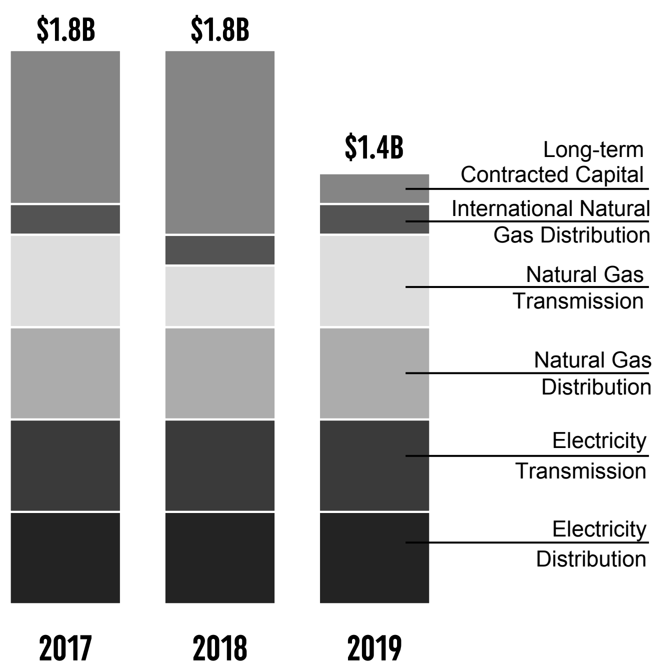
*megawatts **cubic metres per day ***petajoules ****cubic metres

CU SHARE INFORMATION

Common Shares (TSX): CU, CU.X	
Market Capitalization	$10 billion
Weighted Average Common Shares Outstanding	268.4 million

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 Class A non-voting (CU) and Class B common (CU.X) shares.

FUTURE CAPITAL INVESTMENT

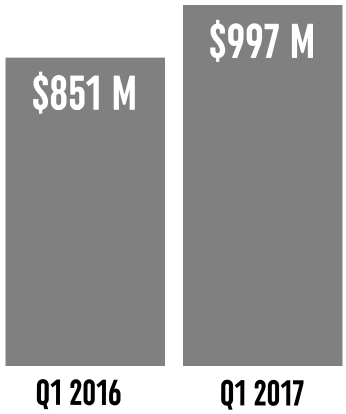


$5 billion in Regulated Utility and contracted capital growth projects expected in 2017 - 2019

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

Q1 2017 RESULTS

CU REVENUES



CU ADJUSTED EARNINGS

ELECTRICITY GLOBAL BUSINESS UNIT

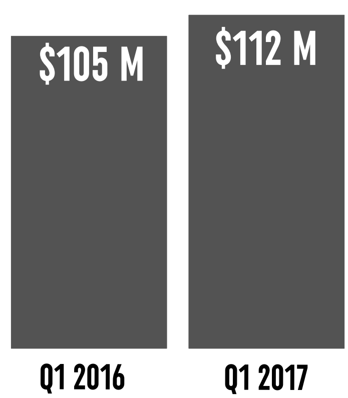
- Higher adjusted earnings in the first quarter of 2017 were mainly due to continued capital investment, growth in rate base within Regulated Electricity and lower operating costs.
- In the period 2017 to 2019, the Electric Distribution and Electric Transmission regulated businesses are planning to invest $1.8 billion in capital growth opportunities.
- In the period 2017 to 2019, Alberta PowerLine is planning to invest $1.2 billion in the Fort McMurray 500 kV Project.

ADJUSTED EARNINGS

PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

- Higher adjusted earnings in the first quarter of 2017 were mainly due to continued capital investment and growth in rate base within Regulated Pipelines & Liquids.
- In the period 2017 to 2019, the Natural Gas Distribution and Natural Gas Transmission regulated businesses are planning to invest $2 billion in capital growth opportunities.

ADJUSTED EARNINGS



2017 FIRST QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

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CANADIAN UTILITIES LIMITED
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of Canadian Utilities Limited (Canadian Utilities, our, we, us, or the Company) during the three months ended March 31, 2017.

This MD&A was prepared as of April 25, 2017, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2017. Additional information, including the Company's previous MD&A (2016 MD&A), Annual Information Form (2016 AIF), and audited consolidated financial statements for the year ended December 31, 2016, is available on SEDAR at www.sedar.com. Information contained in the 2016 MD&A is not discussed in this MD&A if it remains substantially unchanged.

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

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

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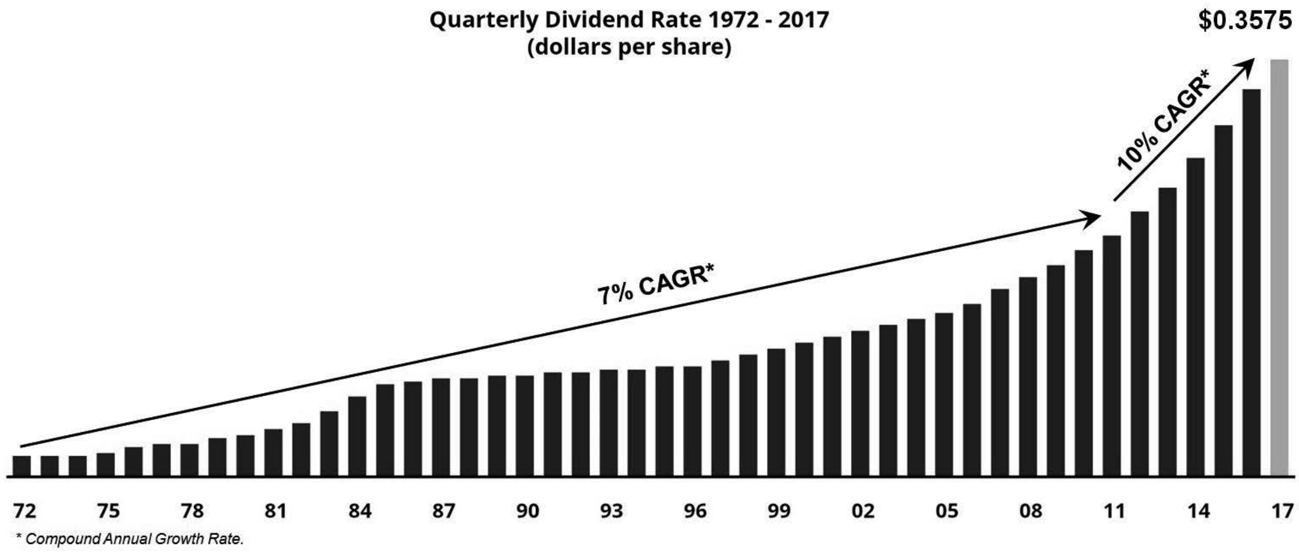
CANADIAN UTILITIES: WHAT SETS US APART

TRACK RECORD OF DIVIDEND GROWTH

We have increased our common share dividend every year for the past 45 years, the longest record of annual dividend increases of any Canadian publicly traded company. On April 6, 2017, we declared a second quarter dividend of 35.75 cents per share or $1.43 per share on an annualized basis, a 10 per cent increase over the 2016 dividend.



GROWING A HIGH QUALITY EARNINGS BASE

Over the past five years, we have invested nearly $10 billion in Regulated Utility and long-term contracted operations. The Regulated Utility portion of our total adjusted earnings has grown from 52 per cent in 2011 to 93 per cent in 2016. Our highly contracted and regulated earnings base provides the foundation for continued dividend growth.

