CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2018

FEBRUARY 27, 2019

This Annual Information Form (AIF) is meant to help readers understand the business and operations of Canadian Utilities Limited (Canadian Utilities, our, we, us, or the Company).

Unless otherwise noted, the information contained within this AIF is presented as at December 31, 2018.

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

Terms used throughout this AIF are defined in the Glossary at the end of this document.

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CORPORATE STRUCTURE

Canadian Utilities Limited was incorporated under the laws of Canada on May 18, 1927, and was continued under the Canada Business Corporations Act on August 15, 1979. The common share capital of the Company was reorganized on September 10, 1982. The address of the head office of the Company is 4th Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4 and its registered office is 20th Floor, 10035 - 105 Street, Edmonton, Alberta T5J 2V6.

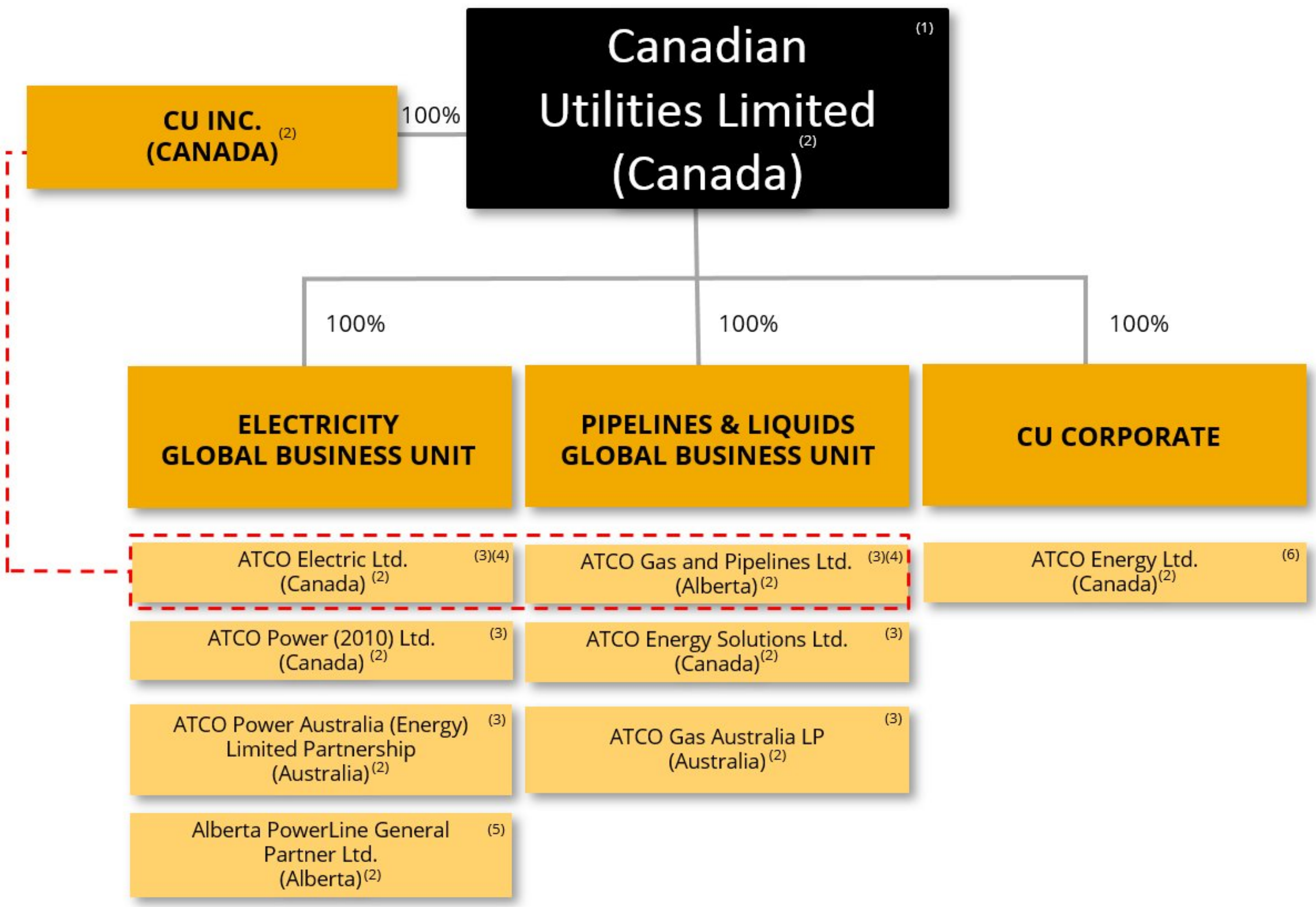
In 1999, the Company was reorganized to separate its Alberta-based regulated businesses from its non-regulated businesses. The reorganization was implemented by the transfer of the common shares and debt of the regulated subsidiaries from Canadian Utilities to CU Inc. in return for common shares of CU Inc. As a result of the reorganization, the Company's regulated operations in Alberta, which had previously been financed by Canadian Utilities, are now primarily financed by CU Inc.

INTERCORPORATE RELATIONSHIPS

With approximately 5,000 employees and assets of $22 billion, Canadian Utilities Limited is an ATCO company. Canadian Utilities is a diversified global energy infrastructure 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). More information can be found at www.canadianutilities.com.

SIMPLIFIED ORGANIZATIONAL STRUCTURE

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



(1) *The organizational chart does not include all of the subsidiaries of the Company. The assets and revenues of excluded subsidiaries in the aggregate did not exceed 20 per cent of the total consolidated assets or total consolidated revenues of the Company as at December 31, 2018.*

(2) *Jurisdiction in which the company was incorporated.*

(3) *ATCO Electric Ltd. includes ATCO Electric Distribution (Electricity Distribution) and ATCO Electric Transmission (Electricity Transmission). ATCO Power (2010) Ltd. is ATCO Power. ATCO Power Australia Limited Partnership is ATCO Power Australia. ATCO Gas and Pipelines Ltd. includes ATCO Gas (Natural Gas Distribution) and ATCO Pipelines (Natural Gas Transmission). ATCO Gas Australia LP includes ATCO Gas Australia (International Natural Gas Distribution). ATCO Energy Solutions Ltd. is ATCO Energy Solutions (Storage & Industrial Water). Regulated businesses include Natural Gas Distribution, Natural Gas Transmission, International Natural Gas Distribution, Electric Distribution, and Electric Transmission.*

(4) *ATCO Gas and Pipelines Ltd. and ATCO Electric Ltd. (Alberta Utilities) are wholly owned subsidiaries of CU Inc., which is 100 per cent owned by Canadian Utilities Limited.*

(5) *Alberta PowerLine General Partner Ltd. is the general partner of Alberta PowerLine Limited Partnership (Alberta PowerLine or APL), a partnership between Canadian Utilities Limited (80 per cent) and Quanta Services, Inc. (20 per cent).*

(6) *ATCO Energy Ltd. (ATCOenergy) was launched in early 2016 to provide retail, commercial and industrial electricity and natural gas service in Alberta.*

CORE VALUES AND VISION

Excellence: The Heart & Mind of ATCO

"Going far beyond the call of duty. Doing more than others expect. This is what excellence is all about. It comes from striving, maintaining the highest standards, looking after the smallest detail and going the extra mile. Excellence means caring. It means making a special effort to do more."

R.D. Southern, Founder, ATCO

CORE VALUES

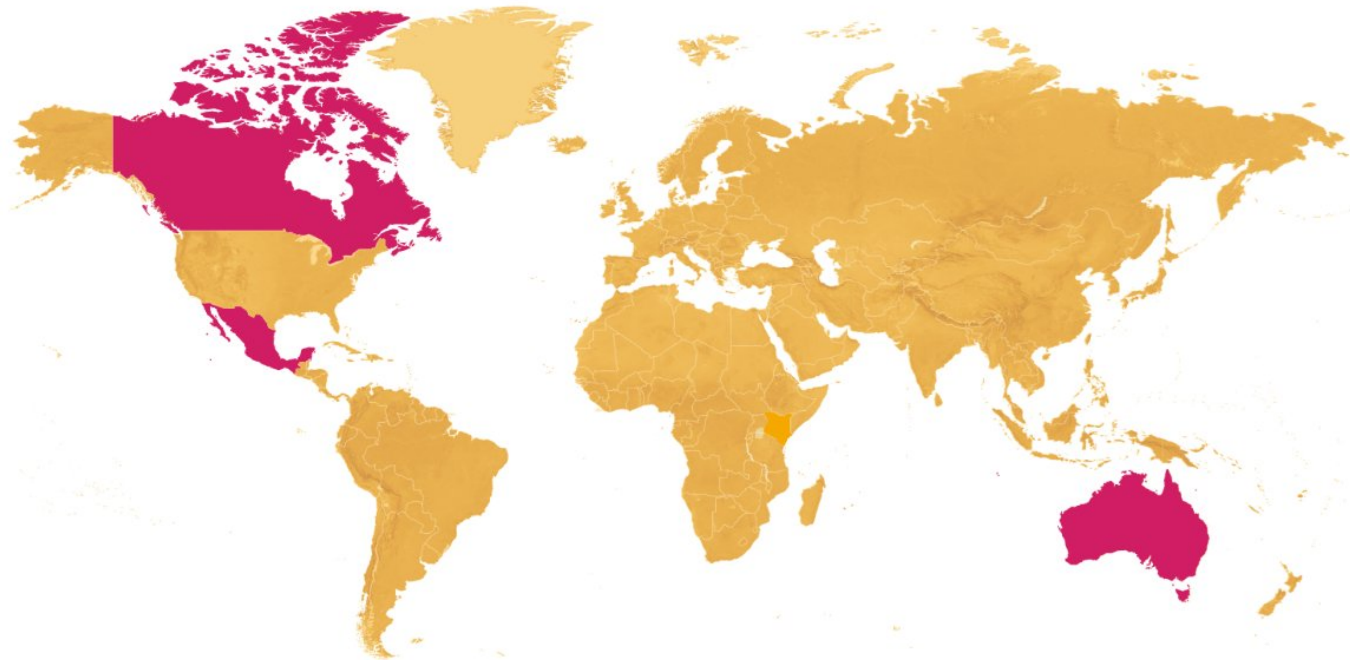
It is ATCO's Heart and Mind that drives the Company's approach to service reliability and product quality; employee, contractor and public safety; and environmental stewardship. Our pursuit of excellence governs the way we act and make decisions. At Canadian Utilities we strive to live by the following values:

CORE VISION

Our core vision is to improve the lives of our customers by providing sustainable, innovative and comprehensive solutions globally. We believe in well-managed risk and a disciplined approach to growth. We fuel the imagination of our people to drive growth over the long-term, ultimately delivering value to our customers and our share owners.

Our strong financial and operating performance reflects our approach to sales and our customers, the strength and determination of our people, a deeply embedded focus on operational excellence with its inherent cost controls, and careful consideration of the environmental and social impact of our actions - now and for the future.

GLOBAL OPERATIONS

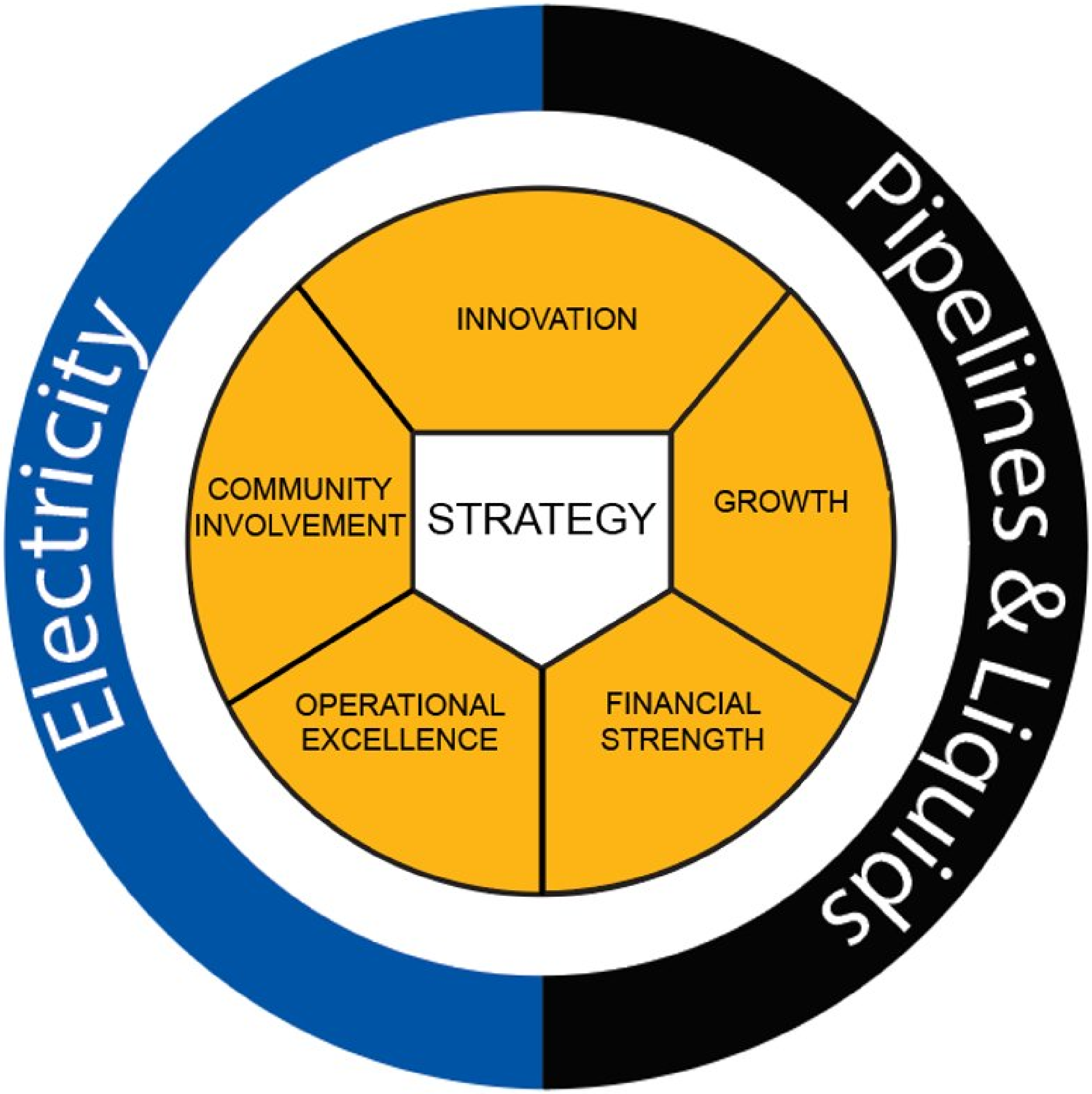


ELECTRICITY AND PIPELINES & LIQUIDS

CANADIAN UTILITIES STRATEGIES

Innovation, growth and financial strength provide the foundation from which we have built our company. Our long-term success depends on our ability to expand into new markets and lines of business, while offering our customers premier, comprehensive and integrated solutions to meet their needs.

These strategic imperatives are supported by our unwavering commitment to operational excellence, our people and the customers and communities we are privileged to serve around the world.



"Making life easier for our customers by offering vertically integrated energy infrastructure solutions around the world."

INNOVATION

We seek to create a work environment where employees are encouraged to take a creative and innovative approach to meeting our customers' needs. By committing to applied research and development, we are able to offer our customers unique and imaginative solutions that differentiate us from our competitors.

GROWTH

Long-term sustainable growth is paramount. We approach this strategy by: expanding geographically to meet the global needs of customers; developing significant, value-creating greenfield projects; and fostering continuous improvement.

Acquisition opportunities provide Canadian Utilities with additional growth potential. We will pursue the acquisition and development of complementary assets that have future growth potential and provide long-term value for share owners.

FINANCIAL STRENGTH

Financial strength is fundamental to our current and future success. It ensures Canadian Utilities has the financial capacity to fund existing and future capital investments through a combination of predictable cash flow from operations, cash balances on hand, committed credit facilities and access to capital markets. It enables Canadian Utilities to sustain our operations and to grow through economic cycles, thereby providing long-term financial benefits.

We continuously review Canadian Utilities' holdings to evaluate opportunities to sell mature assets and recycle the proceeds into growing areas of the Company. The viability of such opportunities depends on the outlook of each business as well as general market conditions. This ongoing focus supports the optimal allocation of capital across Canadian Utilities.

OPERATIONAL EXCELLENCE

We achieve operational excellence through high service, reliability, and product quality for our customers and the communities we serve. We are uncompromising about maintaining a safe work environment for employees and contractors, promoting public safety and striving to minimize environmental impact. We ensure the timely supply of goods and services that are critical to a company's ability to meet its core business objectives.

COMMUNITY INVOLVEMENT

Canadian Utilities maintains a respectful and collaborative community approach, where meaningful partnerships and positive relationships are built with community leaders and groups that will enhance economic and social development. Community involvement creates the opportunity to develop partnerships with Indigenous and community groups that may be affected by projects and operations worldwide, and build ongoing, positive Indigenous relationships that contribute to economic and social development in their communities. We also engage with governing authorities, regulatory bodies, and landowners. We encourage partnerships throughout the organization. We encourage our employees to participate in community initiatives that will serve to benefit non-profit organizations through volunteer efforts, and the provision of products and services in-kind.

FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

Canadian Utilities’ financial and operational achievements in 2018 relative to the strategies outlined above are included in the MD&A, and the 2018 Consolidated Financial Statements. Further commentary regarding strategies and commitments to growth, financial strength, innovation, operational excellence, and community involvement will be provided in the forthcoming 2018 Management Proxy Circular and Sustainability Report. The 2018 Management Proxy Circular also contains discussion of the Company's corporate governance practices.

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.

BUSINESS DESCRIPTION

Canadian Utilities is a diversified global enterprise with assets of $22 billion and approximately 5,000 employees engaged in 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).

ELECTRICITY GLOBAL BUSINESS UNIT

OVERVIEW

The Electricity Global Business Unit's activities are conducted through two regulated businesses: Electricity Distribution and Electricity Transmission, and four non-regulated businesses: Independent Power Plants, Thermal PPA Power Plants, International Electricity Generation and Alberta PowerLine (APL). Together these businesses provide electricity distribution, transmission, and generation, and related infrastructure services.

BUSINESS STRATEGY

Electricity's strategy is to grow its businesses through: investing in regulated electricity distribution and transmission, and capitalizing on opportunities to provide renewable and natural gas-fired electricity generation. Electricity will pursue cost reduction initiatives and efficiencies to transform into an even more customer centric business. Electricity will continue expanding its businesses geographically in select global markets to meet the evolving needs of a global customer base through the development of innovative infrastructure solutions underpinned by long-term contracts.

Oldman River Hydroelectric Plant

MARKET OPPORTUNITIES

The regulated businesses expect to see continued investment opportunities based on customer growth and system replacements. Further electricity distribution and transmission investment opportunities may result from the changing power market in Alberta. A global trend toward renewable electricity generation and energy storage and natural gas-fired electricity generation to backstop the renewable power supply presents opportunities for growth. Expansion will be focused in select global markets, including Canada, Australia, and Latin America. Electricity targets markets with stable regulatory environments and rule of law, excellent long-term growth potential and strategic fit with our existing asset base.

MARKET CHALLENGES

Potential changes in macroeconomic conditions could slow the growth trajectory of these businesses.

ATCO ELECTRIC

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

ATCO Electric transmits and distributes electricity to 242 communities and rural areas in east-central and northern Alberta. Among those served are the communities of Drumheller, Lloydminster, Grande Prairie, and Fort McMurray as well as the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

ATCO Electric is headquartered in Edmonton and has 38 offices throughout its service area. Electric utility service is also provided to three communities in Saskatchewan. ATCO Electric Yukon (AEY) serves 19 communities in the Yukon Territory, including the capital city of Whitehorse, and one community in British Columbia. Northland Utilities is a partnership between ATCO Ltd. and Denendeh Investments Incorporated, which represents the 27 Dene First Nations of the Northwest Territories. Northland Utilities has two operating divisions: Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited (NUY). NUY and NWT serve nine communities in the Northwest Territories, including the capital city of Yellowknife.

Approximately 658,000 people live in the principal markets for electric utility service by ATCO Electric and its subsidiaries NUY, NWT and AEY. Service is provided to approximately 258,000 customers. ATCO Electric has been assigned about 65 per cent of the designated service area within Alberta. This service area contains approximately 15 per cent of the provincial electrical load and 13 per cent of the population.

The number of customers served by ATCO Electric, NUY, NWT and AEY at the end of 2018 and 2017 is shown below.

	2018		2017	
	Number	%	Number	%
Industrial	**10,455**	**4**	10,520	4
Commercial	**34,532**	**14**	34,333	14
Residential	**181,373**	**70**	179,639	70
Rural, REA and other	**31,911**	**12**	31,851	12
Total	**258,271**	**100**	256,343	100

Electricity distributed to the various classes of customers in 2018 and 2017 is shown below.

	2018		2017	
	GWh	%	GWh	%
Industrial	**8,586**	**66**	7,657	64
Commercial	**2,438**	**19**	2,434	20
Residential	**1,342**	**10**	1,316	11
Rural, REA and other	**562**	**5**	554	5
Total	**12,928**	**100**	11,961	100

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

ATCO Electric, NUY, NWT and AEY own and operate 25 diesel, natural gas turbine and hydro-generating plants, with an aggregate nameplate capacity of 60 MW in Alberta, the Yukon and Northwest Territories. The maximum peak load demand for these plants during 2018 was 29 MW.

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

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

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

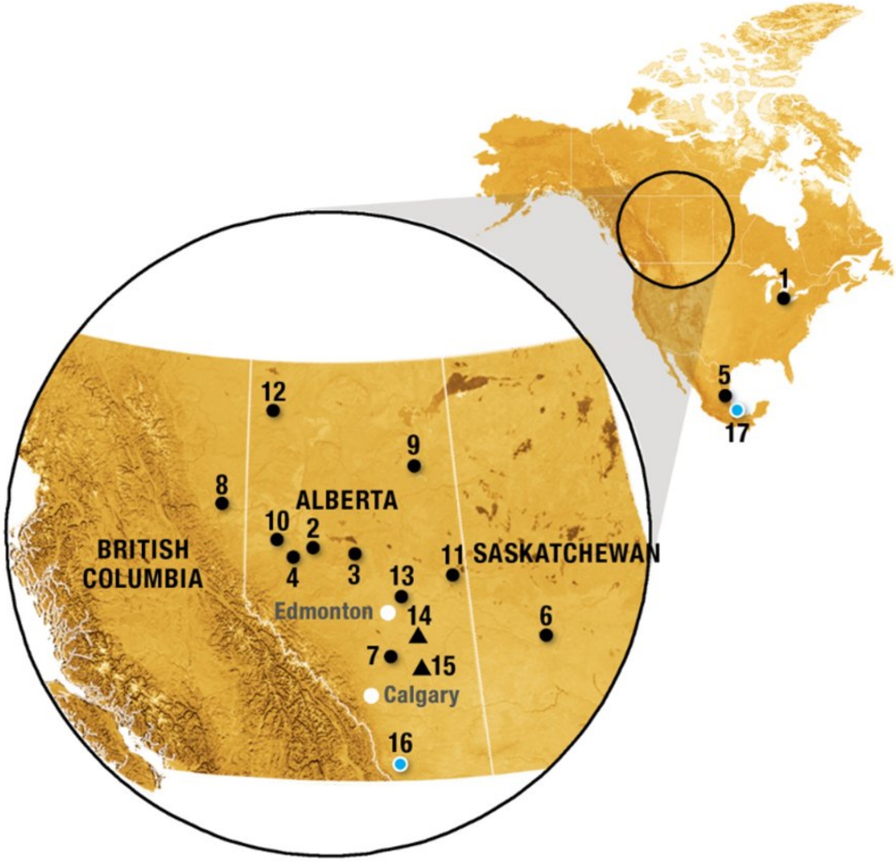
Under the Electric Utilities Act (Alberta) (EUA), wholesale tariffs for electricity transmission must be approved by the Alberta Utilities Commission (AUC). Transmission tariffs allow any owner of a generating unit to access the Alberta transmission system and thus facilitate the sale of its power. The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

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

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

ATCO POWER

ATCO Power operates across various provinces in Canada, and in Mexico, as shown in the following map.



Facility	Generating Capacity Owned (MW)
● **NATURAL GAS**	
1 Brighton Beach	290
2 Valleyview 1 & 2	90
3 House Mountain	6
4 Karr	3
5 San Luis Potosi	6
6 Cory	130
7 Joffre	192
8 McMahon	60
9 Muskeg River	119
10 Poplar Hill	45
11 Primrose	42
12 Rainbow Lake 4 & 5	45
13 Scotford	170
▲ **COAL-FIRED**	
14 Battle River 3, 4[(1)] & 5	689
15 Sheerness 1 & 2	395
● **RUN-OF-RIVER HYDRO**	
16 Oldman River	24
17 Veracruz	35

(1) In the first quarter of 2018, Battle River unit 4 converted to a co-fired natural gas unit capable of operating on natural gas for up to 75 MW's of the 155 MW's total nameplate capacity.

Power generation activities are focused on owning, operating and developing generating plants in Canada, primarily in Alberta.

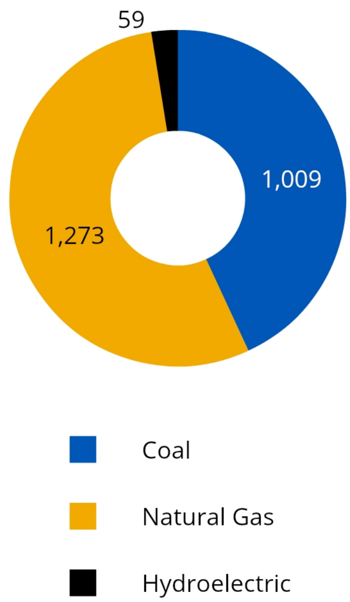
The Alberta power market serves approximately 4 million people. Installed electricity generating capacity at December 31, 2018, was approximately 16,100 MW, fueled by 36 per cent coal, 47 per cent natural gas, 6 per cent hydroelectric, 9 per cent wind and 2 per cent other. Approximately 50 MW of capacity was installed in 2018; this consisted primarily of natural gas generation.

ATCO Power is involved in joint ventures with a wide range of partners, including other generators, oil and gas companies, and steam hosts. ATCO Power's role in each venture is tailored to the specific needs of a project. ATCO Power generally operates the power and steam generation facilities. It ensures secure supply and, with some projects, the opportunity to sell electricity not under contract into the electricity market or the market for ancillary services.

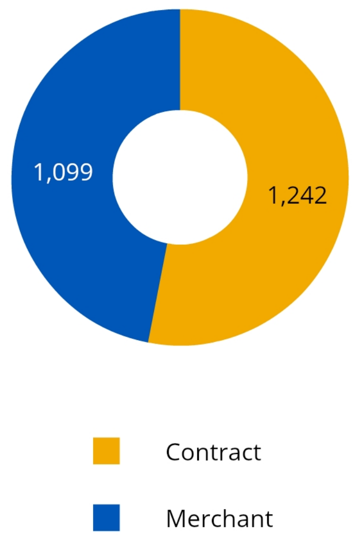
At December 31, 2018, ATCO Power had an ownership position in generating plants with a total capacity, including partners' interests, of 3,656 MW. It operates 3,536 MW (97 per cent) and owns 2,341 MW (64 per cent) of the total capacity. This owned generating capacity is fuelled by 1,273 MW (54 per cent) natural gas, 1,009 MW (43 per cent) coal and 59 MW (3 per cent) hydroelectric. Details of these plants are shown in Appendix 1.

The following charts illustrate the approximate portion of owned generating capacity by fuel types in the portfolio and contract versus merchant portions of owned capacity at December 31, 2018.

Owned Generating Capacity by Fuel Type (MW)



Electricity Market Exposure in Portfolio (MW)



As at December 31, 2018, ATCO Power had 1,242 MW (53 per cent) of its owned generating capacity contracted in Canada with an average remaining contract length of approximately nine years.

Natural Gas Electricity Generation

The natural gas used to supply generating plants is procured in a variety of ways. Tolling arrangements for the Brighton Beach and Cory generating plants allow the customers to supply gas at their own cost. These combined-cycle facilities convert the gas to electricity for the customer.

At the cogeneration and remaining combined-cycle plants, gas is procured either through a long-term gas supply agreement or directly through the site host. The revenue contracts on these sites result in gas-cost recovery being included in the tariff charged to the customer. For the remaining facilities and the merchant portion of the combined-cycle and cogeneration plants, gas is procured from the Alberta market.

Thermal PPAs

The electricity generated by the Sheerness plants is sold through PPAs. Until September 30, 2018, the electricity generated by the Battle River unit 5 plant was sold through a PPA. Under the PPAs, Canadian Utilities must make the generating capacity for each generating unit available to the PPA purchaser of that unit. These arrangements entitle Canadian Utilities to recover its forecast fixed and variable costs from the PPA purchaser.

Fuel costs for the thermal units at the Battle River and Sheerness generating plants are mostly for coal, under coal supply agreements with Prairie Mines & Royalty ULC and Westmoreland Coal Company. To protect against volatility in coal prices, ATCO Power has long-term contracts for its Battle River and Sheerness coal-fired generating plants. These contracts are fixed price indexed to inflation. The Battle River coal supply agreement extends until 2022. The coal supply agreement for Sheerness extends to 2026.

Sheerness units 1 and 2 remain under PPA contract and Canadian Utilities will continue to operate Sheerness under the terms of that PPA which expires at the end of 2020.

Coal to Natural Gas Conversion Strategy

Canadian Utilities is planning to be the first coal-fired generator in Alberta to end coal-fired power generation in its fleet. In the first quarter of 2018, Canadian Utilities successfully completed a project to co-fire natural gas at Battle River unit 4, enabling the use of natural gas for 50 per cent of the unit's 155 MW generating capacity. In the next phase of this initiative, a conversion project will allow co-firing of natural gas on Battle River unit 5 for 100 per cent of its 385 MW capacity, with an expected completion in late 2019. A full conversion of Battle River unit 4 and Battle River unit 3 is under analysis.

Canadian Utilities is committed to the conversion of Sheerness unit 1 and unit 2 to run on natural gas. Full conversion of Sheerness is planned to be completed in advance of firm natural gas supply, which has been secured for the second quarter of 2022.

Strategic Review of Canadian Electricity Generation Assets

Canadian Utilities announced on September 13, 2018, that it is exploring strategic alternatives for its Canadian electricity generation business. This process is consistent with the Company's practice of continually evaluating and optimizing its portfolio of businesses. There can be no assurance that this process will lead to any transaction.

Mexico Hydro Facility

In February 2018, Canadian Utilities completed the acquisition of Electricidad del Golfo, which owns a long-term contracted, 35 MW hydroelectric power station based in the state of Veracruz, Mexico. The transaction was recorded for an aggregate purchase price of $112 million.

Electricdad del Golfo Hydroelectric Power Station

Distributed Generation

The Company and its Mexican partner, Grupo Ranman, have 11 MW pf capacity installed at a distributed generation facility located in the World Trade Centre industrial park in San Luis Potosi, Mexico.

ATCO POWER AUSTRALIA

ATCO Power Australia's operations are shown in the following map.

ATCO Power Australia Headquarters

ATCO Power Australia Natural Gas Facilities

Facility	Generating Capacity Owned (MW)
1 Karratha	86
2 Osborne	90

ATCO Power Australia maintains ownership in and currently operates two generation plants: Karratha in the Pilbara region of Western Australia, and Osborne in Adelaide, South Australia. These facilities collectively generate 266 MW of power, providing energy for thousands of public sector, domestic, industrial and commercial clients across the country, through secure off-take arrangements with credible counterparties for 100 per cent of the capacity.

Karratha Power Station

Commissioned in 2010, the 86 MW Karratha Power Station is one of the most efficient and environmentally friendly power generation facilities in the North West Interconnected System in the Pilbara region of Western Australia. The facility generates electricity to supply residential and business consumers under a long-term (20-year) tolling power off-take contract with Horizon Power. The facility consists of two open cycle dry low-emissions natural gas turbines and meets all performance guarantee requirements, including output, heat rate, noise and nitrous oxide emissions.

Osborne

Osborne is a 50:50 joint venture between ATCO Power Australia and Origin Energy that commenced commercial operation on December 7, 1998. The 180 MW Osborne plant, operated by ATCO Power Australia, is located near Adelaide, South Australia, and is designed to accommodate operation in both cogeneration and combined cycle modes. Prior to July 2015, Osborne sold its electrical output under a long-term (20-year) PPA to Origin Energy. In July 2015, the PPA was amended to a tolling agreement whereby Origin Energy Electricity Limited (as the electricity off-taker) supplies the natural gas at its own cost and in turn, utilizes the facility for its required electricity output.

Canadian Utilities has negotiated a five year extension to the Power Purchase Agreement with Origin Energy Electricity Limited for the 180 MW Osborne Power facility, located near Adelaide, Australia. The original agreement, for 180 MW of contracted capacity, was scheduled to expire in 2018 and has now been extended to December 31, 2023. While the extension agreement includes lower pricing terms than the current agreement, the five year extension represents an outperformance of the project returns contemplated in the original investment decision.