FUTURE CAPITAL INVESTMENT

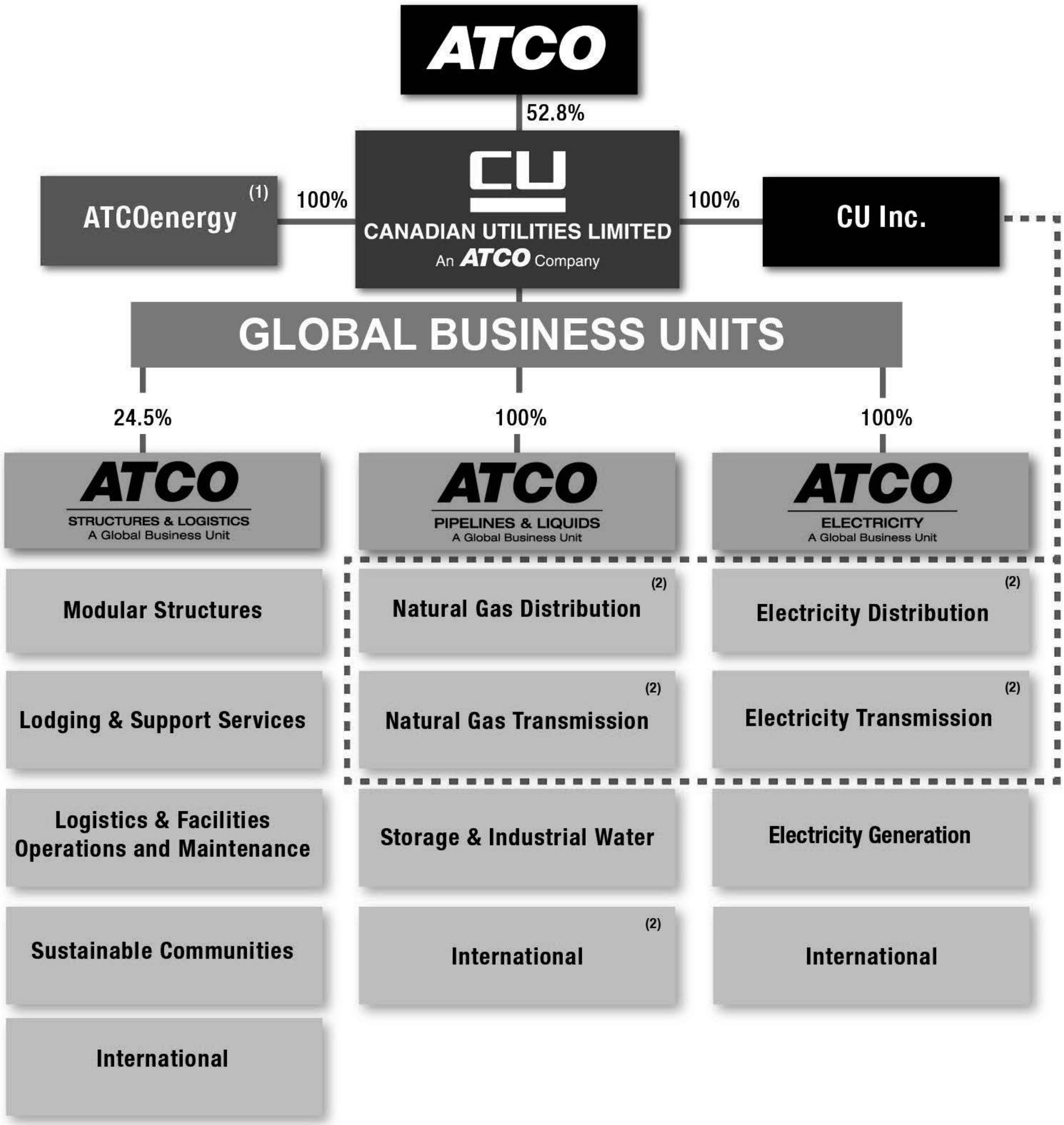
We will continue to grow our business in the years ahead. In the period 2017 to 2019, we expect to invest $5 billion in Regulated Utility and long-term contracted assets, which will continue to strengthen our high quality earnings base. Of the $5 billion planned spend, $3.8 billion is on Regulated Utilities, and $1.2 billion is on long-term contracted assets.

FINANCIAL STRENGTH

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

10%	**93%**	**$5B**	**A**
dividend CAGR 2012 - 2017	**regulated earnings**	**3 year capital investment**	**credit rating**

ORGANIZATIONAL STRUCTURE



(1) ATCOenergy was launched in January 2016 to provide retail, commercial and industrial electricity and natural gas service in Alberta.

(2) Regulated operations include ATCO Gas, ATCO Pipelines, ATCO Gas Australia, ATCO Electric Distribution, and ATCO Electric Transmission.

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

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

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

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

($ millions, except per share data and outstanding shares)	Three Months Ended March 31 2017	2016	Change
Key Financial Metrics			
Adjusted earnings [1]	**215**	197	18
Electricity	**118**	102	16
Pipelines & Liquids	**112**	105	7
Corporate & Other	**(16)**	(12)	(4)
Intersegment Eliminations	**1**	2	(1)
Earnings attributable to Class A and Class B shares	**230**	192	38
Revenues	**997**	851	146
Total assets	**19,115**	18,123	992
Cash dividends declared per Class A and Class B share *(cents per share)*	**35.75**	32.50	3.25
Funds generated by operations [1]	**506**	450	56
Capital investment [1]	**285**	343	(58)
Other Financial Metrics			
Weighted average Class A and Class B shares outstanding *(thousands):*			
Basic	**268,359**	266,554	1,805
Diluted	**268,970**	267,191	1,779

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

ADJUSTED EARNINGS

Our adjusted earnings for the first quarter of 2017 were $215 million, an increase of $18 million compared to the same period in 2016. The primary drivers of earnings results were as follows:

- Electricity - Higher adjusted earnings in the first quarter of 2017 were mainly due to continued capital investment, growth in rate base within Regulated Electricity and lower operating costs.
- Pipelines & Liquids - Higher adjusted earnings in the first quarter of 2017 were mainly due to continued capital investment and growth in rate base within Regulated Pipelines & Liquids.
- Corporate & Other - Lower adjusted earnings in the first quarter of 2017 were mainly due to lower Structures & Logistics earnings.

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

EARNINGS ATTRIBUTABLE TO CLASS A AND CLASS B SHARES

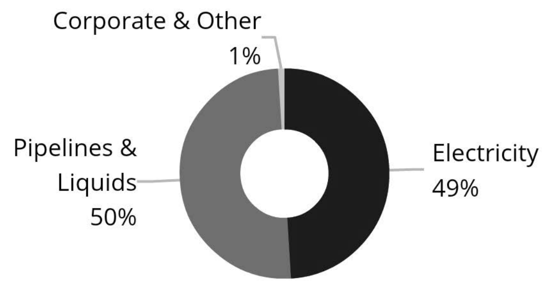
Earnings attributable to Class A and Class B shares were $230 million in the first quarter of 2017, $38 million higher than the same period in 2016. Higher earnings were mainly due to continued capital investment and growth in rate base in our Regulated Utilities, and a gain on sale of operations of $30 million. Earnings attributable to Class A and Class B shares includes timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward commodity contracts that are not included in adjusted earnings.

More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class A and Class B shares section of this MD&A.

REVENUES

In the first quarter of 2017, revenues of $997 million were $146 million higher than the same period in 2016, mainly due to revenue recorded for Alberta PowerLine (APL) and rate base growth in our Regulated Utilities.

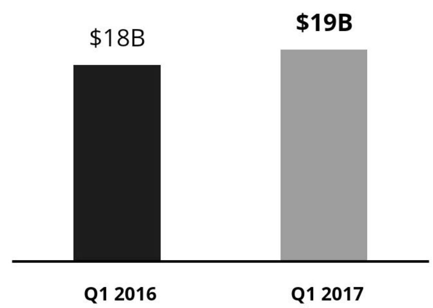
Revenue Mix



ASSETS

Our total assets grew from $18 billion in the first quarter of 2016 to $19 billion in the first quarter of 2017. Growth occurred mainly in our Alberta Utilities as a result of continued capital investment.

Asset Growth

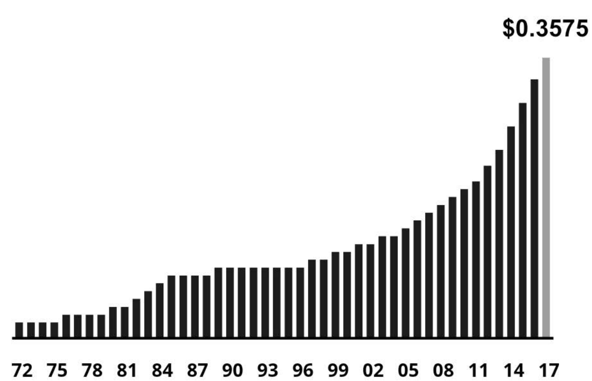


COMMON SHARE DIVIDENDS

On April 6, 2017, the Board of Directors declared a second quarter dividend of 35.75 cents per share. This represents a 10 per cent increase over the quarterly dividends declared in 2016. Dividends paid to Class A and Class B share owners totaled $65 million in the first quarter of 2017.

We have increased our common share dividend each year since 1972. In each of the last six years, we have increased our quarterly dividend by 10 per cent.

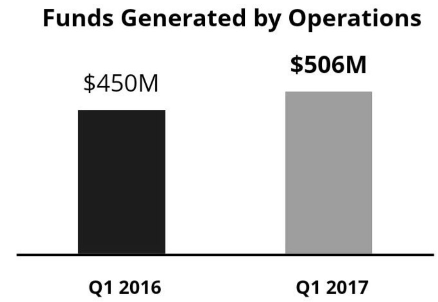
Quarterly Dividend Rate 1972 - 2017
(dollars per share)



FUNDS GENERATED BY OPERATIONS

Funds generated by operations were $506 million in the first quarter of 2017, compared to $450 million in the same period of 2016.