NON REGULATED ELECTRICITY TRANSMISSION

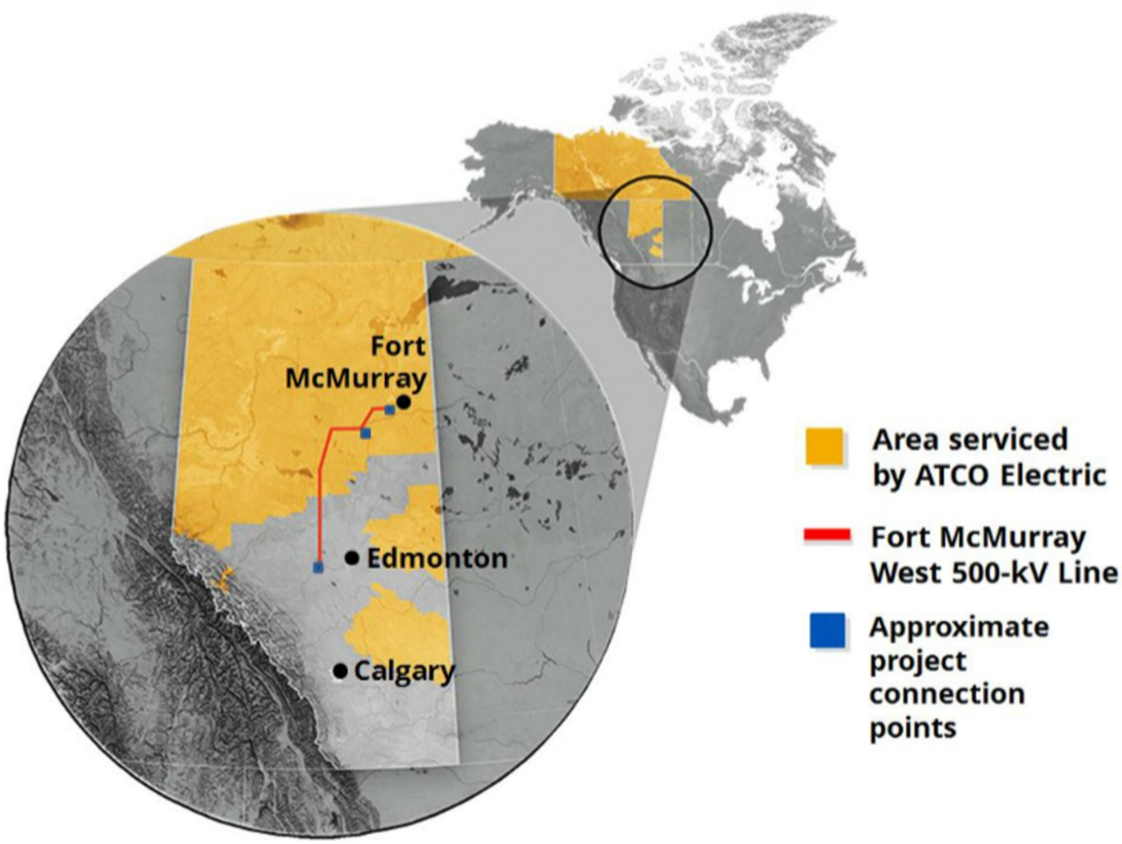
ATCO Power operates five non-regulated electricity transmission lines in Alberta, including Scotford transmission line and substation, Muskeg River transmission line and substation, Grand Rapids substation, Husky Rainbow substation, and Air Products transmission line.

ALBERTA POWERLINE

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

In August 2017, construction commenced on the approximately 500 km Fort McMurray West 500-kV Project. In 2018, construction continued on the project. Fourth quarter and full year 2018 capital investment of $44 million and $664 million was mainly due to tower assembly and line stringing. The target energization date was June 2019. Due to the project being ahead of schedule, the expected energization date has been advanced to March 2019 resulting in the recognition of an early energization incentive.

Construction of Alberta PowerLine



PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

OVERVIEW

The Pipelines & Liquids Global Business Unit activities are conducted through three regulated businesses: Natural Gas Distribution, Natural Gas Transmission, and International Natural Gas Distribution, and one non-regulated business: Storage & Industrial Water. These businesses offer complementary products and services that enable them to deliver comprehensive natural gas distribution and transmission services, energy storage, and industrial water solutions to existing and new customers.

BUSINESS STRATEGY

Pipelines & Liquids' strategy is to grow its businesses through: investing in regulated natural gas distribution and transmission, and becoming a premier hydrocarbon liquids storage and industrial water infrastructure provider. Pipelines & Liquids continues to pursue cost reduction initiatives and efficiencies to transform into an even more customer centric business. Pipelines & Liquids is focused on expanding geographically to meet the evolving needs of a global customer base through the development of innovative infrastructure solutions underpinned by long-term contracts.

Natural Gas Pipeline Valve Assembly

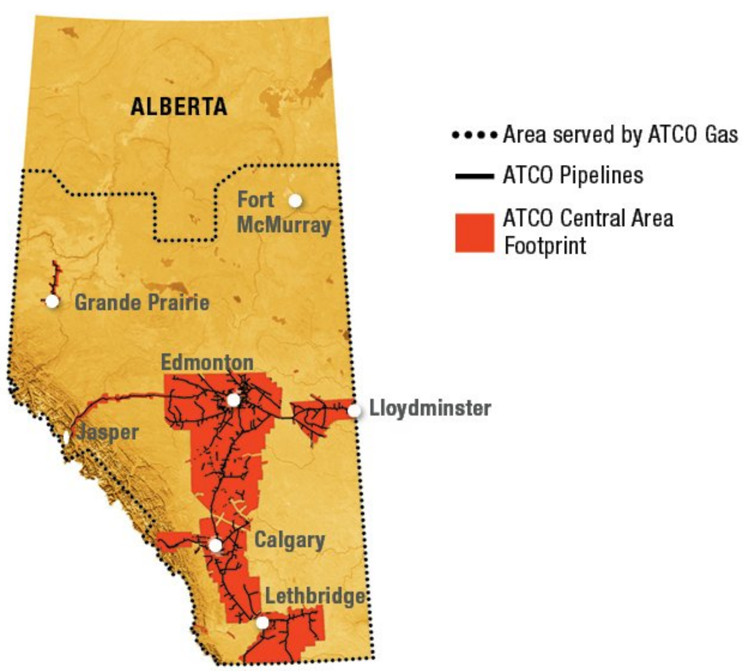
MARKET OPPORTUNITIES

The regulated businesses expect to see continued growth based on forecasted customer growth and system replacements. The continued expansion of pipelines in Alberta is expected to increase the need for energy storage to manage supply and demand, and the industry trend toward sustainability is expected to increase demand for industrial water solutions. Expansion will be focused in select global markets, including Canada, Australia, Latin America, and the U.S. Pipelines & Liquids targets markets with stable regulatory environments and rule of law, excellent long-term growth potential and strategic fit with our existing asset base.

MARKET CHALLENGES

Potential changes in macroeconomic conditions could slow the growth trajectory of these businesses.

The following map shows the areas served by ATCO Gas and ATCO Pipelines in Alberta.



ATCO GAS

ATCO Gas distributes natural gas throughout Alberta and in the Lloydminster area of Saskatchewan and serves approximately 1.2 million customers in nearly 300 Alberta communities.

ATCO Gas' principal markets for distributing natural gas are in Edmonton, Calgary, Airdrie, Fort McMurray, Grande Prairie, Lethbridge, Lloydminster, Red Deer, Spruce Grove, St. Albert and Sherwood Park. These communities have a combined population of approximately 2.9 million. Approximately 76 per cent of ATCO Gas' customers were located in these 11 communities in 2018. Also served are 279 smaller communities as well as rural areas with a combined population of approximately 770,000.

The number of customers served by ATCO Gas at the end of 2018 and 2017 is shown below.

		2018		2017
	Number	%	Number	%
Residential	**1,117,109**	**92**	1,100,625	92
Commercial	**99,363**	**8**	98,123	8
Industrial	**344**	**–**	347	–
Other	**3**	**–**	3	–
Total	**1,216,819**	**100**	1,199,098	100

The quantities of natural gas distributed by ATCO Gas in 2018 and 2017 is shown below.

		2018		2017
	PJ	%	PJ	%
Residential	**129.5**	**47**	124.9	47
Commercial	**133.3**	**48**	122.4	48
Industrial	**13.9**	**5**	13.1	5
Other	**0.3**	**–**	0.3	–
Total	**277.0**	**100**	260.7	100

ATCO Gas owns and operates approximately 41,000 km of distribution mains. It also owns service and maintenance facilities in major centres in Alberta.

ATCO Gas distributes natural gas in incorporated communities under the authority of franchises or by-laws and in rural areas under approvals, permits or orders issued through applicable statutes. It currently has 168 franchise agreements with communities throughout Alberta. These franchise agreements detail the rights granted to ATCO Gas and its obligations to deliver natural gas services to consumers in the municipality.

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

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

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

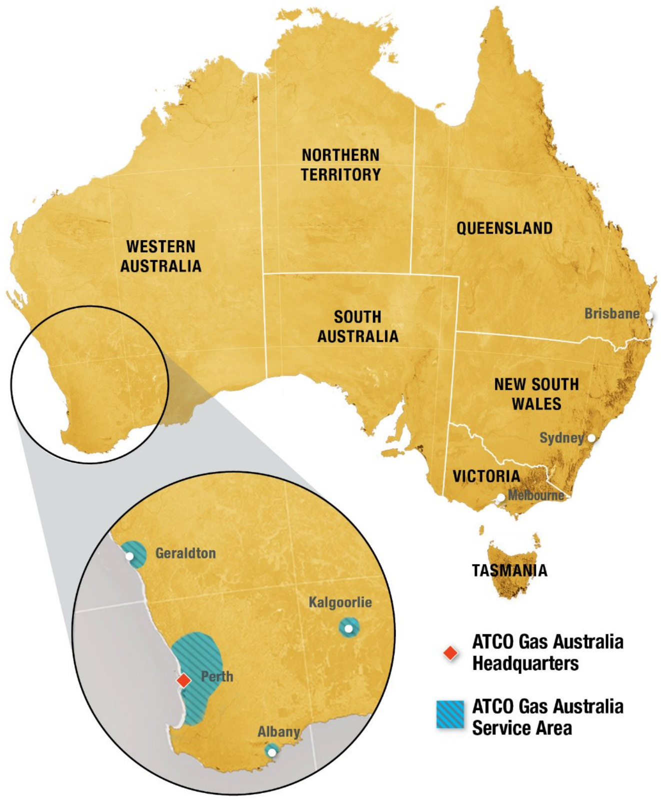
ATCO PIPELINES

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

ATCO Pipelines owns and operates an extensive natural gas transmission system. The system currently consists of approximately 9,200 km of pipelines, 16 compressor sites, approximately 3,500 receipt and delivery points, and a salt cavern storage peaking facility near Fort Saskatchewan, Alberta. The system has 185 producer receipt points, one interconnection with Alliance Pipeline, and one interconnection with Many Islands Pipelines. Peak delivery capability of the ATCO Pipelines system is 3.8 billion cubic feet per day.

ATCO GAS AUSTRALIA

ATCO Gas Australia's operations are shown in the following map.



ATCO Gas Australia provides natural gas distribution services in Western Australia and serves approximately 761,000 customers in 18 communities, including metropolitan Perth and surrounding regions such as Geraldton, Bunbury, Busselton, Kalgoorlie, Harvey, Pinjarra, Brunswick Junction and Capel. ATCO Gas Australia owns and operates approximately 14,000 km of natural gas pipelines and associated infrastructure and also distributes liquefied petroleum gas (LPG) to the community of Albany.

The number of customers served by ATCO Gas Australia at the end of 2018 and 2017 is shown below.

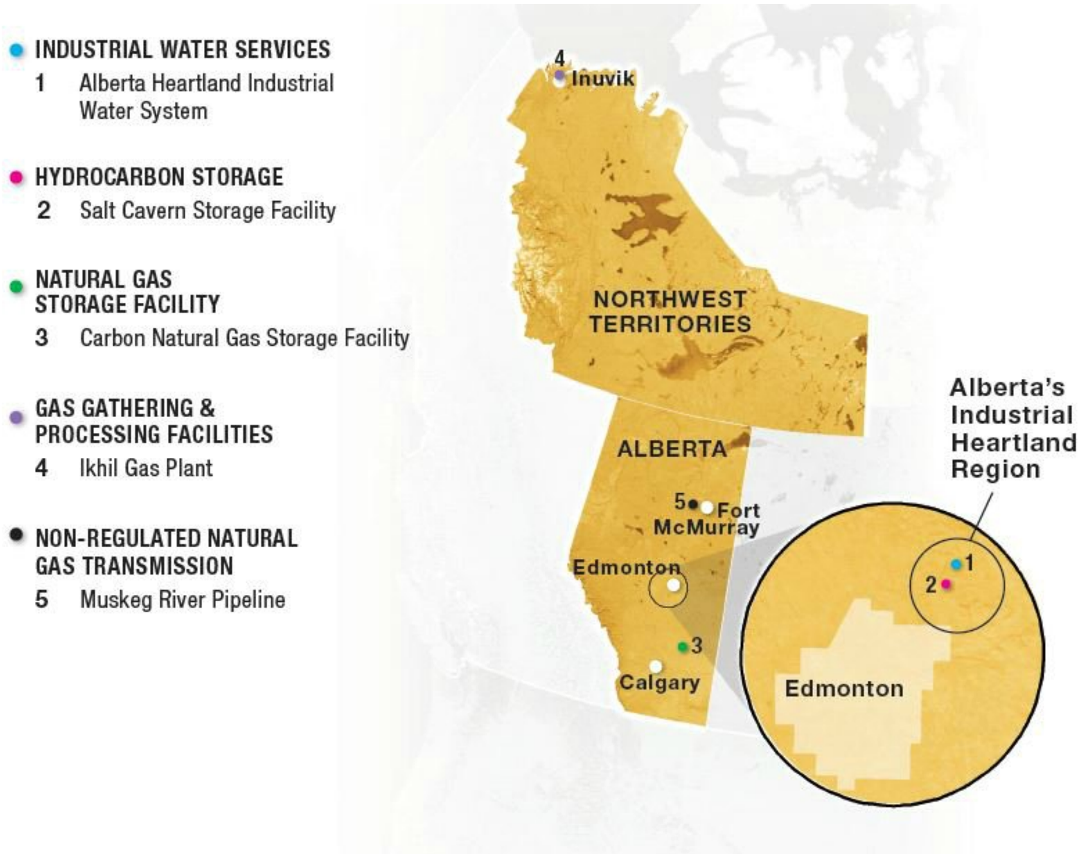
	2018		2017	
	Number	%	Number	%
Residential	**747,424**	**98**	739,345	98
Commercial	**13,699**	**2**	13,453	2
Industrial	**180**	**–**	173	–
Total	**761,303**	**100**	752,971	100

The quantity of gas delivered by ATCO Gas Australia in 2018 and 2017 is shown below.

	2018		2017	
	PJ	%	PJ	%
Residential	**10.3**	**38**	10.2	40
Commercial	**3.5**	**13**	3.3	13
Industrial	**13.0**	**49**	12.2	47
Total	**26.8**	**100**	25.7	100

ATCO ENERGY SOLUTIONS

ATCO Energy Solutions builds, owns and operates non-regulated industrial water, natural gas storage, hydrocarbon storage, and natural gas liquids related infrastructure to serve the midstream sector of Western Canada's energy industry. It operates and owns a one-third interest in a regulated natural gas distribution system in the Northwest Territories. ATCO Energy Solutions also provides natural gas procurement and load balancing services for other Business Units.



Hydrocarbon Storage

In 2018, construction was completed on two more salt caverns, doubling the capacity at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four caverns, which have a combined hydrocarbon storage capacity of 400,000 cubic metres. The first two caverns have been in service since the fourth quarter of 2016, and the two new caverns began contributing earnings in the second quarter of 2018.

ATCO Heartland hydrocarbon storage facility

Natural Gas Storage

ATCO Energy Solutions owns and operates a natural gas storage facility at Carbon, Alberta. The facility is a natural gas reservoir with a seasonal storage cycle capacity of 52 petajoules, a maximum injection rate of 360 terajoules per day, and a maximum withdrawal rate of 550 terajoules per day. The facility is connected to multiple transmission pipeline systems and has been in service more than 45 years.

ATCO Energy Solutions also provides flexible storage, natural gas procurement and transportation services tailored to a customer's specific needs. Services range from daily to multi-year terms and are offered to financial institutions, marketing companies, pipeline operators, retail energy providers and producers.

Industrial Water

ATCO Energy Solutions' multi-user water system is connected to the North Saskatchewan River through the ATCO Heartland Industrial Water System. ATCO Energy Solutions provides integrated water services including pipeline transportation, storage, water treatment, recycling and disposal to industrial customers. This industrial water system also supplies water for the development of salt caverns for our hydrocarbon storage facilities in the region. The river intake system and modern pump station facility have the capacity to withdraw 3,550 cubic metres per hour, with a current deliverability of 1,300 cubic metres per hour.

In the fourth quarter of 2017, ATCO Energy Solutions entered into a long-term commercial agreement with Inter Pipeline Ltd. to provide water services to Inter Pipeline's newly-authorized integrated propane dehydrogenation and polypropylene plant to be known as the Heartland Petrochemical Complex. In the first quarter of 2018, it was confirmed with Inter Pipeline that the water services contract will commence in 2020.

With the addition of these services, we continue to grow the suite of water and wastewater services for industrial customers throughout Alberta's Industrial Heartland.

Natural Gas Liquids Extraction

ATCO Energy Solutions has an interest in one natural gas liquids (NGL) extraction facility as at December 31, 2018. The Empress Gas Liquids Straddle Plant, which ATCO Energy Solutions operates, is currently being decommissioned.

Natural Gas Gathering and Processing

ATCO Energy Solutions has a non-operating 33.3 per cent ownership interest in one natural gas gathering and processing facility, the Ikhil gas plant.

Non-regulated Natural Gas Pipeline

ATCO Energy Solutions owns the 116 km Muskeg River non-regulated natural gas pipeline near Fort McMurray.

CORPORATE & OTHER

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

RETAIL ENERGY

As part of the Company's continued growth strategy, ATCOenergy was launched in early 2016, selling electricity and natural gas to residential and commercial customers through flexible plans offering real savings and exceptional customer service. In 2018, ATCOenergy achieved 10 per cent market share and became the third largest energy retailer in Alberta.

The ATCO Blue Flame Kitchen (BFK) was integrated with ATCOenergy in 2016. BFK is a cherished Alberta brand, trusted by Albertans for more than eight decades. Bringing the two teams together creates a compelling retail offering beyond the commodity.

PERFORMANCE SUMMARY

COMPARISON OF SEGMENTED REVENUES AND ADJUSTED EARNINGS

Each Global Business Unit's contribution to the Company's consolidated revenues and adjusted earnings is shown in the charts below.

Revenues (1)	2018		2017 (3)	
	($ millions)	%	($ millions)	%
Electricity	**2,858**	**65**	2,460	60
Pipelines & Liquids	**1,470**	**34**	1,630	40
Corporate & Other	**162**	**4**	95	2
Intersegment Eliminations	**(113)**	**(3)**	(100)	(2)
Total	**4,377**	**100**	4,085	100

Adjusted Earnings (1) (2)	2018		2017 (3)	
	($ millions)	%	($ millions)	%
Electricity	**434**	**71**	397	66
Pipelines & Liquids	**247**	**41**	273	45
Corporate & Other	**(74)**	**(12)**	(69)	(11)
Intersegment Eliminations	**–**	**–**	1	–
Total	**607**	**100**	602	100

(1) The above data has been extracted from Note 4 ("Segmented Information") of the 2018 Consolidated Financial Statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar.

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

(3) These numbers have been restated to account for the impact of IFRS 15. Additional detail on IFRS 15 is discussed in Note 3 of the 2018 Consolidated Financial Statements.

REVENUES

Revenues in 2018 were $4,377 million, $292 million higher than the same period in 2017. Higher revenues in 2018 were mainly due to revenue recorded at Canadian Utilities for construction activities at Alberta PowerLine, improved power market conditions for the Independent Power Plants, and Thermal PPA revenue recorded for the termination of the Battle River unit 5 PPA.

ADJUSTED EARNINGS

Adjusted earnings in the Electricity Global Business Unit were $37 million higher in 2018 compared to 2017. Higher earnings in 2018 were mainly due to earnings associated with the Balancing Pool's termination of the Battle River unit 5 PPA, earnings associated with the sale of the Barking Power assets, higher earnings from APL, and improved conditions in the Alberta power market. These improved earnings contributions were partially offset by rate rebasing under Alberta's regulated model in electricity distribution and transmission and lower interim rates approved by the Alberta Utilities Commission (AUC) for electricity transmission.

Adjusted earnings in the Pipelines & Liquids Global Business Unit were $26 million lower in 2018 compared to 2017. Lower earnings were mainly due to rate rebasing under Alberta's regulated model in natural gas distribution, partially offset by growth in rate base across the Regulated Pipelines & Liquids businesses.

Canadian Utilities Corporate & Other adjusted earnings were $6 million lower in 2018 compared to 2017. Earnings were lower than in 2017 mainly due to the timing of certain expenses, as well as forgone earnings from the sale of Canadian Utilities' 24.5 per cent ownership interest in Structures & Logistics to ATCO which was completed on December 31, 2017.

COMPARISON OF SEGMENTED CAPITAL INVESTMENTS

Each Global Business Unit's contribution to the Company's consolidated capital investments is shown below.

	2018 [1]		2017 [1]	
	($ millions)	*%*	*($ millions)*	*%*
Electricity	**1,287**	**66**	918	54
Pipelines & Liquids	**648**	**33**	782	46
Canadian Utilities Corporate & Other	**16**	**1**	3	–
Total [2][3]	**1,951**	**100**	1,703	100

(1) The above data has been extracted from the 2018 MD&A. The reporting currency is the Canadian dollar.

(2) Includes additions to property, plant and equipment, intangibles as well as $20 million (2017 - $17 million) of interest capitalized during construction for the year ended December 31, 2018.

(3) Includes capital expenditures in joint ventures, $19 million (2017 - $13 million) for the year ended December 31, 2018.

Total capital investments of $1,951 million in 2018 were $248 million higher than the $1,703 million reported in 2017. Of the $1,287 million invested by Electricity, $664 million or 52 per cent, was in Alberta PowerLine and $467 million, or 36 per cent, was in regulated businesses. Of the $648 million invested by Pipelines & Liquids, $622 million, or 96 per cent, pertained to regulated businesses. Higher capital investment was mainly due to increased spending in Alberta PowerLine, and the acquisition of the Mexico hydroelectric facility completed in the first quarter of 2018, partially offset by lower capital investment in Pipelines & Liquids' natural gas distribution and transmission.

THREE YEAR HISTORY

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

ELECTRICITY GLOBAL BUSINESS UNIT

CAPITAL INVESTMENT

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

				Year Ended December 31
($ millions)	**Total**	**2018**	**2017**	**2016**
Electricity Distribution	721	**227**	227	267
Electricity Transmission	654	**240**	211	203
Electricity Generation (1)	288	**156**	24	108
Alberta PowerLine	1,189	**664**	456	69
Total	2,852	**1,287**	918	647

(1) Includes International Electricity Generation capital expenditures in joint ventures of $14 million (2017 - $nil and 2016 - $6 million) for the year ended December 31, 2018.

Electricity's total capital investment over the last three years amounted to $2.9 billion. The largest single project is Alberta PowerLine's Fort McMurray West 500-kV Project.

The Fort McMurray West 500-kV Project has been accounted for as a service concession arrangement under IFRS because the AESO controls the output of the transmission facilities as a part of the greater Alberta network and the ownership of the transmission facilities will transfer to the AESO at the end of the service agreement. Under a service concession arrangement, revenues and costs relating to the design, planning and construction phases of the project are recognized based on a percentage of completion, and revenues and costs relating to the operating phase will be recognized as the service is rendered. Capital invested in Alberta PowerLine under this service concession arrangement is included in capital investments for Electricity.

PERFORMANCE OVERVIEW

ATCO Electric

In addition to the continued investment in utility infrastructure in Alberta, the financial results of ATCO Electric have been influenced by several regulatory decisions. The regulatory decisions are described in the Regulatory Developments section of this AIF and in the Regulatory Developments section in the Company's Management's Discussion and Analysis (MD&A) and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

ATCO Power

ATCO Power's financial results in the last three years were affected by forward sales, power pool prices, price volatility, natural gas prices and power generating plant availability.

ATCO Power achieved lower earnings in 2017 compared to 2016 mainly due to a planned major outage at the Sheerness Thermal PPA plant, lower contributions from forward sales, and increased business development expenses.

ATCO Power achieved higher earnings in 2018 compared to 2017 mainly due to earnings associated with the Balancing Pool's termination of the Battle River unit 5 PPA, earnings associated with the sale of the Barking Power assets, and improved conditions in the Alberta power market.

Plant Availability

Plant availability can also have an impact on financial results. Plant availability during 2017 remained high across ATCO Power's fleet of generation units. Availability of the independent power plants was higher in 2017 compared to 2016 due to fewer outages in 2017. Availability of the thermal PPA plants was lower in 2017 compared to 2016 primarily due to a planned major outage at the Sheerness plant. Higher availability in international electricity generation plants in 2017 was largely due to a major outage that commenced in late September 2016 at our Osborne facility in Australia.

Availability in independent power plants in 2018 was comparable to the same periods in 2017. Higher availability in thermal PPA plants in 2018 is primarily due to a planned major outage at the Sheerness plant in 2017. Lower availability in international electricity generation plants in 2018 was due to an unplanned outage at the Osborne plant in Adelaide, Australia. This was the first significant unplanned outage in its 20-year history. The Osborne plant returned to service in November 2018.

Sale of Barking Power Assets in the U.K.

In the fourth quarter of 2018, Canadian Utilities sold its 100 per cent ownership interest in the Barking Power assets. The total proceeds received on sale of the Barking Power assets were $219 million. This transaction is consistent with Canadian Utilities' strategy of selling mature assets and recycling the proceeds into growing areas of the Company.

Thermal PPAs

On March 21, 2018, the Alberta Balancing Pool provided notice of their intent to terminate the PPA for Battle River unit 5. Effective September 30, 2018, the Battle River unit 5 PPA was terminated by the Balancing Pool and dispatch control was returned to Canadian Utilities.

Sheerness units 1 and 2 remain under PPA contract and Canadian Utilities will continue to operate Sheerness under the terms of that PPA which expires at the end of 2020.

Coal to Natural Gas Conversion Strategy

Canadian Utilities is planning to be the first coal-fired generator in Alberta to end coal-fired power generation in its fleet. In the first quarter of 2018, Canadian Utilities successfully completed a project to co-fire natural gas at Battle River unit 4, enabling the use of natural gas for 50 per cent of the unit's 155 MW generating capacity. In the next phase of this initiative, a conversion project will allow co-firing of natural gas on Battle River unit 5 for 100 per cent of its 385 MW capacity, with an expected completion in late 2019. A full conversion of Battle River unit 4 and Battle River unit 3 is under analysis.

Canadian Utilities is committed to the conversion of Sheerness unit 1 and unit 2 to run on natural gas. Full conversion of Sheerness is planned to be completed in advance of firm natural gas supply, which has been secured for the second quarter of 2022.

Primrose and Rainbow Lake Contracts

During the fourth quarter of 2018, contract renegotiations for both Primrose and Rainbow Lake were completed. The Primrose contract, which will be a finance lease, will be in effect for a 10 year period commencing on January 1, 2019. The Rainbow Lake contract amendment takes effect in the second quarter of 2019 until 2030.

Alberta Electricity Market Reform

On November 23, 2016, the Government of Alberta announced its intention to change the existing energy-only electricity market to a capacity market in 2021. A capacity market includes a market component for the provision of capacity, or the ability to produce electricity, in addition to the market for the production of electricity. The Government of Alberta indicated that it will work closely with industry, consumer groups and other stakeholders to establish the framework and implement the capacity market in 2021.

The final version of the Comprehensive Market Design for the capacity market was released on June 29, 2018. The proposed first capacity auction will start in November 2019, for an obligation from November 2021 for a one year term. The AESO has developed rules for the implementation of the capacity market design and submitted them to the AUC in January 2019 with approval expected by July 2019. The Government of Alberta released the Capacity Market Regulation and amendments to the Fair, Efficient and Open Competition Regulation in December 2018 to facilitate the implementation of the capacity market.

Strategic Review of Canadian Electricity Generation Assets

Canadian Utilities announced on September 13, 2018, that it is exploring strategic alternatives for its Canadian electricity generation business. This process is consistent with the Company's practice of continually evaluating and optimizing its portfolio of businesses. There can be no assurance that this process will lead to any transaction.

International Electricity Generation

International electricity generation activities supplies electricity from two natural gas-fired electricity generation plants in Australia: the Osborne plant in South Australia and the Karratha plant in Western Australia and from distributed electricity generation near San Luis Potosí, Mexico and hydroelectric generation near Veracruz, Mexico.

Earnings at International Electricity Generation in 2017 were slightly higher compared to 2016 due to the impact of the major outage at our Osborne facility in 2016.

International electricity generation adjusted earnings were $2 million lower in 2018 compared to 2017. Higher earnings from the electricity generation in Mexico were offset due to an unplanned outage at the Osborne plant. The Osborne plant returned to service in November 2018.

Osborne PPA Extension

Canadian Utilities has negotiated a five year extension to the Power Purchase Agreement with Origin Energy Electricity Limited for the 180 MW Osborne Power facility, located near Adelaide, Australia. The original agreement, for 180 MW of contracted capacity, was scheduled to expire in 2018 and has now been extended to December 31, 2023. While the extension agreement includes lower pricing terms than the current agreement, the five year extension represents an outperformance of the project returns contemplated in the original investment decision.

Mexico Hydro Facility

In February 2018, Canadian Utilities completed the acquisition of Electricidad del Golfo, which owns a long-term contracted, 35 MW hydroelectric power station based in the state of Veracruz, Mexico. The transaction was recorded for an aggregate purchase price of $112 million.

Mexico Cogeneration Facility

In March 2018, we announced that we will build a 26 MW cogeneration project, known as the La Laguna Cogeneration facility, on the site of the Chemours Company Mexicana S. de R.L. de C.V.'s chemical facility near Gómez Palacio, in the state of Durango, Mexico. Developed in partnership with RANMAN Energy, the La Laguna Cogeneration facility will provide low-carbon and cost-effective electricity and heat under a long-term agreement. Engineering and procurement activities are underway. The total investment associated with the project is approximately $70 million, and the facility is expected to be operational in 2020.

Distributed Generation

In 2017, ATCO Power added distributed generation projects in Mexico. Distributed generation aligns with the Company's strategy of taking a creative and innovative approach to meeting our customers' needs by building a fleet of portable natural gas-fired units that can be deployed for temporary or permanent projects. The Company and its Mexican partner, Grupo Ranman, have 11 MW pf capacity installed at a distributed generation facility located in the World Trade CEntre industrial park in San Luis Potosi, Mexico.

Alberta PowerLine

In August 2017, construction commenced on the approximately 500 km Fort McMurray West 500-kV Project.

In 2018, construction continued on the project. In 2018, capital investment of $664 million was mainly due to tower assembly and line stringing. The target energization date was June 2019. Due to the project being ahead of schedule, the expected energization date has been advanced to March 2019 resulting in the recognition of an early energization incentive.

PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

CAPITAL INVESTMENT

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

				Year Ended December 31
($ millions)	**Total**	**2018**	**2017**	**2016**
ATCO Gas	998	**290**	372	336
ATCO Pipelines	788	**239**	297	252
ATCO Gas Australia	275	**93**	92	90
Non-Regulated Capital Investment (1)	159	**26**	21	112
Total	2,220	**648**	782	790

(1) Non-Regulated Capital Investment includes Mexico Tula Pipeline and ATCO Energy Solutions.

Pipelines & Liquids' total capital investment over the last three years amounted to $2.2 billion. The largest expenditures were in the AUC-approved Urban Pipeline Replacement (UPR) program and in the replacement of aging infrastructure and installation of new customer connections.

PERFORMANCE OVERVIEW

ATCO Gas

ATCO Gas' financial results in the last three years were impacted by capital investment, growth in rate base, and regulatory decisions. ATCO Gas achieved lower earnings in 2018 compared to 2017 and 2016. Lower earnings were mainly due to the earnings impact of operating cost reduction initiatives over the first generation PBR period flowing into customer rates under the 2018 to 2022 second generation PBR framework. The lower earnings from PBR rebasing were partially offset by earnings from continued growth in rate base and customers, additional return on equity (ROE) due to the PBR efficiency carry-over mechanism (ECM), and continued operational efficiencies realized in 2018. The ECM is granted to distribution utilities in the first two years of the second generation PBR for demonstrating superior cost savings in the prior PBR period.

Regulatory decisions are described in the Regulatory Developments section of this AIF and in the Regulatory Developments section in the Company's MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

ATCO Pipelines

ATCO Pipelines' financial results in the last three years were affected by capital investment, growth in rate base, and regulatory decisions. The Company achieved higher earnings in 2018 compared to 2017 and 2016. Higher earnings were mainly due to continued growth in rate base.

Regulatory decisions are described in the Regulatory Developments section of this AIF and in the Regulatory Developments section in the Company's MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

Urban Pipelines Replacement Program

The Urban Pipelines Replacement (UPR) project is replacing and relocating aging, high-pressure natural gas pipelines in densely populated areas of Calgary and Edmonton to address safety, reliability and future growth. Construction is expected to be complete in 2020 and the total cost of the UPR project is estimated to be approximately $900 million. Natural gas distribution and natural gas transmission invested $750 million in the UPR program since the program's inception.

Mains Replacement Program

Natural gas distribution has 8,000 km of plastic pipe and 9,000 km of steel pipe that have been identified for potential replacement. The Plastic Mains Replacement program commenced in 2011 and is a 20-year program aimed at replacing polyvinyl chloride (PVC) and early generation polyethylene (PE) pipe. Natural gas distribution replaced 1,841 km of plastic pipe since the program's inception.

The Steel Mains Replacement program replaces steel pipe that is generally more than 60 years old. Natural gas distribution replaced 305 km of steel pipe since the program's inception.