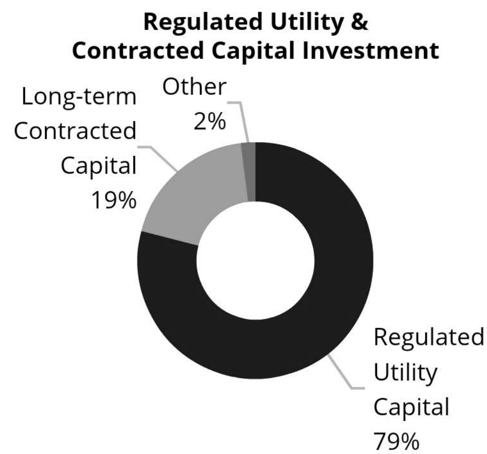
Continued capital investment and rate base growth in our Regulated Utilities led to higher funds generated by operations.



CAPITAL INVESTMENT

Capital investment includes additions to property, plant and equipment, intangibles, capital expenditures in joint ventures and service concession arrangements. Total capital investment in the first quarter of 2017 was $285 million.

Capital spending in our Regulated Utilities and on long-term contracted capital assets accounted for $280 million of capital spending in the first quarter of 2017. These investments either earn a return under a regulatory business model or are under commercially secured long-term contracts.

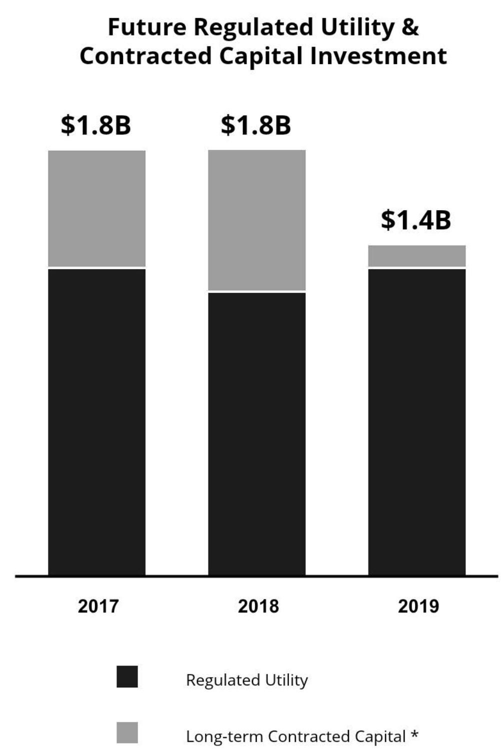


FUTURE CAPITAL INVESTMENT PLANS

In the period 2017 to 2019, we expect to invest an additional $5 billion in Regulated Utility and commercially secured capital growth projects. This capital investment is expected to contribute significant earnings and cash flow and create long-term value for share owners.

This three year plan includes $3.8 billion of planned capital investment in our Regulated Utilities. Our electricity distribution and transmission businesses are planning to invest $1.8 billion, and our natural gas distribution and transmission businesses are planning to invest $2 billion.

In addition to capital investment in our Regulated Utilities, we intend to invest a further $1.2 billion in long-term contracted capital from 2017 to 2019 in the APL Fort McMurray 500 kV Project, contracted hydrocarbon storage and distributed generation. We also continue to pursue various business development opportunities with long-term potential, such as the Tula cogeneration power plant in Mexico and the Strathcona cogeneration power plant in Alberta, which are not included in these capital growth investment estimates.



** Includes the Company's proportionate share of investment in partnership interests and cash used for service concession arrangements.*

GLOBAL BUSINESS UNIT PERFORMANCE

REVENUES

Electricity revenues of $487 million in the first quarter of 2017 were $39 million higher than the same period in 2016, mainly due to revenue recorded for planning and design activities at Alberta PowerLine.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2017**	**2016**	**Change**
Regulated Electricity			
Electricity Distribution	**41**	37	4
Electricity Transmission	**54**	51	3
Total Regulated Electricity Adjusted Earnings	**95**	88	7
Non-regulated Electricity			
Independent Power Plants	**5**	1	4
Thermal PPA Plants	**9**	6	3
International Power Generation	**7**	7	–
Alberta PowerLine	**2**	–	2
Total Non-regulated Electricity Adjusted Earnings	**23**	14	9
Total Electricity Adjusted Earnings	**118**	102	16

Our Electricity business earned $118 million in the first quarter of 2017, $16 million higher than the same period in 2016. Higher earnings were primarily due to continued capital investment, growth in rate base within Regulated Electricity and lower operating costs.

Detailed information about the activities and financial results of Electricity's businesses is provided in the following sections.

REGULATED ELECTRICITY

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

Electricity Distribution

Our electricity distribution business earned $41 million in the first quarter of 2017, $4 million higher than the same period in 2016. Higher earnings resulted primarily from growth in rate base and lower operating costs.

Electricity Transmission

Our electricity transmission business earned $54 million in the first quarter of 2017, $3 million higher than the same period in 2016. Higher earnings resulted primarily from the impact of the 2015 to 2017 General Tariff Application (GTA) Review and Variance decision received on March 16, 2017. The impact of this decision was an increase to first quarter 2017 adjusted earnings of $3 million, most of which related to prior years.

NON-REGULATED ELECTRICITY

Our non-regulated electricity activities are conducted by ATCO Power, ATCO Power Australia and Alberta PowerLine. These businesses supply electricity from natural gas, coal-fired and hydroelectric generating plants in western Canada, Ontario, Australia and Mexico and non-regulated electricity transmission in Alberta.

Generating Plant Availability

Our generating availability for the first quarter of 2017 and 2016 is shown in the table below. Generating plant capacity fluctuates with the timing and duration of outages.

Thermal PPA Plant availability was higher in the first quarter of 2017 compared to the same period in 2016, primarily due to a planned outage at Sheerness in the first quarter of 2016, and no planned outages in the first quarter of 2017.

	Three Months Ended March 31		
	2017	**2016**	**Change**
Independent Power Plants	**95%**	96%	(1%)
Thermal PPA Plants	**95%**	89%	6%
International Power Generation	**100%**	98%	2%

Independent Power Plants

First quarter 2017 adjusted earnings were $5 million. Effective first quarter 2017, adjusted earnings do not include unrealized gains or losses on mark-to-market forward commodity contracts. First quarter 2017 unrealized losses were $5 million. More information on this change to our definition of adjusted earnings is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class A and Class B shares section of this MD&A.

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the first quarter of 2017 and 2016 are shown in the table below.

	Three Months Ended March 31		
	2017	**2016**	**Change**
Average Alberta Power Pool electricity price *($/MWh)*	**22.39**	18.11	24%
Average natural gas price *($/GJ)*	**2.55**	1.74	47%
Average spark spread *($/MWh)*	**3.27**	5.06	(35%)

The average Alberta Power Pool electricity price was higher in the first quarter of 2017 when compared to the same period in 2016. This was primarily attributable to increased carbon prices and higher natural gas prices which have affected overall variable price offers in the market.

Thermal PPA Plants

The electricity generated by the Battle River unit 5 and Sheerness plants is sold through PPAs. Under the PPAs, we must make the generating capacity for each generating unit available to the PPA purchaser of that unit. These arrangements entitle us to recover our forecast fixed and variable costs from the PPA purchaser. Under the terms of the PPAs, we are subject to an incentive related to the generating unit availability. Incentives are payable by the PPA counterparties for availability in excess of predetermined targets. These amounts are amortized based on estimates of future generating unit availability and future electricity prices over the term of the PPAs.

In the first quarter of 2017, adjusted earnings from our Thermal PPA Plants were $3 million higher than the same period in 2016. Higher earnings were primarily due to lower operating and maintenance costs and compensation for the early retirement of coal-fired generation.

International Power Generation

Our international power generation activities are conducted by ATCO Power Australia and ATCO Mexico. These businesses supply electricity from two natural gas-fired generation plants in Adelaide, South Australia, and Karratha, Western Australia and distributed generation facilities in San Luis Potosi, Mexico.

Our international power generation business earned $7 million in the first quarter of 2017, comparable to the same period in 2016.

Alberta PowerLine

APL's adjusted earnings were $2 million in the first quarter of 2017. The increase in earnings was due to planning and design activities which are accounted for as a service concession arrangement under IFRS. Under a service concession arrangement, earnings during the design, planning and construction phases are recorded on a percentage of completion basis.

REVENUES

Pipelines & Liquids revenues of $498 million in the first quarter of 2017 were $98 million higher than the same period in 2016, mainly due to continued capital investment and growth in rate base, and colder weather causing higher demand in our natural gas distribution business.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2017**	**2016**	**Change**
Regulated Pipelines & Liquids			
Natural Gas Distribution	**81**	77	4
Natural Gas Transmission	**17**	15	2
International Natural Gas Distribution	**12**	8	4
Total Regulated Pipelines & Liquids Adjusted Earnings	**110**	100	10
Non-regulated Pipelines & Liquids			
Storage & Industrial Water	**2**	5	(3)
Total Pipelines & Liquids Adjusted Earnings	**112**	105	7

Our Pipelines & Liquids' business earned $112 million in the first quarter of 2017, $7 million higher than the same period in 2016. Higher adjusted earnings were primarily due to continued capital investment and growth in rate base within Regulated Pipelines & Liquids.

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

REGULATED PIPELINES & LIQUIDS

Natural Gas Distribution

Our natural gas distribution activities throughout Alberta and in the Lloydminster area of Saskatchewan are conducted by ATCO Gas. It services municipal, residential, business and industrial customers.

Our natural gas distribution business earned $81 million in the first quarter of 2017, $4 million higher than the same period in 2016, primarily due to growth in both rate base and customers.

Natural Gas Transmission

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

Our natural gas transmission business earned $17 million in the first quarter of 2017, $2 million higher than the same period in 2016. Higher earnings were primarily due to growth in rate base.

International Natural Gas Distribution

ATCO Gas Australia is part of our international natural gas distribution activities. It is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions.

Our international natural gas distribution business earned $12 million in the first quarter of 2017, $4 million higher than the same period in 2016. Higher earnings were mainly due to an adjustment recorded in the first quarter of 2017 related to the difference between 2016 actual inflation and the forecast inflation included in 2016 rates. Adjustments are made annually for the impact of changes between the forecasted inflation rate and the actual inflation rate. Our adjusted earnings were also positively impacted by higher seasonal demand from colder weather and continued rate base growth.

NON-REGULATED PIPELINES & LIQUIDS

Storage & Industrial Water

Our industrial water services and non-regulated natural gas and hydrocarbon storage, processing and transmission activities are conducted by ATCO Energy Solutions.

Earnings in our storage & industrial water business were $3 million lower compared to the same period in 2016. The variance is mainly due to lower costs in the first quarter of 2016 due to the sale of under-performing assets in late 2015 and early 2016.

Corporate & Other

Our Corporate & Other segment includes the 2016 launch of retail energy through ATCOenergy to provide retail electricity and natural gas services in Alberta, our global corporate head office in Calgary, Canada, our Australia corporate head office in Perth, Western Australia and our 24.5 per cent equity investment in Structures & Logistics.

In the first quarter of 2017, earnings from our Corporate & Other segment were lower than the same period in 2016, mainly due to lower Structures & Logistics earnings as a result of lower Modular Structures major project activity.

REGULATORY DEVELOPMENTS

NEXT GENERATION OF PERFORMANCE BASED REGULATION

On December 16, 2016, the AUC released its decision on the second generation PBR plan framework for electricity and natural gas distribution utilities in Alberta. Under the 2018 to 2022 second generation PBR framework, utility rates will continue to be adjusted by a formula that estimates inflation annually and assumes productivity improvements. The framework also contains modified provisions for supplemental funding of capital expenditures that are not recovered as part of the base inflation less productivity formula. Regulatory applications to determine going-in rates were filed on April 21, 2017. This decision does not apply to the transmission operations of ATCO Electric and ATCO Pipelines; these continue to be regulated under Cost of Service regulation.

ATCO ELECTRIC TRANSMISSION 2015 TO 2017 GENERAL TARIFF APPLICATION (GTA) REVIEW AND VARIANCE

On March 16, 2017, the AUC issued a decision on the Review and Variance Application relating to the 2015 to 2017 GTA. The application requested that the AUC review and vary the 2015 to 2017 GTA decision findings for severance costs, line insurance, head office allocations, 2015 capital maintenance costs and 2013-2014 tax deductions. While the decision denied the review and vary request for the tax deductions, line insurance and head office allocations, the AUC agreed with our positions on 2015 capital maintenance costs and a variety of calculation errors. The AUC also identified the need for and set a process for a second stage review of $4 million of previously disallowed severance costs. The impact of this decision was an increase to first quarter 2017 adjusted earnings of $3 million, most of which was related to prior years.

SUSTAINABILITY, CLIMATE CHANGE AND THE ENVIRONMENT

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

SUSTAINABILITY REPORTING

Our 2016 Sustainability Report, expected to be released in May 2017, will be focused on key material topics including: Environmental Stewardship (climate change and energy use, and environmental compliance), Energy Stewardship (access and affordability, security and reliability, and customer satisfaction), Safety (employee health and safety, public safety, and emergency preparedness), and Community and Indigenous Relations.

CLIMATE CHANGE AND THE ENVIRONMENT

Government of Alberta's Provincial Climate Leadership Plan

As part of its Climate Leadership Plan, the Government of Alberta has published a firm target that 30 per cent of electricity used in Alberta will come from renewable sources such as wind, hydro and solar by 2030. The Government will support 5,000 MW of additional renewable energy capacity. Support will be provided to projects that are based in Alberta, are new or expanded, are greater than five MW in size, and meet the definition of renewable sources as defined by Natural Resources Canada.

On March 31, 2017 the AESO opened a Request for Expressions of Interest (REOI) for 400 MW of renewable electricity capacity for delivery in 2019 for a proposed 20 year period. An REOI information session was held on April 18, 2017 with successful proponent(s) selection scheduled for December 2017. We will participate in the REOI process for renewable electricity capacity.

Canadian Utilities is an active participant in Alberta's electricity transformation. In October 2016, we announced the energization of Western Canada’s largest off-grid solar project, located at the Saddle Hills Telecommunication Site northwest of Grande Prairie. In November 2016, we entered into an agreement with the Government of Alberta on the elimination of coal-fired emissions from the Sheerness Generating Station on or before December 31, 2030. We are also working with the Government of Alberta on the conversion of coal-fired generation to natural gas, the exploration of hydro generation, and the development of Alberta’s new capacity market.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the three months ended March 31, 2017 and 2016 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended March 31		
($ millions)	**2017**	**2016**	**Change**
Operating costs	**438**	379	59
Service concession arrangement costs	**49**	–	49
Gain on sales of operations	**30**	18	12
Earnings from investment in joint ventures	**7**	4	3
Depreciation and amortization	**148**	141	7
Net finance costs	**98**	94	4
Income taxes	**69**	68	1

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation and amortization, increased by $59 million in the first quarter of 2017 when compared to the same period in 2016. Increased costs were mainly due to higher natural gas prices and colder weather causing higher demand in our natural gas distribution business, and increased ATCOenergy operations since its launch in the first quarter of 2016.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs increased in the first quarter of 2017 when compared to the same period in 2016. The increase is attributable to costs Alberta PowerLine has recorded on design and planning activities for the Fort McMurray 500 kV Project.

GAIN ON SALES OF OPERATIONS

Gain on sales of operations increased by $12 million in the first quarter of 2017 when compared to the same period in 2016. In the first quarter of 2017, we sold our 100 per cent investment in ATCO Real Estate Holdings Ltd. In the first quarter of 2016, we sold our 51.3 per cent ownership interest in the Edmonton Ethane Extraction Plant.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of our ownership position in several power generation plants and the Strathcona Storage Limited Partnership. Earnings from investment in joint ventures increased in the first quarter of 2017, mainly due to higher earnings contributions from our Brighton Beach power generation plant and the Strathcona Storage Limited Partnership's hydrocarbon storage facility.

DEPRECIATION AND AMORTIZATION

In the first quarter of 2017, depreciation and amortization expense increased by $7 million when compared to the same period in 2016. The increased expense was mainly due to the ongoing capital investment program in our Regulated Utilities.

NET FINANCE COSTS

Net finance costs increased in the first quarter of 2017 when compared to the same period in 2016, mainly as a result of incremental debt issued to fund the ongoing capital investment program in our Regulated Utilities.

INCOME TAXES

Income taxes increased in the first quarter of 2017 when compared to the same period in 2016, mainly due to higher earnings driven by continued capital investment and growth in rate base within our Regulated Utilities. The increase was partially offset by the non-taxable gain on the sale of our investment in ATCO Real Estate Holdings Ltd.

LIQUIDITY AND CAPITAL RESOURCES

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

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

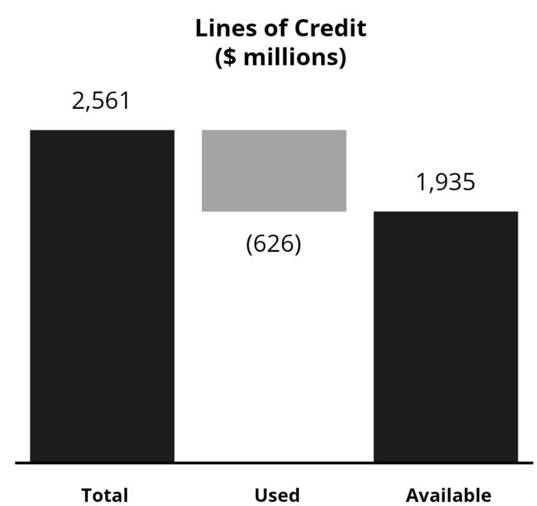
LINES OF CREDIT

At March 31, 2017, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,258**	469	1,789
Uncommitted	**303**	157	146
Total	**2,561**	626	1,935

Of the $2,561 million in total credit lines, $303 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,258 million in credit lines were committed, with $600 million maturing in late 2018. The remaining credit lines mature between 2019 and 2020 and may be extended at the option of the lenders.