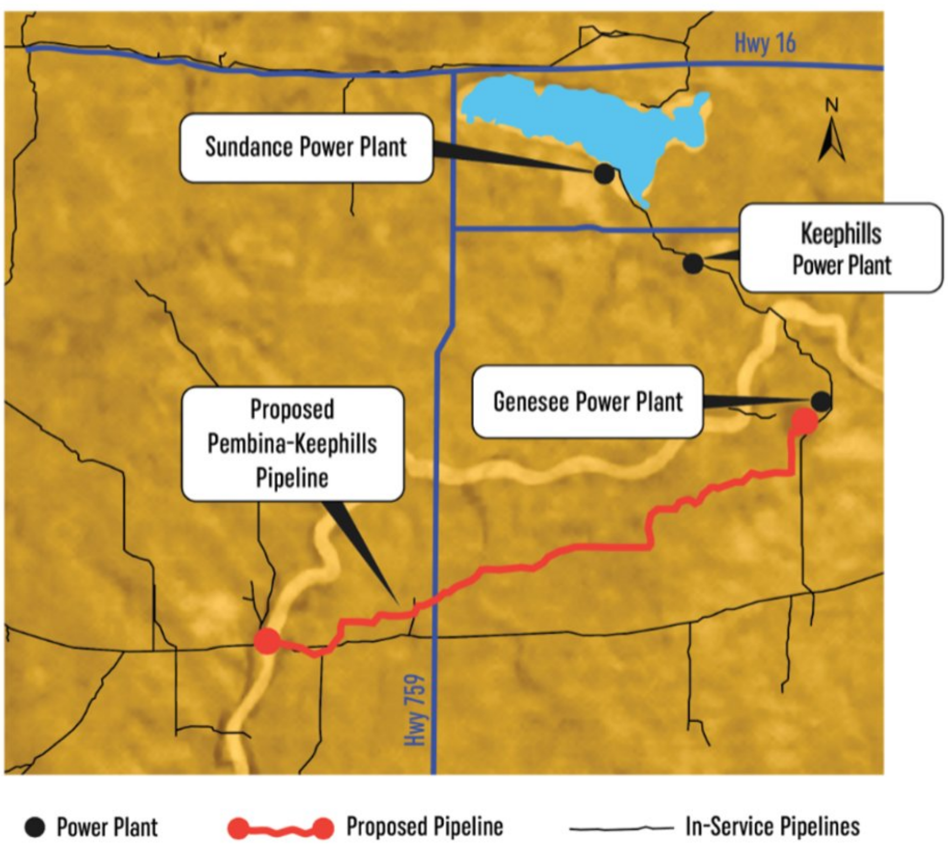
International Natural Gas Transmission - Mexico Tula Pipeline

In 2014, Canadian Utilities was awarded a 25-year Transportation Services Agreement with the Comisión Federal De Electricidad (CFE) to design, build, own and operate a 16 km natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. Canadian Utilities has completed applications for all required permits and continues to work with the Government of Mexico regarding land access and the completion of construction.

Pembina-Keephills Project

The Pembina-Keephills project is a 59 km high-pressure natural gas pipeline located approximately 80 km south-west of Edmonton, Alberta. The project directly supports coal-to-gas conversion of power producers in the Genesee and surrounding areas of Alberta with the capacity to deliver up to 550 TJ per day. The pipeline will supply natural gas to the Genesee generating station and has capacity to support the forecast demands of other power producers in the area. Construction is expected to start in mid-2019 and be completed by early-2020. The estimate to construct this project is approximately $200 million and is included in our three year capital investment plan.

Pembina-Keephills Natural Gas Pipeline Project



International

ATCO Gas Australia

During the last three years, ATCO Gas Australia's earnings have benefited from continued growth in rate base as a result of increased investment in utility infrastructure, growth in customer base, impacts from the true-up of actual inflation and forecast inflation rates, savings due to cost reduction initiatives, and favourable Access Arrangement Appeal decisions.

Earnings in 2017 were higher than 2016. Higher earnings were achieved mainly due to continued growth in rate base, partially offset by warmer weather than in 2016 and the favourable impact of a regulatory appeal decision in 2016.

Earnings in 2018 were higher than 2017 and 2016. Higher earnings, mainly due to continued rate base growth, were partially offset by the foreign exchange impact of a weaker Australian currency compared to the Canadian dollar.

ATCO ENERGY SOLUTIONS

ATCO Energy Solutions' financial results in the last three years were affected mainly by natural gas storage differentials, the sale of excess natural gas, and cost savings due to the sale of under-performing assets.

In 2014, ATCO Energy Solutions commenced a strategy of repositioning itself as an energy infrastructure provider within Alberta's Industrial Heartland, Canada's largest hydrocarbon processing region. As a result of this new direction, industrial water contracts were executed and a major hydrocarbon storage partnership was announced. By the end of 2017, ATCO Energy Solutions disposed or shut–in its interests in gas processing operations except for the remaining interest in the Ikhil Gas Gathering System.

Lower earnings in 2017 when compared to 2016 were because the prior year included cost savings due to the sale of under-performing assets and sales of excess natural gas. Earnings for the full year of 2017 include contributions from the hydrocarbon storage facilities that commenced in the fourth quarter of 2016.

Earnings in 2018 were comparable to 2017 as higher earnings from the hydrocarbon storage assets were offset by lower contributions from ancillary services.

Hydrocarbon Storage

In 2018, construction was completed on two more salt caverns, doubling the capacity at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four caverns, which have a combined hydrocarbon storage capacity of 400,000 cubic metres. The first two caverns have been in service since the fourth quarter of 2016, and the two new caverns began contributing earnings in the second quarter of 2018.

Industrial Water

In 2017, ATCO Energy Solutions entered into a long-term commercial agreement with Inter Pipeline Ltd. to provide water services to Inter Pipeline's newly-authorized integrated propane dehydrogenation and polypropylene plant to be known as the Heartland Petrochemical Complex. In the first quarter of 2018, it was confirmed with Inter Pipeline that the water services contract will commence in 2020.

With the addition of these services, we continue to grow the suite of water and wastewater services for industrial customers throughout Alberta’s Industrial Heartland.

CORPORATE & OTHER

RETAIL ENERGY

As part of the Company's continued growth strategy, ATCOenergy was launched in early 2016, selling electricity and natural gas to residential and commercial customers through flexible plans offering real savings and exceptional customer service. The ATCO Blue Flame Kitchen (BFK) was integrated with ATCOenergy in 2016.

In 2018, ATCOenergy achieved 10 per cent market share and became the third largest energy retailer in Alberta.

OTHER EVENTS

Participation in Canadian Utilities Dividend Reinvestment Plan

The Canadian Utilities Dividend Reinvestment Plan (DRIP) allows eligible Class A and Class B share owners of Canadian Utilities to reinvest all or a portion of their dividends in additional Class A shares. Effective January 10, 2019, Canadian Utilities' DRIP was suspended.

REGULATORY DEVELOPMENTS

REGULATED BUSINESS MODELS

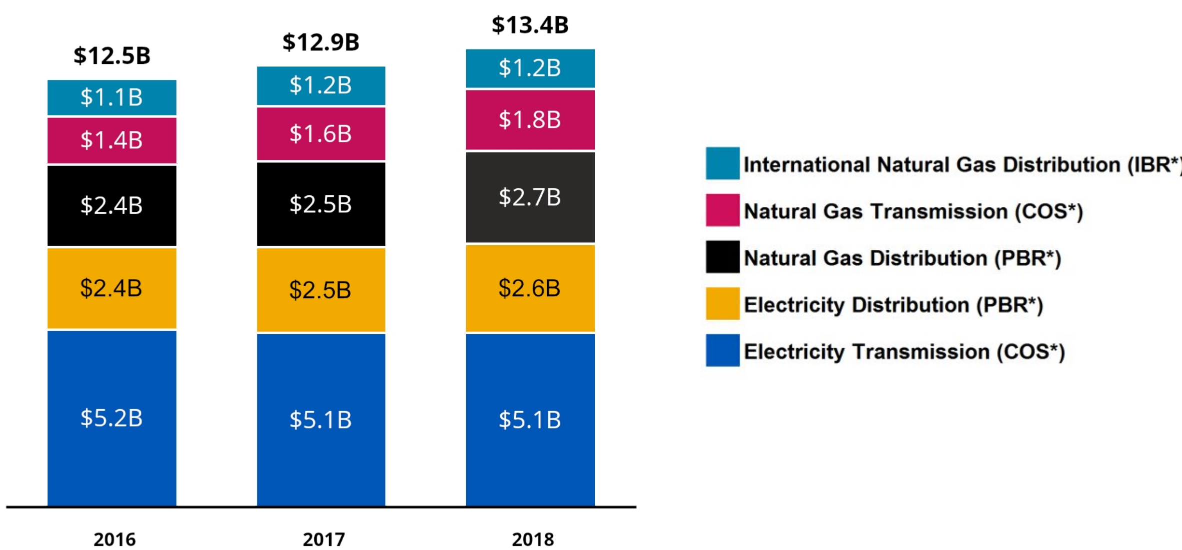
The business operations of electricity distribution, electricity transmission, natural gas distribution and natural gas transmission are regulated mainly by the Alberta Utilities Commission (AUC). The AUC administers acts and regulations covering such matters as rates, financing and service area.

Natural gas transmission and electricity transmission operate under a cost of service (COS) regulation. Under this model, the regulator establishes the revenues to provide for a fair return on utility investment using mid-year calculations of the total investment less depreciation, otherwise known as Mid-Year Rate Base. Growth in Mid-Year Rate Base is a leading indicator of the business' earnings trend, depending on the equity ratio of the Mid-Year Rate Base and the Rate of Return on Common Equity.

Natural gas distribution and electricity distribution operate under performance based regulation (PBR). Under PBR, revenue is determined by a formula that adjusts customer rates for inflation less an estimated amount for productivity improvements. The AUC reviews the utilities' results annually to ensure the rate of return on common equity is within certain upper and lower boundaries. To do these calculations, the AUC reviews Mid-Year Rate Base. For this reason, growth in Mid-Year Rate Base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs based mainly on the formula that adjusts rates for inflation and productivity improvements.

International natural gas distribution is regulated mainly by the Economic Regulation Authority (ERA) of Western Australia. International natural gas distribution operates under incentive based regulation (IBR) under which the ERA establishes the prices for each five year period to recover a return on projected rate base, including income taxes, depreciation on the projected rate base, and forecasted operating costs based on projected throughput. For this reason, growth in rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs within approved forecasts.

Regulated Utilities Mid-Year Rate Base



** IBR means Incentive Based Regulation; COS means Cost of Service Regulation; PBR means Performance Based Regulation*

GENERIC COST OF CAPITAL (GCOC)

In August 2018, the AUC issued a decision approving a Return on Equity (ROE) of 8.5 per cent and capital structure of 37 per cent equity for the 2018, 2019 and 2020 periods for all Alberta utilities. This decision presented no change to the 2018 interim approved ROE and capital structure. In December 2018, the AUC initiated the 2021 GCOC proceeding. The main focus of the proceeding will be to evaluate if a formula-based approach should be used for the ROE.

The following table contains the ROE and deemed common equity ratios resulting from the most recent GCOC decisions. The information reflects the most recent amending or varying orders issued after the original decision date. The table also contains the mid-year rate base for each Alberta Utility.

	Year	AUC Decision	Rate of Return on Common Equity (%) (1)	Common Equity Ratio (%) (2)	Mid-Year Rate Base ($ millions)
Electricity Distribution	**2018**	**2018 GCOC (4)**	**8.50**	**37.0**	**2,585 (5)**
	2017	2016 GCOC (3)	8.50	37.0	2,471 (6)
	2016	2016 GCOC (3)	8.30	37.0	2,361 (6)
Electricity Transmission	**2018**	**2018 GCOC (4)**	**8.50**	**37.0**	**5,095 (8)**
	2017	2016 GCOC (3)	8.50 (7)	37.0	5,097 (6)
	2016	2016 GCOC (3)	8.30 (7)	37.0	5,236 (6)
Natural Gas Distribution	**2018**	**2018 GCOC (4)**	**8.50**	**37.0**	**2,717 (5)**
	2017	2016 GCOC (3)	8.50	37.0	2,549 (6)
	2016	2016 GCOC (3)	8.30	37.0	2,369 (6)
Natural Gas Transmission	**2018**	**2018 GCOC (4)**	**8.50**	**37.0**	**1,802 (9)**
	2017	2016 GCOC (3)	8.50	37.0	1,614 (6)
	2016	2016 GCOC (3)	8.30	37.0	1,407 (6)

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

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

(3) The AUC released its GCOC decision for the periods 2016 to 2017 on October 7, 2016.

(4) The AUC released its GCOC decision for the periods 2018 to 2020 on August 2, 2018.

(5) The mid-year rate base for 2018 is based on the 2019 PBR application filed on September 10, 2018 and includes estimated mid-year work in progress for Electricity Distribution and Natural Gas Distribution.

(6) The mid-year rate base for 2016 and 2017 is based on the Rule 005 Actuals Package and includes mid-year work in progress.

(7) The ROE and common equity ratio for Electricity Transmission were approved on an interim basis on October 7, 2016, and were approved on a final basis on December 16, 2016.

(8) The mid-year rate base for 2018 is based on the 2018 to 2019 GTA application update filed on September 4, 2018 and includes mid-year work in progress.

(9) The mid-year rate base for 2018 is based on the 2019 to 2020 General Rate Application filed on July 30, 2018 and includes mid-year work in progress.

International Natural Gas Distribution Access Arrangement Decision

International natural gas distribution's current Access Arrangement period (AA4) is in place from July 2014 to December 2019.

The following table contains the ROE and deemed common equity ratios from the current Access Arrangement. The table also contains the mid-year rate base.

	Year	ERA Decision	Rate of Return on Common Equity (%) (1)	Common Equity Ratio (%) (2)	Mid-Year Rate Base ($ millions)
International Natural Gas Distribution	**2018**	**2016 AA4 (3)**	**7.21**	**40.0**	**1,211 (4)**
	2017	2016 AA4 (3)	7.21	40.0	1,179
	2016	2016 AA4 (3)	7.21	40.0	1,111

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

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

(3) The ERA released its AA4 Amended Final Decision on September 10, 2015. This was superseded when the ERA released its AA4 Revised Final Decision on October 25, 2016.

(4) 2018 Mid-Year Rate Base was impacted by a strengthening Canadian dollar in 2018. The 2018 Mid-Year Rate Base was calculated using a foreign exchange rate of Australian $1 to Canadian $0.96 compared to Canadian $0.98 in 2017. The Mid-Year Rate Base in Australian dollars was $1,260 in 2018 and $1,205 in 2017, which is a $55 million increase from 2017 to 2018.

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 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.

On February 5, 2018, the AUC released a regulatory decision that provided determinations for the going-in rates and incremental capital funding for the second generation of PBR. In November 2018, the AUC issued a Phase I Review and Variance decision to reassess anomaly adjustments for all Alberta distribution utilities for the purposes of establishing 2018 going-in rates. On February 14, 2019, the AUC commenced a proceeding to undertake that review. The following table compares the key aspects of the PBR First Generation with the PBR Second Generation based on the AUC's February 5, 2018 decision.

	PBR First Generation	**PBR Second Generation**
Timeframe	2013 to 2017	2018 to 2022
Inflation Adjuster (I Factor)	Inflation indices (AWE and CPI) adjusted annually	Inflation indices (AWE and CPI) adjusted annually
Productivity Adjuster (X Factor)	1.16%	0.30%
O&M	Based on approved 2012 forecast O&M levels; inflated by I-X thereafter over the PBR term	Based on the lowest annual actual O&M level during 2013-2016, adjusted for inflation, growth and productivity to 2017 dollars; inflated by I-X thereafter over the PBR term
Treatment of Capital Costs	• Recovered through going-in rates inflated by I-X • Significant capital costs not fully recovered by the I-X formula and meeting certain criteria recovered through a K Factor	• Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2013-2016. The K Bar is calculated annually and adjusted for the actual WACC • Significant capital costs that are extraordinary, not previously incurred and required by a third party recovered through a “Type I” K Factor
ROE Used for Going-in Rates	• 8.75%	• 8.5% • + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019
Efficiency Carry-over Mechanism (ECM)	ECM up to 0.5% additional ROE for the years 2018 and 2019 based on certain criteria	ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria
Reopener	+/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year	+/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year
ROE Used for Reopener Calculation	• 2013 to 2016: 8.3% • 2017: 8.5%	• 2018: 8.5% excluding impact of ECM • 2019: 8.5% excluding impact of ECM • 2020: 8.5% • 2021 and beyond: At approved ROE pending future GCOC proceeding decisions

ATCO GAS Z FACTOR DECISION (REGIONAL MUNICIPALITY OF WOOD BUFFALO WILDFIRE)

In June 2018, the AUC issued a decision on natural gas distribution's Z factor application for the recovery of costs and lost revenues associated with the 2016 Wood Buffalo wildfire near Fort McMurray, Alberta. Substantially all requested costs and lost revenues were approved as filed.

PBR RE-OPENER

In June 2018, the AUC initiated a process for electricity distribution and natural gas distribution as the re-opener clause was triggered by both utilities in 2017, the final year of the First Generation PBR plan. The PBR re-opener thresholds are triggered if a utility's earnings are +/- 500 bps from the approved ROE in one year or +/- 300 bps from approved ROE in two consecutive years. The AUC has determined that it will proceed with a two-phase process. Within the first phase of the proceeding, the Commission will determine whether a re-opener of the utilities' 2013 to 2017 plans is warranted and, if warranted, it will then outline the scope of the second phase.

Electricity distribution and natural gas distribution have filed a submission for the first phase stating that the higher earnings were a direct result of management's response to the incentive to implement efficiency improvements and not due to a flaw in the PBR framework.