The majority of the $626 million credit line usage was associated with ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. Credit lines for ATCO Gas Australia are provided by Australian banks, with the majority of all other credit lines provided by Canadian banks.



Funds Generated by Operations

Funds generated by operations were $506 million in the first quarter of 2017, compared to $450 million in the same period in 2016. The increase was mainly as a result of continued capital investment and rate base growth in our Regulated Utilities.

Cash Used for Capital Investment

Cash used for capital investment was $285 million in the first quarter of 2017, compared to $343 million in the first quarter of 2016. Capital investment in the first quarter of 2016 included our purchase of the remaining 49 per cent interest in Barking Power Limited.

Capital investment for the three months ended March 31, 2017 and 2016 is shown in the table below.

	Three Months Ended March 31		
($ millions)	**2017**	**2016**	**Change**
Electricity			
Electricity Distribution	**56**	56	–
Electricity Transmission	**40**	49	(9)
Power Generation	**4**	66	(62)
Alberta PowerLine	**49**	11	38
Total Electricity	**149**	182	(33)
Pipelines & Liquids			
Natural Gas Distribution	**53**	60	(7)
Natural Gas Transmission	**57**	41	16
International Natural Gas Distribution	**20**	17	3
International Natural Gas Transmission and Storage & Industrial Water	**5**	42	(37)
Total Pipelines & Liquids	**135**	160	(25)
Corporate & Other	**1**	1	–
Total (1) (2)	**285**	343	(58)

(1) Includes capital expenditures in joint ventures of $1 million (2016 - $19 million) for the quarter ended March 31, 2017.

(2) Includes additions to property, plant and equipment, intangibles and $4 million (2016 - $4 million) of interest capitalized during construction for the quarter ended March 31, 2017.

Base Shelf Prospectuses

CU Inc. Debentures

On May 16, 2016, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.5 billion of debentures over the 25-month life of the prospectus. As of April 24, 2017, aggregate issuances of debentures were $375 million.

Debt Securities and Preferred Shares

On April 12, 2016, Canadian Utilities filed a base shelf prospectus that permits it to issue up to an aggregate of $2 billion of debt securities and preferred shares over the 25-month life of the prospectus. No debt securities or preferred shares have been issued to date under this base shelf prospectus.

Dividends and Common Shares

We have increased our common share dividend each year since 1972. In each of the last six years, we have increased our quarterly dividend by 10 per cent. Dividends paid to Class A and Class B share owners in the first quarter of 2017 totaled $65 million.

On April 6, 2017, the Board of Directors declared a second quarter dividend of 35.75 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

10% increase in quarterly dividend for the sixth consecutive year

Dividend Reinvestment Plan

In the first quarter of 2017, we issued 866,019 Class A non-voting shares under our DRIP in lieu of cash dividend payments of $31 million.

SHARE CAPITAL

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

At April 24, 2017, the Company had outstanding 195,199,621 Class A shares, 74,224,583 Class B shares, and options to purchase 891,400 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

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

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

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

Of the 12,800,000 Class A shares authorized for grant of options under the Company's stock option plan, 5,245,000 Class A shares were available for issuance at March 31, 2017. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

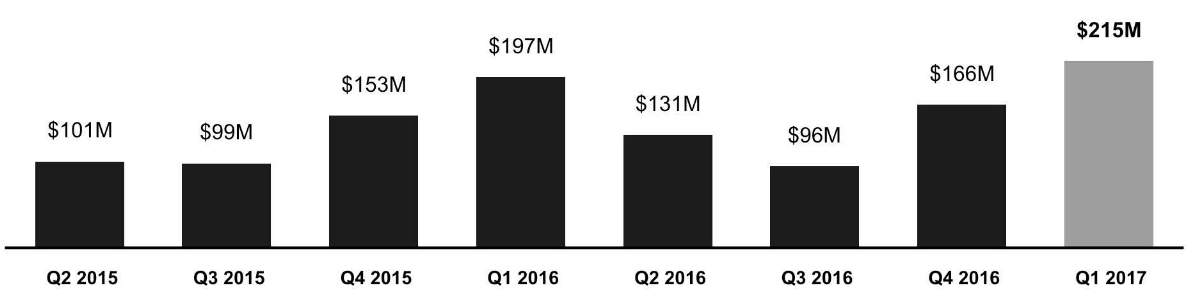
QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2015 through March 31, 2017.

($ millions except for per share data)	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Revenues	756	778	1,014	**997**
Earnings attributable to Class A and Class B shares	108	124	196	**230**
Earnings per Class A and Class B share *($)*	0.34	0.40	0.67	**0.79**
Diluted earnings per Class A and Class B share *($)*	0.34	0.40	0.67	**0.79**
Adjusted earnings				
Electricity	102	87	111	**118**
Pipelines & Liquids	43	26	81	**112**
Corporate & Other and Intersegment Eliminations	(14)	(17)	(26)	**(15)**
Total adjusted earnings	131	96	166	**215**
($ millions except for per share data)	**Q2 2015**	**Q3 2015**	**Q4 2015**	**Q1 2016**
Revenues	780	705	861	851
Earnings attributable to Class A and Class B shares	43	89	46	192
Earnings per Class A and Class B share *($)*	0.12	0.28	0.11	0.66
Diluted earnings per Class A and Class B share *($)*	0.12	0.28	0.10	0.65
Adjusted earnings				
Electricity	98	95	63	102
Pipelines & Liquids	13	17	84	105
Corporate & Other and Intersegment Eliminations	(10)	(13)	6	(10)
Total adjusted earnings	101	99	153	197

Adjusted Earnings

Our financial results for the previous eight quarters reflect continued growth in our Regulated Utility operations as well as fluctuating commodity prices in electricity generation and sales, and natural gas gathering, processing, storage and liquids extraction operations. In addition, interim results will vary due to the seasonal nature of demand for electricity and natural gas, the timing of utility regulatory decisions and the cyclical demand for workforce housing and space rental products and services. Financial results in 2016 and 2017 are reflective of improved earnings from business-wide cost reduction initiatives.



Electricity

Electricity's adjusted earnings reflect the large capital investment made by Regulated Electricity in the previous eight quarters. These investments, which earn a return under a regulated business model, drive growth in adjusted earnings. Adjusted earnings have also been affected by the timing of certain major regulatory decisions, and Alberta Power Pool pricing and spark spreads.

In 2015, fourth quarter earnings were lower mainly due to regulatory lag which required an update to the forecast costs as compared to prospective costs originally filed in electricity transmission's 2015 to 2017 GTA.

In 2016, higher earnings were primarily due to continued capital investment and rate base growth and business-wide cost reduction initiatives. Lower earnings in the third quarter were due to the financial impact of electricity transmission's GTA regulatory decision.

In 2017, higher first quarter earnings were primarily due to continued capital investment and rate base growth within Regulated Electricity and lower operating costs.

Pipelines & Liquids

Pipelines & Liquids' adjusted earnings reflect the large capital investment made by Regulated Pipelines & Liquids in the previous eight quarters. These investments, which earn a return under a regulated business model, drive growth in adjusted earnings. Adjusted earnings have also been affected by the timing of certain major regulatory decisions, seasonality, and commodity prices.

In 2015, second quarter earnings were lower due to the impact of the Access Arrangement decision on ATCO Gas Australia, and lower frac spreads and storage fees in our storage & industrial water business. Higher operations and maintenance costs and lower seasonal demand in our natural gas distribution business are reflected in lower third quarter earnings. Higher earnings in the fourth quarter were primarily attributable to continued capital investment, growth in rate base and customers, and business-wide cost reduction initiatives.

In 2016, higher earnings were due to continued capital investment and rate base growth, and business-wide cost reduction initiatives.

In 2017, higher earnings were mainly due to continued capital investment and rate base growth within Regulated Pipelines & Liquids.

Earnings attributable to Class A and Class B shares

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

- in the first quarter of 2017, we recorded a gain of $30 million on the sale of our 100 per cent investment in ATCO Real Estate Holdings Ltd.;
- in the fourth quarter of 2016, the Company adjusted the deferred tax asset which was recognized as a result of the Tula Pipeline Project impairment. The adjustment of $9 million was due to a difference between the tax base currency, which is Mexican pesos, and the U.S. dollar functional currency;
- in the first quarter of 2016, we recorded a gain on sale of joint operations of $13 million for the sale of our 51.3 per cent interest in the Edmonton Ethane Extraction Plant;
- in the fourth quarter of 2015, we recorded $27 million for: the sale of Structures & Logistics' Emissions Management business, the sale of certain non-core natural gas gathering and processing assets, and the revaluation of our Barking investment;
- in the fourth quarter of 2015, impairment charges of $103 million were recorded relating to the Battle River units 3 and 4 power generation assets, the Mexico Tula Pipeline, as well as certain gas gathering and processing facilities;
- in the fourth quarter of 2015, the Company recorded a restructuring charge of $73 million. These costs were primarily related to staff reductions and associated severance costs;
- in the third quarter of 2015, the Company recognized a restructuring charge of $5 million; and
- in the second quarter of 2015, the Company recognized a restructuring charge of $4 million and made an adjustment of $67 million to current and deferred income taxes associated with the Government of Alberta corporate income tax rate increase from 10 per cent to 12 per cent. $63 million of this adjustment related to deferred income taxes recorded by the Alberta Utilities that were excluded from adjusted earnings.

NON-GAAP AND ADDITIONAL GAAP MEASURES

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

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

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to Class A and Class B shares is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the 2017 unaudited interim consolidated financial statements.

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

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS ATTRIBUTABLE TO CLASS A AND CLASS B SHARES

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

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

($ millions)					**Three Months Ended March 31**
2017 **2016**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**487**	**498**	**51**	**(39)**	**997**
	448	400	21	(18)	851
Adjusted earnings	**118**	**112**	**(16)**	**1**	**215**
	102	105	(12)	2	197
Gain on sales of operations	**–**	**–**	**30**	**–**	**30**
	–	13	–	–	13
Unrealized gains/(losses) on mark-to-market forward commodity contracts	**(5)**	**–**	**–**	**–**	**(5)**
	–	–	–	–	–
Rate-regulated activities	**(39)**	**11**	**–**	**1**	**(27)**
	(7)	(30)	–	2	(35)
Dividends on equity preferred shares of Canadian Utilities Limited	**1**	**–**	**16**	**–**	**17**
	1	–	16	–	17
Earnings attributable to Class A and Class B shares	**75**	**123**	**30**	**2**	**230**
	96	88	4	4	192

GAIN ON SALES OF OPERATIONS

Corporate & Other

In January 2017, we sold our 100 per cent investment in ATCO Real Estate Holdings Ltd. to ATCO Ltd. for cash proceeds of $47 million, which resulted in a gain of $30 million. The proceeds will be deployed for continued capital investment, to repay indebtedness, and for other general corporate purposes.

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

In order to optimize the available merchant capacity and manage exposure to electricity market price movements for our Independent Power Plants, we enter into forward contracts. The MW capacity limits on forward commodity contracts were increased which heightens the potential for higher unrealized gains or losses in advance of the settlement of the contract. Removal of the unrealized gains or losses on mark-to-market forward commodity contracts provides a better representation of the operating results of the Independent Power Plants and more closely aligns us with our power and utility company peer disclosure. Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

RATE-REGULATED ACTIVITIES

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

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

Earnings adjustments to reflect rate-regulated accounting are shown in the following table.

	Three Months Ended March 31		
($ millions)	**2017**	**2016**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs [(1)]	**19**	17	2
Revenues to be billed in future periods			
Deferred income taxes [(2)]	**(30)**	(29)	(1)
Impact of warmer temperatures [(3)]	**–**	(17)	17
Settlement of regulatory decisions and other items	**(16)**	(6)	(10)
	(27)	(35)	8

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

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

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

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

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
Additional revenues billed in current period	Future removal and site restoration costs.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
Revenues to be billed in future periods	Deferred income taxes and impact of warmer temperatures.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
Regulatory decisions received	For further details on regulatory decisions that caused a timing adjustment financial impact, refer to the Regulatory Developments section in this MD&A as well as the Segmented Information presented in Note 3 of the 2017 unaudited interim consolidated financial statements.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

For further details on additional revenues billed in the current period, revenues to be billed in future periods, and settlement of regulatory decisions and other items, refer to the Segmented Information presented in Note 3 of the 2017 unaudited interim consolidated financial statements.

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

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

($ millions)

	Three Months Ended March 31
2017	
2016	
Funds generated by operations	**506**
	450
Changes in non-cash working capital	**98**
	(20)
Change in receivable under service concession arrangement	**(54)**
	–
Cash flows from operating activities	**550**
	430

OTHER FINANCIAL INFORMATION

ACCOUNTING CHANGES

There were no new or amended standards issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) in the first quarter of 2017 that the Company anticipates will have a material effect on the unaudited interim consolidated financial statements or note disclosures.

CONTROLS AND PROCEDURES

Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2017, and ended on March 31, 2017, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD LOOKING INFORMATION

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

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

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

ADDITIONAL INFORMATION

Canadian Utilities has published its audited consolidated financial statements and its MD&A for the year ended December 31, 2016. Copies of these documents may be obtained upon request from Investor Relations at 1500, 909 -11th Avenue S.W., Calgary, Alberta, T2R 1N6, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

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

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

AUC means the Alberta Utilities Commission.

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

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

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

CODM means Chief Operating Decision Maker, and is comprised of the Chair, President and Chief Executive Officer, and five other senior executives.

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

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

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

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

GAAP means Canadian generally accepted accounting principles.

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

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

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

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

PBR means Performance Based Regulation.

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

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

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

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2017

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CONSOLIDATED STATEMENT OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Three Months Ended March 31 2017	2016
Revenues		**997**	851
Costs and expenses			
Salaries, wages and benefits		**(80)**	(88)
Energy transmission and transportation		**(68)**	(54)
Plant and equipment maintenance		**(46)**	(55)
Fuel costs		**(33)**	(32)
Purchased power		**(27)**	(21)
Service concession arrangement costs		**(49)**	–
Depreciation and amortization		**(148)**	(141)
Franchise fees		**(83)**	(65)
Property and other taxes		**(32)**	(25)
Other		**(69)**	(39)
		(635)	(520)
Gain on sales of operations	4	**30**	18
Earnings from investment in ATCO Structures & Logistics		**–**	3
Earnings from investment in joint ventures		**7**	4
Operating profit		**399**	356
Interest income		**5**	3
Interest expense		**(103)**	(97)
Net finance costs		**(98)**	(94)
Earnings before income taxes		**301**	262
Income taxes		**(69)**	(68)
Earnings for the period		**232**	194
Earnings attributable to:			
Class A and Class B shares		**230**	192
Non-controlling interests		**2**	2
		232	194
Earnings per Class A and Class B share	5	**$0.79**	$0.66
Diluted earnings per Class A and Class B share	5	**$0.79**	$0.65

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(millions of Canadian Dollars)	Three Months Ended March 31 2017	Three Months Ended March 31 2016
Earnings for the period	**232**	194
Other comprehensive loss, net of income taxes		
Items that will not be reclassified to earnings:		
Re-measurement of retirement benefits (1)	**(40)**	(68)
Share of re-measurement of retirement benefits of ATCO Structures & Logistics (2)	**(1)**	(1)
	(41)	(69)
Items that are or may be reclassified subsequently to earnings:		
Cash flow hedges (3)	**(4)**	(5)
Cash flow hedges reclassified to earnings (2)	**(1)**	1
Foreign currency translation adjustment (2)	**26**	(17)
Share of other comprehensive income (loss) of ATCO Structures & Logistics (2)	**1**	(3)
	22	(24)
Other comprehensive loss	**(19)**	(93)
Comprehensive income for the period	**213**	101
Comprehensive income attributable to:		
Class A and Class B shares	**211**	99
Non-controlling interests	**2**	2
	213	101

(1) Net of income taxes of $15 million for the three months ended March 31, 2017 (2016 - $23 million).

(2) Net of income taxes of nil.

(3) Net of income taxes of $2 million for the three months ended March 31, 2017 (2016 - $2 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

(millions of Canadian Dollars)	Note	March 31 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		**515**	345
Accounts receivable		**495**	518
Finance lease receivables		**12**	12
Inventories		**41**	38
Income taxes receivable		**35**	35
Prepaid expenses and other current assets		**45**	37
		1,143	985
Non-current assets			
Property, plant and equipment	6	**16,454**	16,363
Intangibles		**530**	526
Investment in ATCO Structures & Logistics		**197**	199
Investment in joint ventures		**194**	189
Finance lease receivables		**305**	302
Deferred income tax assets		**58**	55
Receivable under service concession arrangement		**131**	77
Other assets		**103**	85
Total assets		**19,115**	18,781
LIABILITIES			
Current liabilities			
Bank indebtedness		**11**	5
Accounts payable and accrued liabilities		**676**	605
Asset retirement obligations and other provisions		**40**	40
Other current liabilities		**28**	18
Short-term debt	7	**35**	55
Long-term debt		**155**	155
Non-recourse long-term debt		**14**	14
		959	892
Non-current liabilities			
Deferred income tax liabilities		**1,185**	1,163
Asset retirement obligations and other provisions		**132**	132
Retirement benefit obligations		**360**	302
Deferred revenues		**1,691**	1,689
Other liabilities		**77**	34
Long-term debt		**8,100**	8,065
Non-recourse long-term debt		**80**	84
Total liabilities		**12,584**	12,361
EQUITY			
Equity preferred shares		**1,483**	1,483
Class A and Class B share owners' equity			
Class A and Class B shares	8	**1,100**	1,070
Contributed surplus		**13**	15
Retained earnings		**3,731**	3,655
Accumulated other comprehensive income		**17**	(5)
		4,861	4,735
Non-controlling interests		**187**	202
Total equity		**6,531**	6,420
Total liabilities and equity		**19,115**	18,781