ATCO ELECTRIC 2018-2019 GENERAL TARIFF APPLICATION (GTA)

In June 2017, electricity transmission filed a GTA for its operations for 2018 and 2019. In September 2018, electricity transmission filed an update to its application as directed by the AUC. The September 2018 application update incorporated, among other things, achieved operating cost efficiencies and resulted in a reduction to the originally applied-for revenues. Due to additional process steps, as directed by the AUC, a decision is now expected in mid-2019. If the decision approves all the aspects of the GTA as filed, the favorable earnings impact for 2018 would be an additional $13 million and would be recognized in 2019 adjusted earnings upon receipt of the decision.

In January 2019, the AUC issued a decision on the interim rates for the 2019 portion of the GTA. The AUC approved a 2019 rate that represents a continuation of the approved 2018 interim rates. The approved amount represents just over 96 per cent of the applied-for revenue requirement.

ATCO PIPELINES 2019-2020 GENERAL RATE APPLICATION (GRA)

In July 2018, natural gas transmission filed a GRA for 2019 and 2020. The application requests, among other things, additional revenues due to rate base growth driven by capital expenditures, such as the Pembina-Keephills Pipeline project, and operations and maintenance expenditures. A decision from the AUC is expected in mid-2019.

ATCO GAS AUSTRALIA ACCESS ARRANGEMENT

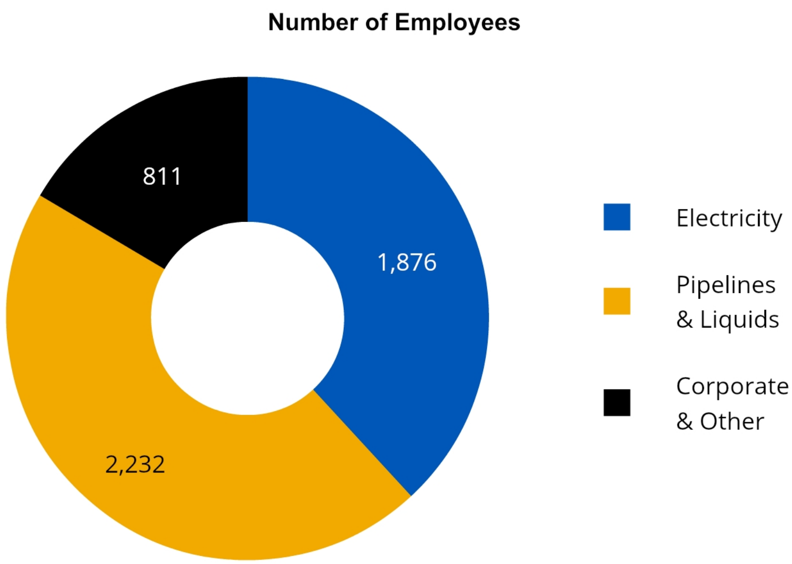
International natural gas distribution submitted Access Arrangement 5 (AA5) to the ERA on August 31, 2018. The ERA is expected to deliver a draft AA5 decision by the end of the first quarter of 2019 and ATCO Gas Australia will have an opportunity to respond to the draft decision. A final ERA decision on AA5 is expected in the third quarter of 2019. The tariffs included in the final decision will be applicable as of January 1, 2020 until December 31, 2024.

INFORMATION TECHNOLOGY COMMON MATTERS

In December 2018, the record for the Information Technology Common Matters proceeding, which was initiated in 2015, was closed. This proceeding impacts the recovery of information technology costs by the Alberta Utilities. A decision is expected in the first quarter of 2019.

EMPLOYEE INFORMATION

At December 31, 2018, the Company had 4,919 employees. The accompanying chart represents the employee numbers in each segment. The chart does not include 34 employees in ATCO Power International Electricity Generation joint ventures, and 147 employees in ATCO Electricity joint ventures.



SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Sustainability, Climate Change and the Energy Transition is described in the "Sustainability, Climate Change and the Energy Transition" section in Canadian Utilities Limited's MD&A and is incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

BUSINESS RISKS

Business risks are described in the "Global Business Unit Performance" and "Business Risks and Risk Management" sections in Canadian Utilities Limited's MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

DIVIDENDS

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

(Canadian dollars per share)	**Date of Issue**	**2018**	**2017**	**2016**
Series Second Preferred Shares				
Series V [(1)]	Oct 3, 1997	1.1500	1.0000	1.0000
Series Y [(2)]	Sep 21, 2011	0.8508	0.9254	1.0000
Series AA	Jun 18, 2012	1.2250	1.2250	1.2250
Series BB	Jul 5, 2012	1.2250	1.2250	1.2250
Series CC	Mar 19, 2013	1.1250	1.1250	1.1250
Series DD	May 15, 2013	1.1250	1.1250	1.1250
Series EE	Aug 7, 2015	1.3125	1.3125	1.3125
Series FF	Sep 24, 2015	1.1250	1.1250	1.1250
Class A and Class B Shares		1.5732	1.4300	1.3000

(1) On October 3, 2017, the annual dividend rate for the Series V Preferred Shares was reset to 4.60 per cent for the next five years. The first payment at the new dividend rate was made on January 3, 2018. Prior to October 3, 2017, the annual dividend rate was 4.00 per cent.

(2) Effective June 1, 2017, the annual dividend rate for the Series Y Preferred Shares was reset to 3.403 per cent for the next five years. Prior to June 1, 2017, the annual dividend rate was 4.00 per cent.

The Company's practice is to pay dividends quarterly on its Class A and Class B shares. The Company has increased its common share dividends each year since 1972. On January 10, 2019, the Board of Directors declared a first quarter dividend of 42.27 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

DIVIDEND REINVESTMENT PLAN

The Canadian Utilities Dividend Reinvestment Plan (DRIP) allows eligible Class A and Class B share owners of Canadian Utilities to reinvest all or a portion of their dividends in additional Class A shares. Effective January 10, 2019, Canadian Utilities' DRIP was suspended.

In the year ended December 31, 2018, Canadian Utilities issued 2,000,420 Class A shares under its DRIP in lieu of cash dividend payments of $63 million.

In the year ended December 31, 2017, Canadian Utilities issued 2,388,770 Class A shares under its DRIP in lieu of cash dividend payments of $90 million.

In the year ended December 31, 2016, Canadian Utilities issued 1,484,241 Class A shares under its DRIP in lieu of cash dividend payments of $52 million.

CAPITAL STRUCTURE

SHARE CAPITAL

The share capital of the Company at February 26, 2019 is as shown below.

Share Description	Authorized	Outstanding
Series Preferred Shares	150,000	–
Series Second Preferred Shares	Unlimited	60,400,000
Class A Shares	Unlimited	199,380,595
Class B Shares	Unlimited	73,760,880

SERIES PREFERRED SHARES

The Series Preferred Shares are entitled, in priority to the Series Second Preferred Shares and the Class A Non-Voting shares and Class B Common shares, to fixed cumulative preferential cash dividends and, in the event of the liquidation, dissolution or winding-up of the Company, or other distribution of assets of the Company among its share owners for the purpose of winding up its affairs, to the amount paid up thereon and accrued and unpaid dividends and, if such action is voluntary, the premiums payable on redemption, if any.

The Series Preferred Shares are subject to redemption on 30 days' notice and are non-voting except upon the failure of the Company to pay dividends on any such shares for a period of 18 months, in which case the owners of all such shares are entitled to one vote per share at meetings of share owners.

The provisions attaching to the Series Preferred Shares stipulate that no shares ranking junior to the Series Preferred Shares may be retired unless all dividends then payable on the Series Preferred Shares shall have been declared and paid.

There are currently no Series Preferred Shares outstanding.

SERIES SECOND PREFERRED SHARES

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

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

(ii) The Series Second Preferred Shares of each series rank equally with the Series Second Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Company.

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

The following Series Second Preferred Shares are currently outstanding:

	Stated Value	Shares	Amount ($ millions)
Perpetual Cumulative Second Preferred Shares			
4.60% Series V	$25.00	4,400,000	110
Cumulative Redeemable Second Preferred Shares			
3.403% Series Y	$25.00	13,000,000	325
4.90% Series AA	$25.00	6,000,000	150
4.90% Series BB	$25.00	6,000,000	150
4.50% Series CC	$25.00	7,000,000	175
4.50% Series DD	$25.00	9,000,000	225
5.25% Series EE	$25.00	5,000,000	125
4.50% Series FF	$25.00	10,000,000	250
			1,510

Series V Preferred Shares

On October 3, 2017, the annual dividend rate for the Series V Preferred Shares was reset from 4.00 per cent to 4.60 per cent. The annual dividend rate for the Series V preferred shares is fixed until October 3, 2022, at which time a new dividend rate may be established by negotiations between the Company and the owners of the shares. The Series V preferred shares are redeemable at the option of the Company.

Series Y Preferred Shares

On June 1, 2017, the annual dividend rate for the Series Y Preferred Shares was reset from 4.00 per cent to 3.40 per cent. The Series Y Preferred Shares became redeemable by the Company on June 1, 2017, and are redeemable on June 1 of every fifth year thereafter, in whole or in part at the stated value plus all accrued and unpaid dividends. Holders may elect to convert any or all of their Series Y Preferred Shares into an equal number of Cumulative Redeemable Second Preferred Shares Series Z on June 1, 2022, and on June 1 of every fifth year thereafter. Holders of the Series Z Preferred Shares will be entitled to receive floating rate cumulative preferential cash dividends, as and when declared by the Board, payable quarterly at a rate equal to the then current 3-month Government of Canada Treasury Bill yield plus 2.40 per cent. On June 1, 2027, and on June 1 of every fifth year thereafter (Series Z Conversion Date), holders of the Series Z Preferred Shares may elect to convert any or all of their Series Z Preferred Shares back into an equal number of Series Y Preferred Shares. The Company may redeem the Series Z Preferred Shares in whole or in part at $25.00 on a Series Z Conversion Date or at $25.50 on any other date.

Series AA and Series BB Preferred Shares

The Series AA and Series BB Preferred Shares are redeemable in whole or in part at the option of the Company starting September 1, 2017 at the stated value plus a 4 per cent premium per share for the next twelve months plus accrued and unpaid dividends. The redemption premium declines by 1 per cent in each succeeding twelve month period until September 1, 2021. In 2017, the Company has not redeemed any of the Series AA or Series BB Preferred Shares.

Series CC Preferred Shares

The Series CC Preferred Shares are redeemable in whole or in part at the option of the Company starting June 1, 2018 at the stated value plus a 4 per cent premium per share for the next twelve months plus accrued and unpaid dividends. The redemption premium declines by 1 per cent in each succeeding twelve month period until June 1, 2022.

Series DD Preferred Shares

The Series DD Preferred Shares are redeemable in whole or in part at the option of the Company starting September 1, 2018 at the stated value plus a 4 per cent premium per share for the next twelve months plus accrued and unpaid dividends. The redemption premium declines by 1 per cent in each succeeding twelve month period until September 1, 2022.

Series EE Preferred Shares

The Series EE Preferred Shares are redeemable in whole or in part at the option of the Company starting September 1, 2020 at the stated value plus a 4 per cent premium per share for the next twelve months plus accrued and unpaid dividends. The redemption premium declines by 1 per cent in each succeeding twelve month period until September 1, 2024.

Series FF Preferred Shares

The Series FF Preferred Shares may be redeemed by the Company on December 1, 2020, and on December 1 of every fifth year thereafter, in whole or in part at the stated value plus all accrued and unpaid dividends. Holders may elect to convert any or all of their Series FF Preferred Shares into an equal number of Cumulative Redeemable Second Preferred Shares Series GG on December 1, 2020, and on December 1 of every fifth year thereafter. Holders of the Series GG Preferred Shares will be entitled to receive quarterly floating rate cumulative preferential cash dividends, as and when declared by the Board of Directors, equal to the then current 3-month Government of Canada Treasury Bill yield plus 3.69 per cent provided that, in any event, such rate shall not be less than 4.5 per cent. On December 1, 2025, and on December 1, of every fifth year thereafter, the Company may redeem the Series GG Preferred Shares in whole or in part at the stated value. On any other date, the Company may redeem the Series GG Preferred Shares in whole or in part by the payment of $25.50 for each share to be redeemed.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

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

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

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

Of the 12,800,000 Class A shares authorized for grant of options under our stock option plan, 5,146,900 Class A shares were available for issuance at December 31, 2018. 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.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

To the Company's knowledge, none of the securities of the Company are held in escrow or are subject to a contractual restriction on transfer as at the date hereof.

CREDIT RATINGS

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

The following table shows the current credit ratings assigned to Canadian Utilities Limited, CU Inc., and ATCO Gas Australia Pty Ltd.

	DBRS	S&P
Canadian Utilities Limited		
Issuer	A	A-
Senior unsecured debt	A	BBB+
Commercial paper	R-1 (low)	A-1 (low)
Preferred shares	PFD-2 (high)	P-2
CU Inc.		
Issuer and senior unsecured debt	A (high)	A-
Commercial paper	R-1 (low)	A-1 (low)
Preferred shares	PFD-2 (high)	P-2
ATCO Gas Australia Pty Ltd. (1)		
Issuer and senior unsecured debt	N/A	BBB+

(1) ATCO Gas Australia Pty Ltd. is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions.

On July 13, 2018, DBRS Limited (DBRS) affirmed its 'A (high)' long-term corporate credit rating and stable trend on Canadian Utilities subsidiary CU Inc. On August 10, 2018, DBRS affirmed its 'A' long-term corporate credit rating and stable trend on Canadian Utilities.

On September 21, 2018, S&P Global Ratings (S&P) affirmed its 'BBB+' long-term issuer credit rating and stable outlook on ATCO Gas Australia Pty Ltd.

On September 27, 2018, S&P affirmed its 'A-' long-term issuer credit rating and stable outlook on ATCO Ltd. and its subsidiaries Canadian Utilities Limited and CU Inc.

ISSUER CREDIT RATINGS AND LONG-TERM DEBT

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

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

A "BBB" issuer rating by S&P is the fourth highest of ten categories. An obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. Ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

COMMERCIAL PAPER AND SHORT-TERM DEBT CREDIT RATINGS

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

An “A-1 (Low)” rating by S&P is the third highest of eight categories in its Canadian commercial paper ratings scale. A short-term obligation rated “A-1 (Low)” is slightly more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

PREFERRED SHARE CREDIT RATINGS

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

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

CREDIT RATINGS GENERALLY

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

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

MARKET FOR SECURITIES OF THE COMPANY

The Company's Class A shares, Class B shares and Cumulative Redeemable Second Preferred Shares, Series Y, AA, BB, CC, DD, EE, and FF are listed on the Toronto Stock Exchange (TSX). The Perpetual Cumulative Second Preferred Shares Series V are not listed.

TRADING PRICE AND VOLUME

The following tables set forth the high and low prices and volume of the Company's shares traded on the TSX under the symbols CU for Class A shares, CU.X for Class B shares, CU.PR.C for Series Y shares, CU.PR.D for Series AA shares, CU.PR.E for Series BB shares, CU.PR.F for Series CC shares, CU.PR.G for Series DD shares, CU.PR.H for Series EE shares, CU.PR.I for Series FF shares, during 2018.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

			Class A Shares			Class B Shares
2018	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	37.47	35.53	4,190,364	37.32	35.31	19,389
February	36.50	33.37	6,025,556	36.00	33.35	19,145
March	35.26	33.29	4,488,080	34.90	33.30	24,844
April	36.59	32.54	4,324,653	35.40	32.60	21,818
May	33.42	30.80	6,273,669	33.27	30.80	32,796
June	33.46	30.90	5,577,290	33.35	31.00	21,204
July	33.82	31.95	4,794,931	33.75	31.98	22,163
August	32.86	31.35	4,514,292	32.65	31.45	26,621
September	31.87	30.88	5,221,762	31.84	30.81	58,720
October	31.77	29.12	8,313,174	31.63	29.12	137,999
November	31.97	30.65	6,434,229	31.93	30.65	95,638
December	32.90	30.05	7,574,693	32.75	29.71	51,470

CUMULATIVE REDEEMABLE SECOND PREFERRED SHARES

			Series Y			Series AA			Series BB
2018	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	22.80	22.16	187,636	24.60	23.91	56,167	24.43	23.73	52,128
February	22.74	22.01	50,879	24.17	23.31	58,360	24.05	23.21	37,672
March	22.20	21.75	19,190	23.65	23.34	38,410	23.45	23.04	35,786
April	21.89	21.51	125,782	23.90	23.35	127,465	23.45	23.09	80,119
May	23.38	21.85	122,763	23.60	22.86	66,127	23.40	22.66	54,662
June	23.79	22.14	75,573	23.23	22.74	72,117	23.14	22.56	77,732
July	23.22	22.61	117,147	23.41	22.99	30,637	23.20	22.79	29,975
August	23.00	22.45	76,990	23.29	22.92	72,648	23.15	22.83	22,138
September	22.70	21.95	36,976	23.22	23.00	30,897	23.08	22.84	16,933
October	22.20	20.45	124,786	23.19	21.57	301,597	22.99	21.50	47,630
November	22.08	19.02	143,720	22.38	21.04	93,200	22.21	20.84	76,783
December	19.35	17.15	208,876	22.15	21.03	72,830	21.94	20.56	109,568

	Series CC			Series DD		
2018	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	22.26	21.80	42,280	22.40	21.81	45,158
February	22.02	21.16	54,040	21.97	21.13	59,009
March	21.53	21.08	21,239	21.68	21.07	46,291
April	21.78	21.24	38,505	21.65	21.14	297,209
May	21.40	20.87	20,543	21.46	20.89	91,730
June	21.50	20.78	38,125	21.44	20.76	29,490
July	21.55	21.17	29,296	21.51	21.15	59,869
August	21.49	21.15	33,951	21.42	21.13	128,088
September	21.35	21.05	46,222	21.28	20.95	38,520
October	21.12	19.83	143,912	21.10	19.73	69,274
November	20.44	19.34	60,950	20.40	19.25	78,737
December	20.00	19.05	72,996	20.19	19.11	101,294

	Series EE			Series FF		
2018	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	25.94	25.35	42,850	26.39	25.60	38,724
February	25.80	24.49	21,534	25.97	25.27	78,971
March	24.95	24.68	46,500	26.46	25.26	187,647
April	24.99	24.75	39,270	26.30	25.75	50,840
May	24.98	24.40	46,183	26.68	25.60	100,434
June	24.60	24.27	30,366	26.13	25.75	37,956
July	24.88	24.48	62,860	26.18	25.70	126,252
August	24.75	24.25	112,788	26.14	25.75	91,164
September	24.55	24.30	67,793	26.30	25.74	27,350
October	24.61	23.25	235,819	26.19	25.07	122,819
November	23.89	22.71	81,554	26.00	24.27	63,345
December	24.31	23.30	71,342	26.15	23.70	70,034

DIRECTORS AND OFFICERS

DIRECTORS [1]

MATTHIAS F. BICHSEL, PhD

Primary residence	Luzern, Switzerland
Director since	2014
Age	64
Independent	

Dr. Bichsel is an energy and technology consultant and corporate director. From 2009 until his retirement in 2014, he was a member of the Executive Management Board of Royal Dutch Shell plc and ran one of its four global businesses, where his responsibilities included upstream and downstream capital projects, technology and R&D, engineering, supply chain management and procurement as well as drilling. Dr. Bichsel was also accountable for the safety and environmental performance of Shell. He was further responsible for sustainable development including climate change, emissions, pollution, societal shifts and stakeholder interests.