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Equity Owners of the Company							
(millions of Canadian Dollars)	Note	Class A and Class B Shares	Equity Preferred Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
December 31, 2015		1,013	1,483	15	3,467	28	6,006	187	6,193
Earnings for the period		–	–	–	192	–	192	2	194
Other comprehensive loss		–	–	–	–	(93)	(93)	–	(93)
Losses on retirement benefits transferred to retained earnings		–	–	–	(69)	69	–	–	–
Shares issued	8	13	–	–	–	–	13	–	13
Dividends	8,9	–	–	–	(105)	–	(105)	(2)	(107)
Share-based compensation		1	–	(3)	–	–	(2)	–	(2)
March 31, 2016		1,027	1,483	12	3,485	4	6,011	187	6,198
December 31, 2016		1,070	1,483	15	3,655	(5)	6,218	202	6,420
Earnings for the period		**–**	**–**	**–**	**230**	**–**	**230**	**2**	**232**
Other comprehensive loss		**–**	**–**	**–**	**–**	**(19)**	**(19)**	**–**	**(19)**
Losses on retirement benefits transferred to retained earnings		**–**	**–**	**–**	**(41)**	**41**	**–**	**–**	**–**
Shares issued	8	**31**	**–**	**–**	**–**	**–**	**31**	**–**	**31**
Dividends	8,9	**–**	**–**	**–**	**(113)**	**–**	**(113)**	**(2)**	**(115)**
Share-based compensation		**(1)**	**–**	**(2)**	**–**	**–**	**(3)**	**–**	**(3)**
Other		**–**	**–**	**–**	**–**	**–**	**–**	**(15)**	**(15)**
March 31, 2017		**1,100**	**1,483**	**13**	**3,731**	**17**	**6,344**	**187**	**6,531**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOW

(millions of Canadian Dollars)	Note	Three Months Ended March 31 2017	Three Months Ended March 31 2016
Operating activities			
Earnings for the period		**232**	194
Adjustments to reconcile earnings to cash flows from operating activities	10	**274**	256
Changes in non-cash working capital		**98**	(20)
Change in receivable under service concession arrangement		**(54)**	–
Cash flows from operating activities		**550**	430
Investing activities			
Additions to property, plant and equipment		**(215)**	(306)
Proceeds on disposal of property, plant and equipment		**–**	3
Additions to intangibles		**(16)**	(14)
Proceeds on sales of operations	4	**47**	21
Investment in joint ventures		**(5)**	(12)
Changes in non-cash working capital		**(21)**	(70)
Other		**12**	5
Cash flows used in investing activities		**(198)**	(373)
Financing activities			
Net repayment of short-term debt	7	**(20)**	–
Repayment of non-recourse long-term debt		**(4)**	(3)
Issue of Class A shares		**–**	1
Dividends paid on equity preferred shares		**(17)**	(17)
Dividends paid to non-controlling interests		**(2)**	(2)
Dividends paid to Class A and Class B share owners		**(65)**	(75)
Interest paid		**(91)**	(90)
Other		**8**	2
Cash flows used in financing activities		**(191)**	(184)
Increase (decrease) in cash position [(1)]		**161**	(127)
Foreign currency translation		**3**	(8)
Beginning of period		**340**	519
End of period	10	**504**	384

(1) Cash position includes $41 million which is not available for general use by the Company (2016 - $34 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2017

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

1. THE COMPANY AND ITS OPERATIONS

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

Canadian Utilities Limited is engaged in the following global business activities:

- Electricity (electricity generation, distributed generation, and electricity distribution, transmission and infrastructure development); and
- Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions).

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

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016, prepared according to IFRS.

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

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on April 25, 2017.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for derivative financial instruments, retirement benefit obligations and cash-settled share-based compensation liabilities which are carried at remeasured amounts or fair value.

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

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

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

Results by operating segment for the three months ended March 31 are shown below.

2017 / 2016	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues - external	**473**	**481**	**43**	**–**	**997**
	443	396	12	–	851
Revenues - intersegment	**14**	**17**	**8**	**(39)**	**–**
	5	4	9	(18)	–
Revenues	**487**	**498**	**51**	**(39)**	**997**
	448	400	21	(18)	851
Operating expenses (1)	**(233)**	**(236)**	**(57)**	**39**	**(487)**
	(168)	(204)	(25)	18	(379)
Depreciation and amortization	**(92)**	**(57)**	**(2)**	**3**	**(148)**
	(89)	(55)	(2)	5	(141)
Gain on sales of operations	**–**	**–**	**30**	**–**	**30**
	–	18	–	–	18
Earnings from investment in ATCO Structures & Logistics	**–**	**–**	**–**	**–**	**–**
	–	–	3	–	3
Earnings from investment in joint ventures	**6**	**1**	**–**	**–**	**7**
	4	–	–	–	4
Net finance costs	**(64)**	**(35)**	**2**	**(1)**	**(98)**
	(62)	(36)	4	–	(94)
Earnings before income taxes	**104**	**171**	**24**	**2**	**301**
	133	123	1	5	262
Income taxes	**(28)**	**(47)**	**6**	**–**	**(69)**
	(36)	(34)	3	(1)	(68)
Earnings for the period	**76**	**124**	**30**	**2**	**232**
	97	89	4	4	194
Adjusted earnings	**118**	**112**	**(16)**	**1**	**215**
	102	105	(12)	2	197
Total assets (2)	**11,669**	**7,152**	**433**	**(139)**	**19,115**
	11,506	6,919	512	(156)	18,781
Capital expenditures (3)	**100**	**134**	**1**	**–**	**235**
	182	141	1	–	324

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

(2) 2016 comparatives are at December 31, 2016.

(3) Includes additions to property, plant and equipment and intangibles and $4 million of interest capitalized during construction for the three months ended March 31, 2017 (2016 - $4 million).

ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to Class A and B shares after adjusting for:

- the timing of revenues and expenses for rate-regulated activities,
- dividends on equity preferred shares of Canadian Utilities Limited,
- one-time gains and losses,
- unrealized gains and losses on mark-to-market forward commodity contracts
- significant impairments, and
- items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended March 31 is shown below.

2017 **2016**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings	**118**	**112**	**(16)**	**1**	**215**
	102	105	(12)	2	197
Gain on sales of operations	**–**	**–**	**30**	**–**	**30**
	–	13	–	–	13
Unrealized losses on mark-to-market forward commodity contracts	**(5)**	**–**	**–**	**–**	**(5)**
	–	–	–	–	–
Rate-regulated activities	**(39)**	**11**	**–**	**1**	**(27)**
	(7)	(30)	–	2	(35)
Dividends on equity preferred shares of Canadian Utilities Limited	**1**	**–**	**16**	**–**	**17**
	1	–	16	–	17
Earnings attributable to Class A and Class B shares	**75**	**123**	**30**	**2**	**230**
	96	88	4	4	192
Earnings attributable to non-controlling interests					**2**
					2
Earnings for the period					**232**
					194

Gain on sales of operations

The Company adjusted for the following one-time gains and losses, after-tax, in the three months ended March 31:

	Note	**Segment**	**2017**	**2016**
Real estate	4	Corporate & Other	**30**	–
Natural gas gathering and processing assets	4	Pipelines & Liquids	**–**	13
			30	13

Unrealized gains and losses on mark-to-market forward commodity contracts

The Company enters into forward contracts in order to optimize available merchant capacity and manage exposure to electricity market price movements for its Independent Power Plants. The MW capacity limits on forward commodity contracts were increased which heightens the potential for higher unrealized gains or losses. The forward contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of the forward contracts are recognized in earnings where hedge accounting is not applied. The CODM believes that removal of the unrealized gains or losses on mark-to-market forward commodity contracts provides a better representation of operating results for the Company's Independent Power Plants. Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

Rate-regulated activities

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

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

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

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

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

The significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS for the three months ended March 31 are as follows:

	2017	2016
Additional revenues billed in current period		
Future removal and site restoration costs [(1)]	**19**	17
Revenues to be billed in future periods		
Deferred income taxes [(2)]	**(30)**	(29)
Impact of warmer temperatures [(3)]	**–**	(17)
Settlement of regulatory decisions and other items	**(16)**	(6)
	(27)	(35)

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

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

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

4. SALES OF OPERATIONS

SALE OF ATCO REAL ESTATE HOLDINGS LTD.

On January 1, 2017, the Company sold its 100 per cent investment in ATCO Real Estate Holdings Ltd. (AREHL) to ATCO Ltd. for cash proceeds of $47 million, resulting in a gain of $30 million. The transaction occurred on a tax-deferred basis. The proceeds represent the fair value of AREHL, which was supported by independent appraisals. Commencing January 1, 2017, the Company no longer recognizes these assets in its financial position, results of operations and cash flows in the consolidated financial statements. These assets were previously reported in the Corporate & Other segment.

SALE OF NATURAL GAS GATHERING AND PROCESSING ASSETS

On January 1, 2016, the Company sold its 51.3 per cent ownership interest in the Edmonton Ethane Extraction Plant for cash proceeds of $21 million, resulting in a gain of $18 million ($13 million after-tax). Commencing January 1, 2016, the Company no longer recognizes these assets in its financial position, results of operations and cash flows in the consolidated financial statements. These assets were previously reported in the Pipelines & Liquids segment.

5. EARNINGS PER SHARE

Earnings per Class A non-voting (Class A) and Class B common (Class B) share are calculated by dividing the earnings attributable to Class A and Class B shares by the weighted average shares outstanding. Diluted earnings per share are calculated using the treasury stock method, which reflects the potential exercise of stock options and vesting of shares under the Company's mid-term incentive plan (MTIP) on the weighted average Class A and Class B shares outstanding.

The earnings and average number of shares used to calculate earnings per share for the three months ended March 31 are as follows:

	2017	2016
Average shares		
Weighted average shares outstanding	**268,359,223**	266,554,286
Effect of dilutive stock options	**125,818**	146,456
Effect of dilutive MTIP	**485,053**	490,345
Weighted average dilutive shares outstanding	**268,970,094**	267,191,087
Earnings for earnings per share calculation		
Earnings for the period	**232**	194
Dividends on equity preferred shares of the Company	**(17)**	(17)
Non-controlling interests	**(2)**	(2)
	213	175
Earnings and diluted earnings per Class A and Class B share		
Earnings per Class A and Class B share	**$0.79**	$0.66
Diluted earnings per Class A and Class B share	**$0.79**	$0.65

6. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Power Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost						
December 31, 2016	17,525	2,051	778	682	992	22,028
Additions	**43**	–	**1**	**176**	–	**220**
Transfers	**83**	–	**3**	**(90)**	**4**	–
Retirements and disposals	**(14)**	–	**(30)**	**(28)**	**(4)**	**(76)**
Foreign exchange rate adjustment	**59**	–	–	–	**6**	**65**
March 31, 2017	**17,696**	**2,051**	**752**	**740**	**998**	**22,237**
Accumulated depreciation and impairment						
December 31, 2016	3,729	1,312	148	82	394	5,665
Depreciation	**106**	**17**	**4**	–	**12**	**139**
Retirements and disposals	**(14)**	–	**(13)**	–	**(4)**	**(31)**
Foreign exchange rate adjustment	**7**	–	–	–	**3**	**10**
March 31, 2017	**3,828**	**1,329**	**139**	**82**	**405**	**5,783**
Net book value						
December 31, 2016	13,796	739	630	600	598	16,363
March 31, 2017	**13,868**	**722**	**613**	**658**	**593**	**16,454**

The additions to property, plant and equipment included $4 million of interest capitalized during construction for the three months ended March 31, 2017 (2016 - $4 million).

7. SHORT-TERM DEBT

At March 31, 2017, the Company had $35 million of commercial paper outstanding at an interest rate of 0.89 per cent, maturing in May 2017 (December 31, 2016 - $55 million). The commercial paper is supported by the Company's long-term committed credit facilities.

8. CLASS A AND CLASS B SHARES

There were 195,182,221 (2016 - 192,494,109) Class A shares and 74,241,383 (2016 - 74,826,153) Class B shares outstanding at March 31, 2017. In addition, there were 893,800 options to purchase Class A shares outstanding at March 31, 2017, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.3575 per Class A and Class B share during the three months ended March 31, 2017 (2016 - $0.3250). The Company's policy is to pay dividends quarterly on its Class A and Class B shares. Increases in the quarterly dividend are addressed by the Board in the first quarter of each year. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

DIVIDEND REINVESTMENT PLAN

During the three months ended March 31, 2017, 866,019 Class A shares were issued under the Company's dividend reinvestment plan (2016 - 402,718), using re-invested dividends of $31 million (2016 - $13 million). The shares were priced at an average of $35.30 per share (2016 - $32.52 per share).

9. EQUITY PREFERRED SHARES

Cash dividends declared and paid per share are as follows:

	Three Months Ended March 31	
(dollars per share)	**2017**	**2016**
Perpetual Cumulative Second Preferred Shares		
4.00% Series V	**0.2500**	0.2500
Cumulative Redeemable Second Preferred Shares		
4.00% Series Y	**0.2500**	0.2500
4.90% Series AA	**0.3062**	0.3062
4.90% Series BB	**0.3062**	0.3062
4.50% Series CC	**0.2812**	0.2812
4.50% Series DD	**0.2812**	0.2812
5.25% Series EE	**0.3282**	0.3282
4.50% Series FF	**0.2812**	0.2812

The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

10. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities for the three months ended March 31 are summarized below.

	2017	2016
Depreciation and amortization	**148**	141
Gain on sales of operations	**(30)**	(18)
Earnings from investment in ATCO Structures & Logistics, net of dividends received	**2**	(1)
Earnings from investment in joint ventures, net of dividends and distributions received	**(1)**	6
Income taxes	**69**	68
Unearned availability incentives	**(2)**	(5)
Unrealized losses on derivative financial instruments	**7**	6
Contributions by customers for extensions to plant	**16**	29
Amortization of customer contributions	**(14)**	(15)
Net finance costs	**98**	94
Income taxes paid	**(27)**	(33)
Other	**8**	(16)
	274	256

CASH POSITION

Cash position in the consolidated statement of cash flows at March 31 is comprised of:

	2017	2016
Cash	**473**	352
Short-term investments	**1**	2
Restricted cash (1)	**41**	34
Cash and cash equivalents	**515**	388
Bank indebtedness	**(11)**	(4)
	504	384

(1) Cash balances which are restricted under the terms of project financing agreements or joint arrangement agreements are considered not available for general use by the Company.

11. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and short-term debt	Assumed to approximate carrying value due to their short-term nature.
Lease receivables and receivable under service concession arrangement	Determined using a risk-adjusted, pre-tax interest rate to discount future cash receipts (Level 2).
Long-term debt and non-recourse long-term debt	Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2).
Measured at Fair Value	
Interest rate swaps	Determined using interest rate yield curves at period-end (Level 2).
Commodity contracts	Determined using observable period-end forward curves, with inputs validated by publicly available market providers. The fair values were also determined using extrapolation formulas using readily observable inputs and implied volatility (Level 2).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The fair values of the Company's financial instruments measured at amortized cost are as follows:

	March 31, 2017		December 31, 2016	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Lease receivables	**317**	**439**	314	433
Receivable under service concession arrangement	**131**	**131**	77	77
Financial Liabilities				
Long-term debt	**8,255**	**9,261**	8,220	9,139
Non-recourse long-term debt	**94**	**111**	98	114

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The balance sheet classification and fair values of the Company's derivative financial instruments are as follows:

		Subject to Hedge Accounting	Not Subject to Hedge Accounting	
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Commodities**	**Total Fair Value of Derivatives**
March 31, 2017				
Financial Assets				
Prepaid expenses and other current assets	**–**	**6**	**9**	**15**
Other assets	**–**	**18**	**9**	**27**
Financial Liabilities				
Other current liabilities	**6**	**1**	**2**	**9**
Other liabilities	**1**	**12**	**17**	**30**
December 31, 2016				
Financial Assets				
Prepaid expenses and other current assets	–	6	7	13
Other assets	–	17	6	23
Financial Liabilities				
Other current liabilities	–	–	2	2
Other liabilities	3	7	5	15

Notional and maturity summary

The notional value and maturity dates of the Company's derivative instruments outstanding are as follows:

		Subject to Hedge Accounting		Not Subject to Hedge Accounting	
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas (1)**	**Power (2)**	**Natural Gas (1)**	**Power (2)**
March 31, 2017					
Purchases (3)	**–**	**23,362,000**	**–**	**64,332,000**	**4,523,195**
Sales (3)	**–**	**–**	**2,028,410**	**24,862,500**	**8,406,964**
Currency					
Canadian dollars	**4**	**–**	**–**	**–**	**–**
Australian dollars	**754**	**–**	**–**	**–**	**–**
Maturity	**2019-2020**	**2017-2021**	**2017-2020**	**2017-2021**	**2017-2021**
December 31, 2016					
Purchases (3)	–	24,892,000	–	35,985,800	3,755,080
Sales (3)	–	–	3,027,960	20,421,000	4,055,037
Currency					
Canadian dollars	4	–	–	–	–
Australian dollars	754	–	–	–	–
Maturity	2019-2020	2017-2021	2017-2020	2017-2021	2017-2020

(1) Notional amounts for the natural gas purchase contracts are the maximum volumes that can be purchased over the terms of the contracts.

(2) Notional amounts for the forward power sale and purchase contracts are the commodity volumes committed in the contracts.

(3) Volumes for natural gas and power derivatives are in GJ and MWh, respectively.