Dr. Bichsel has a PhD in Geology from the University of Basel, Switzerland, and is an Honorary Professor at the Chinese University of Petroleum, Beijing, China.

LORAINE M. CHARLTON [2][3]

Primary residence	Calgary, Alberta, Canada
Director since	2006
Age	62
Independent	

Loraine Charlton is currently Vice President and Chief Financial Officer of Lintus Resources Limited, a private oil and gas company with interests across Western Canada, and has over three decades of experience in the oil and gas industry. During her career, Ms. Charlton has held various positions involving responsibility for directing overall management, including financial reporting, banking, debt and treasury management, investor relations, risk management, human resources, operations and strategy.

Ms. Charlton is also a director of CU Inc. and AKITA Drilling Ltd.

Ms. Charlton graduated from the University of Calgary with a Bachelor of Commerce degree in Finance, and holds the Corporate Director Designation (ICD.D) from the Institute of Corporate Directors.

ROBERT B. FRANCIS

Primary residence	Foothills, Alberta, Canada
Director since	2012
Age	64
Independent	

Mr. Francis is President and Founder of Agriteam Canada Consulting Ltd. and Salasan Consulting Inc. These companies specialize in designing and managing large-scale international development projects. The sectors in which they work include government reform, rule of law, judicial reform, health, environment, natural resource management, rural development, agriculture and corporate social responsibility. He has more than 33 years' experience working in international development and has considerable experience in managing projects in these companies that currently employ over 800 people in 26 countries. Mr. Francis' extensive experience provides the Board with a unique insight and perspective on all aspects of the business and international growth strategy.

Mr. Francis has a B.Sc. in Animal Biology, a B.Sc. in Agriculture, and M.Sc. studies in Agricultural Economics-Marketing. He has also completed post graduate studies at the School of Agriculture, University of Nottingham in the U.K.

ROBERT J. NORMAND (3)(4)

Primary residence	Edmonton, Alberta, Canada
Director since	2008
Age	72
Independent	

Mr. Normand retired in October 2015 as Chair of the Workers Compensation Board of Alberta, the agency which administers workplace insurance for the workers and employers of the Province of Alberta. In 2008, he retired from the position of President and Chief Executive Officer of Alberta Treasury Branches (ATB). Prior to joining ATB as Executive Vice-President Sales in 1996, he was employed by the Bank of Montreal for 26 years and held line and credit executive positions in Quebec, Ontario and Alberta.

Through his experience in the financial services sector, he has developed extensive knowledge and expertise in the areas of finance, regulatory matters and risk management.

Mr. Normand is a Fellow of the Institute of Canadian Bankers and holds a B.A. (Econ.) from Sir George Williams University and an M.B.A. from Concordia University.

HECTOR A. RANGEL [4]

Primary residence	Mexico City, Mexico
Director since	2014
Age	71
Independent	

Mr. Rangel is the President of BCP Securities Mexico, a joint venture with BCP Securities LLC, a US investment bank specializing in emerging markets. Prior to this role, he was the Chief Executive Officer of Nacional Financiera S.N.C. and Banco Nacional de Comercio Exterior and a member of Mexico's cabinet under President Felipe Calderon. Mr. Rangel has extensive corporate and investment banking expertise having held various executive positions with the Grupo Financiero Bancomer from 1991 until 2008, including a tenure as Chairman of the Board. Mr. Rangel has also been President of the Mexico Bankers Association and President of the Mexican Business Council.

Mr. Rangel is also presently a director of Afore GNP, Seguros GNP and Nadro S.A. and has been director of a number of major public companies in Mexico.

Mr. Rangel has an Industrial Engineering degree from Purdue University and a Master's Degree in Business Administration from Stanford University.

LAURA A. REED

Primary residence	Wynn Vale, Australia
Director since	2014
Age	57
Independent	

Ms. Reed is the Chair of ERIC Alpha Holdings Pty Ltd and its subsidiaries, which owns 49 per cent of Ausgrid, an electricity distribution business in Australia. In addition, Ms. Reed is a director of Ausgrid. Ms. Reed is also the Chair of Epic Energy South Australia Pty Ltd, which owns the Moomba to Adelaide gas transmission pipeline in South Australia, as well as a director of ATCO Australia Pty Ltd. In 2018, Ms. Reed was appointed to the board of the Clean Energy Finance Corporation, the federal government corporation (Australia) which assists with the funding of clean energy projects.

Ms. Reed was the Chief Executive Officer/Managing Director of Spark Infrastructure from 2008 until May 2012. Spark Infrastructure owned 49 per cent of three electricity distribution businesses in Australia. Before joining Spark Infrastructure, she spent nine years at Envestra Limited, a gas distribution company, in a number of senior financial roles including Chief Financial Officer.

Ms. Reed holds an MBA from Deakin University and a Bachelor of Business (Accounting) and is a fellow of Certified Practicing Accountants Australia.

JAMES W. SIMPSON [(2)(3)]

Primary residence	Calgary, Alberta, Canada
Director since	2004
Age	74
Independent	

Mr. Simpson is Lead Director for the Board of Canadian Utilities. Until April 2017, Mr. Simpson was Chair and Director of Suncor Energy Inc. (Suncor), having served on its board since 2009. He was a director of Petro Canada from 2004 through to 2009 when it merged with Suncor. A former President of Chevron Canada Resources, he retired after a 30 year career with Chevron Corporation. While President of Chevron Canada, he was involved with several remediation projects including a multi-million dollar program to identify and remediate oil pipeline river and stream crossings from legacy operations.

He is a former Chairman of the Board of Governors of the Canadian Association of Petroleum Producers and actively participated in climate change issues and emerging regulatory policies related to Canada's petroleum industry. He has also participated in the World Petroleum Congress.

Mr. Simpson holds a B.Sc. (Honours) in Geology and a M.Sc. in Geophysics. He is a graduate of the Program for Senior Executives from the Sloan School of Business at M.I.T.

NANCY C. SOUTHERN

Primary residence	Calgary, Alberta, Canada
Director since	1990
Age	62
Not Independent	Ms. Southern is not independent because she has a material relationship with CU. She is CU's Chair & Chief Executive Officer.

Ms. Southern was appointed Chair of Canadian Utilities and ATCO effective December 1, 2012 and has been Chief Executive Officer of Canadian Utilities and ATCO since January 1, 2003. Ms. Southern was also President of Canadian Utilities from 2003 to 2015, and President of ATCO from 2003 until 2018. Previously, she was Deputy Chair of each of Canadian Utilities and ATCO from 2008 until 2012, Co-Chair and Co-Chief Executive Officer of each company from 2000 until 2002, Deputy Chief Executive Officer of each company from 1998 to 1999, and Deputy Chair of each company from 1996 to 1999. Ms. Southern has full responsibility for the strategic direction and the operations of Canadian Utilities and reports to the Board of Directors. Ms. Southern is a founding director and member of the Board of Directors of AKITA Drilling Ltd. She is also a director of Sentgraf Enterprises Ltd. and an Honorary Director of the Bank of Montreal.

Ms. Southern is a member of The U.S. Business Council, a member of the American Society of Corporate Executives, and a Canadian member of The Trilateral Commission. She is also a member of the Business Council of Canada and the Rideau Hall Foundation Board of Directors.

LINDA A. SOUTHERN-HEATHCOTT (4)

Primary residence	Calgary, Alberta, Canada
Director since	2000
Age	55
Not Independent	Ms. Southern-Heathcott is not independent because she has a material relationship with CU. She is an immediate family member of the Chair & Chief Executive Officer.

Ms. Southern-Heathcott is President & Chief Executive Officer of Spruce Meadows Ltd., an internationally recognized equestrian facility in Calgary, Alberta. As a former professional equestrian rider, Ms. Southern-Heathcott was a member of the Canadian Equestrian Team for nine years and competed in the 1996 Olympic Summer Games in Atlanta, Georgia. Ms. Southern-Heathcott brings significant management and business experience to the Board and was appointed Vice Chair of the Board of Directors of Canadian Utilities and CU Inc. in March 2017 and of ATCO in November 2016.

Ms. Southern-Heathcott is a founding director, and currently serves as Board Chair, of AKITA Drilling Ltd. Ms. Southern-Heathcott also serves on the Board of Directors of ATCO Structures & Logistics Ltd. and Sentgraf Enterprises Ltd.

In 2010, Ms. Southern-Heathcott received her ICD.D certification from the Director Education Program at the Institute of Corporate Directors.

CHARLES W. WILSON (2)

Primary residence	Boulder, Colorado, United States
Director since	2000
Age	79
Independent	

Mr. Wilson is Lead Director for the Board of Directors of ATCO Ltd. and is a director of ATCO Australia Pty Ltd. He was President and Chief Executive Officer of Shell Canada from 1993 to 1999, and Executive Vice President, U.S. Downstream Oil and Chemical of Shell Oil Company from 1988 to 1993. Before 1988, he was Vice President, U.S. Exploration and Production of Shell Oil Company, and also held various executive positions in the domestic and international natural resource operations of Shell.

As the former Head of the Environment Committee of the Canadian Association of Petroleum Producers, Mr. Wilson was actively involved in climate change matters and emerging regulatory policies related to the petroleum industry.

Mr. Wilson holds a B.Sc. in Civil Engineering and an M.Sc. in Engineering.

(1) All directors hold office until the close of the annual meeting of share owners of the Company or until their successors are elected or appointed.
(2) Member of the Corporate Governance - Nomination, Compensation and Succession Committee
(3) Member of the Audit & Risk Committee
(4) Member of the Pension Fund Committee

OFFICERS (IN ALPHABETICAL ORDER)

Name, Province and Country of Residence	Position Held and Principal Occupation
B.J. Black Alberta, Canada	Vice President, Corporate Services Canadian Utilities Limited
L.L. Brewster Alberta, Canada	Vice President, Indigenous Community Relations & Development Canadian Utilities Limited
M.G. Constantinescu Alberta, Canada	Senior Vice President & Chief Transformation Officer Canadian Utilities Limited and ATCO Ltd.
P.D. Cook Alberta, Canada	Senior Financial Officer & Controller Canadian Utilities Limited and ATCO Ltd.
D.A. DeChamplain Alberta, Canada	Senior Vice President & Chief Financial Officer Canadian Utilities Limited and ATCO Ltd.
G.D. Friesen Alberta, Canada	Vice President, Indigenous and Government Relations & Sustainability Canadian Utilities Limited
C. Gear Alberta, Canada	Corporate Secretary Canadian Utilities Limited and ATCO Ltd.
D.M. Girard Alberta, Canada	Vice President, Human Resources Canadian Utilities Limited
S.W. Kiefer Alberta, Canada	President & Chief Strategy Officer President, Canadian Utilities Limited and ATCO Ltd.
G.J. Lidgett Alberta, Canada	Managing Director, Pipelines & Liquids Canadian Utilities Limited and ATCO Ltd.
R.C. Neumann Alberta, Canada	Vice President, Internal Audit Canadian Utilities Limited and ATCO Ltd.
K.J. Patrick Alberta, Canada	Vice President, Finance & Risk Canadian Utilities Limited and ATCO Ltd.
A.M. Skiffington Alberta, Canada	Vice President & Chief Information Officer Canadian Utilities Limited and ATCO Ltd.
N.C. Southern Alberta, Canada	Chair & Chief Executive Officer Canadian Utilities Limited and ATCO Ltd.
W.K. Stensby Alberta, Canada	Managing Director, Electricity Canadian Utilities Limited and ATCO Ltd.

POSITIONS HELD BY OFFICERS WITHIN PRECEDING FIVE YEARS

All the officers have been engaged for the last five years in the indicated principal occupations, or in other capacities with the companies or firms referred to, or with their affiliates or predecessors, except for Mrs. Girard, Ms. Patrick and Mr. Constantinescu. Mrs. Girard has held several senior management roles specializing in human resources, including recent positions as Director, Human Resources at Bell Canada. Ms. Patrick has held several senior management roles specializing in strategy and finance, including her recent positions as Senior Director, Mergers & Acquisitions and Strategic Development at ATCO Group, Director, Mergers & Acquisitions and Senior Manager and Economist, Corporate Strategy and Development, at Bunge Limited. Mr. Constantinescu was appointed Senior Vice President & Chief Transformation Officer in February 2018. Prior to joining the Company, Mr. Constantinescu was Chairman and Chief Executive Officer of Orthoshop Geomatics Ltd.

DIRECTORS' AND OFFICERS' INTEREST IN THE COMPANY

At December 31, 2018, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), 66,604,478 (90.3 per cent) of the issued and outstanding Class B common shares of the Company.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Since January 1, 2018, there has been no indebtedness outstanding to the Company from any of its directors, executive officers, senior officers or associates of any such directors, nominees or senior officers.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

As at February 26, 2019, there were 73,760,880 Class B shares outstanding. To the knowledge of the directors and officers of the Company, the only person who beneficially owns, controls or directs, either directly or indirectly, 10 per cent or more of the Class B shares is ATCO Ltd.

ATCO Ltd. owns 66,309,246 Class B shares representing approximately 90 per cent of the outstanding Class B shares. The Margaret E. Southern Spousal Trust (the Spousal Trust) has a controlling interest in Sentgraf Enterprises Ltd. (Sentgraf), and together with Sentgraf controls ATCO Ltd. Ms. Nancy Southern, Ms. Linda Southern-Heathcott and Mrs. Margaret E. Southern are trustees of the Spousal Trust. All actions regarding the Class B shares owned by the Spousal Trust require the approval of a majority of the trustees. The Spousal Trust, ATCO and Sentgraf are collectively referred to as the "Majority Share Owner."

No director or executive officer of the Company, person or company that beneficially owns, or controls or directs, directly or indirectly, greater than 10 per cent of the Company's Class B voting common shares, nor any associate or affiliate of the foregoing, has, or has had, any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES OR SANCTIONS

Corporate Cease Trade Orders

Except as otherwise disclosed herein, no director, executive officer or controlling security holder of the Company is, as at the date of this AIF, or has been, within the past 10 years before the date hereof, a director or executive officer of any other issuer that, while that person was acting in that capacity:

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

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

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

Personal Bankruptcies

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

Penalties or Sanctions

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

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

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

CONFLICTS OF INTEREST

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

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Class A shares, Class B shares and the Cumulative Redeemable Second Preferred Shares Series Y, AA, BB, CC, DD, EE and FF is AST Trust Company (Canada) at its principal offices in Calgary, Vancouver, Toronto and Montreal.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is occasionally named as a party in claims and legal proceedings which arise during the normal course of its business. The Company reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. There can be no assurance that any particular claim will be resolved in the Company's favour or that such claim may not have a material adverse effect on the Company. For further information, please refer to Note 36 of the 2018 Consolidated Financial Statements.

MATERIAL CONTRACTS

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

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has prepared the auditor’s report for the Company’s annual 2018 Consolidated Financial Statements. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Adjusted earnings are defined as earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward 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 the MD&A. Adjusted earnings is an additional GAAP measure presented in Note 4 of the 2018 Consolidated Financial Statements.

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

FORWARD-LOOKING INFORMATION

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

ADDITIONAL INFORMATION

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

Additional information, including directors’ and officers’ remuneration, principal holders of the Company’s securities, and securities authorized for issuance under equity compensation plans, is contained in the Company’s most recent Management Proxy Circular dated March 7, 2018. Additional financial information is provided in the Company’s audited 2018 Consolidated Financial Statements and the Company’s MD&A for the financial year ended December 31, 2018.

Information relating to ATCO or CU Inc. may be obtained on request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street SW, Calgary, Alberta, T3E 8B4, or by telephone (403) 292-7500 or fax (403) 292-7532. Corporate information is also available on the Company’s website: www.canadianutilities.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

AEY means ATCO Electric Yukon.

AGP means ATCO Gas and Pipelines Ltd.

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

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

APL means Alberta PowerLine.

ATCO means ATCO Ltd. and its subsidiaries.

ATCO Electric means ATCO Electric Ltd.

ATCO Energy means ATCO Energy Ltd.

ATCO Energy Solutions means ATCO Energy Solutions Ltd.

ATCO Gas means the natural gas distribution division of AGP.

ATCO Gas Australia means ATCO Gas Australia LP.

ATCO Pipelines means the natural gas transmission division of AGP.

ATCO Pipelines Mexico means ATCO Pipelines S.A. de C.V.

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

ATCO Power Australia means ATCO Power Australia (Energy) Limited Partnership.

ATCO Structures & Logistics means ATCO Structures & Logistics Ltd. with its subsidiaries.

AUC means the Alberta Utilities Commission.

Board means Canadian Utilities' Board of Directors.

Canadian Utilities means Canadian Utilities Limited.

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

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

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

Corporation means Canadian Utilities Ltd. and, unless the context otherwise requires, includes its subsidiaries.

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

EUA means the Electric Utilities Act (Alberta).

GAAP means Canadian generally accepted accounting principles.

Gigawatt hour (GWh) is a measure of electricity consumption equal to the use of 1 billion watts of power over a one-hour period.

IFRS means International Financial Reporting Standards.

K Bar means the AUC allowance for capital additions under performance based regulation.

LNG means liquefied natural gas.

MD&A means the Company's Management's Discussion and Analysis for the year ended December 31, 2018.

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

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

Merchant means uncontracted generating plant capacity that is offered into the spot electricity market in which the generating plant is located.

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.

NUY means Northland Utilities (Yellowknife) Limited.

NWT means Northland Utilities (NWT) Limited.

Petajoule (PJ) is a unit of energy equal to approximately 948.2 billion British thermal units.

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

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

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

ROE means Return on Equity.

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

Terajoule (TJ) is a unit of energy equal to approximately 948.2 million British thermal units.

APPENDIX 1
DETAILS OF GENERATING PLANTS

DOMESTIC GENERATING PLANTS

Name & Location	Type	Date In Service	MW[1]	Ownership (%)	Capacity Share (MW)	Contracted Capacity (MW)	Partner(s) [2]	Customer(s) [2]	Contract Expiry Date
Battle River 3 Forestburg, AB	Coal-Fired Thermal	1969	149	100	149	–	–	Merchant	–
Battle River 5 Forestburg, AB	Coal-Fired Thermal	1981	385	100	385	–	–	Merchant	–
Sheerness 1, 2 Hanna, AB	Coal-Fired Thermal	1986 & 1990	790	50	395	378	TransAlta	Balancing Pool	2020
Battle River 4 Forestburg, AB	Co-Fired Cogeneration	1975	155	100	155	–	–	Merchant	–
Cory Saskatoon, SK	Gas-Fired Cogeneration	2003	260	50	130	130	SPI	SPC	2028
Joffre Red Deer, AB	Gas-Fired Cogeneration	2000	480	40	192	54	Capital Power / NOVA	NOVA/ Merchant	2020
McMahon Taylor, BC	Gas-Fired Cogeneration	1993	120	50	60	60	Enbridge	BC Hydro	2029
Muskeg River Ft. McMurray, AB	Gas-Fired Cogeneration	2003	170	70	119	119	SPI	AOSP/ Merchant	2042
Primrose Primrose, AB	Gas-Fired Cogeneration	1998	85	50	42	21	CNRL	CNRL	2028
Rainbow Lake 4, 5 Rainbow Lake, AB	Gas-Fired Cogeneration	1999	90	50	45	–	Husky Energy	Husky Energy/ Merchant	2030
Scotford Ft. Saskatchewan AB	Gas-Fired Cogeneration	2003	170	100	170	140	–	AOSP/ Merchant	2043
Brighton Beach Windsor, ON	Gas-Fired Combined-Cycle	2004	580	50	290	290	OPG	Shell Energy	2024
Poplar Hill Grande Prairie, AB	Gas-Fired Open-Cycle	1998	45	100	45	–	–	Merchant / TMR [3] contract	2020
Valleyview 1, 2 Valleyview, AB	Gas-Fired Open-Cycle	2001 & 2008	90	100	90	–	–	Merchant	–
Distributed Generation House Mountain, AB	Gas-Fired	2016	6	100	6	6	–	Cardinal Energy Ltd.	2026
Distributed Generation Karr, AB	Gas-Fired	2016	3	100	3	3	–	Various	2026
Oldman River Pincher Creek, AB	Hydroelectric	2003	32	75	24	–	Piikani Nation	Merchant	–
Total (A)			**3,610**		**2,300**	**1,201**			

INTERNATIONAL GENERATING PLANTS

Name & Location	Type	Date In Service	MW [1]	Ownership (%)	Capacity Share (MW)	Contracted Capacity (MW)	Partner(s) [2]	Customer(s) [2]	Contract Expiry Date
AUSTRALIA									
Osborne South Australia	Gas-Fired Combined-Cycle	1998	180	50	90	90	Origin Energy	Origin Electricity	2023
Karratha Western Australia	Gas-Fired Open-Cycle	2010	86	100	86	86	–	Horizon Power	2030
Total - Australia			**266**		**176**	**176**			
MEXICO									
Distributed Generation San Luis Potosi	Gas-Fired	2016	11	50	6	6	Grupo Ranman	Various	2026
Electricidad del Golfo Veracruz	Hydroelectric	2014	35	100	35	–	–	Various	–
Total - Mexico			**46**		**41**	**6**			
Total (B)			**312**		**217**	**182**			
Total (A + B)			**3,922**		**2,517**	**1,418**			

(1) Name plate capacity.

(2) Full names of customers and partners:

- *AOSP means Athabasca Oil Sands Project*
- *BC Hydro means BC Hydro and Power Authority*
- *Capital Power means Capital Power (Alberta) Limited Partnership*
- *CNRL means Canadian Natural Resources Limited*
- *Grupo Ranman means RANMAN Energy Inc.*
- *Husky Energy means Husky Energy Inc.*
- *NOVA means NOVA Chemicals Corporation*
- *OPG means Ontario Power Generation Inc.*
- *Piikani Nation means Piikani Resource Development Inc.*
- *Shell Energy means Shell Energy North America (Canada) Inc.*
- *SPC means SaskPower Corporation*
- *Enbridge means Enbridge Inc.*
- *SPI means SaskPower International Inc.*
- *TransAlta means TransAlta Corporation*
- *Origin Electricity means Origin Energy Electricity Limited*
- *Origin Energy means Origin Energy Limited*

(3) TMR means Transmission Must Run and represents an arrangement between a group of generators and the AESO whereby transmission constraints around the location of the facility require the generators to generate a required level of electricity at all times. Compensation is provided to the generators through a TMR contract.

APPENDIX 2

AUDIT & RISK COMMITTEE INFORMATION

AUDIT & RISK COMMITTEE MANDATE

PURPOSE

The Audit & Risk Committee (the "Committee") of Canadian Utilities Limited is responsible for contributing to the effective stewardship of the Corporation by assisting the Board of Directors of the Corporation ("Board") in fulfilling its oversight of:

- the integrity of the Corporation's financial statements;
- the Corporation's compliance with applicable legal and regulatory requirements;
- the independence, qualifications and appointment of the Corporation's external auditor;
- the performance of the Corporation's internal audit function and external auditor;
- the accounting and financial reporting processes of the Corporation;
- audits of the financial statements of the Corporation;
- the risk management processes of the Corporation.

AUTHORITY

The Committee is empowered to:

- determine the public accounting firm to be recommended to the Board for appointment as external auditors, and be directly responsible for the compensation and oversight of the work of the external auditors. The external auditors will report directly to the Committee;
- pre-approve all auditing and permitted non-audit services performed by the Corporation's external auditors;
- conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee, and to communicate directly with the internal and external auditors;
- inspect all the books and records of the Corporation and its subsidiary entities and to discuss such books and records in any manner relating to the financial position and/or risk related issues of the Corporation and its subsidiary entities with the officers, employees and internal and external auditors of the Corporation and its subsidiary entities. All employees are directed to cooperate with the Committee's requests;
- meet with the Corporation's officers, external auditors or outside counsel, as necessary;
- delegate authority, to the extent permitted by applicable legislation and regulation, to one or more designated members of the Committee, including the authority to pre-approve all auditing and permitted non-audit services provided by the Corporation's external auditor.

COMPOSITION

The Board shall elect annually from among its members an Audit & Risk Committee comprised of not less than three directors. Each member of the Committee must be:

- a director of the Corporation;
- independent (within the meaning of sections 1.4 and 1.5 of National Instrument 52-110);
- financially literate (within the meaning of section 1.6 of National Instrument 52-110).

In order to be considered to be independent for the purposes of membership on the Committee, a director must have been determined by the Board to have no direct or indirect material relationship with the Corporation and must satisfy all other applicable legal and regulatory requirements.

The Board will appoint one member of the Committee as Chair. Any member of the Committee may be removed or replaced at any time by the Board, and a member shall cease to be a member of the Committee upon ceasing to be a director of the Corporation or upon ceasing to be independent.

MEETINGS

The Committee shall meet at least four times per year and whenever deemed necessary by the Chair of the Committee or at the request of a Committee member or the Corporation's external or internal auditor. Matters related specifically to Risk Management as described under "Duties and Responsibilities" will be on the agenda for two of the Committee meetings each year.

The chair of the committee shall prepare and/or approve an agenda in advance of each meeting. Reasonable notification of meetings, which may be held in person, by telephone or other communication device, shall be sent to the members of the Committee, the external auditor and any additional attendees as determined by the Chair of the Committee. The external auditor has the right to appear before and be heard at any meeting of the Committee. Meetings will be scheduled to permit timely review of Committee materials. A majority of the Committee will constitute a quorum. Minutes of each meeting will be prepared by the person designated by the Committee to act as secretary and will be kept by the Corporate Secretarial Department.

DUTIES AND RESPONSIBILITIES

Financial and Operating

- Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include: complex or unusual transactions and highly judgmental areas; major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles; and the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.
- Review analyses prepared by management and/or the external auditors, setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including analyses of the effects of new or revised IFRS methods on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the Corporation's annual and interim financial statements, MD&A and earnings press releases and the AIF before the Corporation publicly discloses this information.
- Review reports prepared by Designated Audit Directors regarding any significant items pertaining to year-end financial disclosure documents.
- If delegated by the Board, approve the interim financial statements, interim MD&A and interim earnings press releases before the Corporation publicly discloses this information.
- Recommend to the Board the approval of the Corporation's annual financial statements, AIF and annual MD&A.
- Be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of these procedures.
- Be satisfied that the Corporation has implemented appropriate systems of internal control over financial reporting and that these systems are operating effectively.

External Auditor

- Recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation; and the compensation of the external auditor.
- Be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- Pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the external auditor of the Corporation ("Non-audit Services"). The Committee may delegate to one or more of its members the authority to pre-approve Non-audit Services. All Non-audit Services provided by the external auditor shall be summarized and reported to the Audit & Risk Committee on a cumulative basis for the year at each quarterly meeting.
- The Committee shall adopt and periodically review practices and procedures for the engagement of Non-audit Services that are detailed as to the particular service, that do not include delegation of the Committee's responsibilities to management, and that are designed to manage the pre-approval process and comply with all applicable legal and regulatory requirements.
- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

Internal Auditor

- Be satisfied that the internal audit function has been effectively carried out and the internal auditor has adequate resources.
- Review and approve the annual Audit Plan.
- Review and approve Internal Audit's annual budget and resource plan.

Risk Management

- Understand the principal risks of the Corporation; review and consider with management the Corporation's risk taking philosophy; review and discuss with management the Corporation's risk inventory and related mitigation plans; receive presentations, reports and other information about extraordinary risks, emerging risks and significant trends that could materially affect the Corporation's ability to achieve its strategic objectives; review reports prepared by Designated Audit Directors regarding any significant risks identified by management; review and discuss with management a summary of safety and environmental performance.
- Be satisfied that management has appropriate processes in place to identify, assess, manage and monitor risk.
- Review the Corporation's insurance programs for adequacy annually.

Other

- Ensure that the Corporation has appropriate procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.
- Provide a means for confidential and anonymous submission by employees of the Corporation of concerns regarding accounting or auditing matters.
- Review and reassess annually the adequacy of this mandate and recommend any proposed changes to the Board for approval.
- Review and approve annually the Disclosure Committee, Designated Audit Directors, Internal Audit, and Crisis Management Committee mandates.
- The Committee will inquire into any other matters referred to it by the Board.

REPORTING

The Committee shall report to the Board on such matters and questions relating to the financial position or risk management of the Corporation as the Board may from time to time refer to the Committee. A summary of all meetings will be provided to the Board by the Chair of the Committee. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request. The external auditor and the Vice President, Internal Audit of the Corporation shall report directly to the Committee. The Committee is expected to maintain free and open communication with the Corporation's external auditor, internal auditor and management. This communication shall include private sessions, at least annually, with each of these parties.

COMPOSITION AND RELEVANT EDUCATION AND EXPERIENCE OF THE AUDIT & RISK COMMITTEE

The following are the members of the Corporation's Audit & Risk Committee, all of whom are independent and financially literate:

- L.M. Charlton - Ms. Charlton is Vice President & Chief Financial Officer at Lintus Resources Limited and has held positions of increasing financial responsibility ranging from Financial Analyst to Chief Financial Officer during her 24 year career at Investors' Petroleum Consultants Ltd. Ms. Charlton serves on the Audit Committees of three publicly traded corporations and is Audit Chair for one of them. Ms. Charlton has a Bachelor of Commerce degree in Finance, holds the Corporate Director Designation (ICD.D) from the Institute of Corporate Directors, and participates in ongoing financial and accounting continuing education.
- R.J. Normand - For more than 30 years, Mr. Normand held senior executive roles in the financial and banking sectors, culminating in the role of President and Chief Executive Officer of Alberta Treasury Branches until his retirement in 2008. In October 2015, he retired as Chair of the Workers Compensation Board of Alberta. Through his experience in the financial services sector, he has developed extensive knowledge and expertise in the areas of finance, regulatory matters and risk management. Mr. Normand has a M.B.A. and a B.A. (Economics) and has completed studies leading to the Fellow of the Institute of Canadian Bankers designation.
- J.W. Simpson (Chair) - During Mr. Simpson's career at Chevron Corporation, various financial positions reported to him. In his capacity as General Manager, the accounting department reported to him and as President of Chevron Canada Resources, the Vice President Finance directly reported to Mr. Simpson. In addition, Mr. Simpson was Chairman of the Internal Audit Committee of Chevron Canada Resources. Mr. Simpson graduated from a Senior Executive Program at M.I.T.'s Sloan School of Business.

PRE-APPROVAL PROCEDURES

The Corporation's Audit Committee has adopted a procedure for approval of external auditor services. The procedure prohibits the external auditor from providing specified services to the Corporation and its subsidiaries.

The engagement of the external auditor for a range of services defined in the procedure has been pre-approved by the Audit & Risk Committee. If an engagement of the external auditor is contemplated for a particular service that is neither prohibited nor covered under the range of pre-approved services, such engagement must be pre-approved. The Audit & Risk Committee has delegated the authority to grant such pre-approval to the Chairman of the Audit & Risk Committee.

Services provided by the external auditor are subject to an engagement letter. The procedure mandates that the Audit & Risk Committee receive regular reports of all new pre-approved engagements of the external auditor.

EXTERNAL AUDITOR SERVICE FEES

The aggregate fees incurred by the Corporation and its subsidiaries for professional services provided by PricewaterhouseCoopers LLP for each of the past two years were as follows.

($ Millions)	**2018**	**2017**
Audit fees (1)	**3.7**	3.2
Audit-related fees (2)	**0.1**	0.1
Tax fees (3)	**0.5**	0.3
Total	**4.3**	3.6

(1) Audit fees are the aggregate professional fees paid to the external auditor for the audit of the annual 2018 Consolidated Financial Statements and other regulatory audits and filings.

(2) Audit related fees are the aggregate fees paid to the external auditor for services related to special purpose audits and audit services including consultations regarding IFRS.

(3) Tax fees are the aggregate fees paid to the external auditor for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and sales tax returns.