CANADIAN UTILITIES LIMITED
An ATCO Company

# CANADIAN UTILITIES LIMITED ANNUAL INFORMATION FORM

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**February 26, 2020**

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, 2019.

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

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

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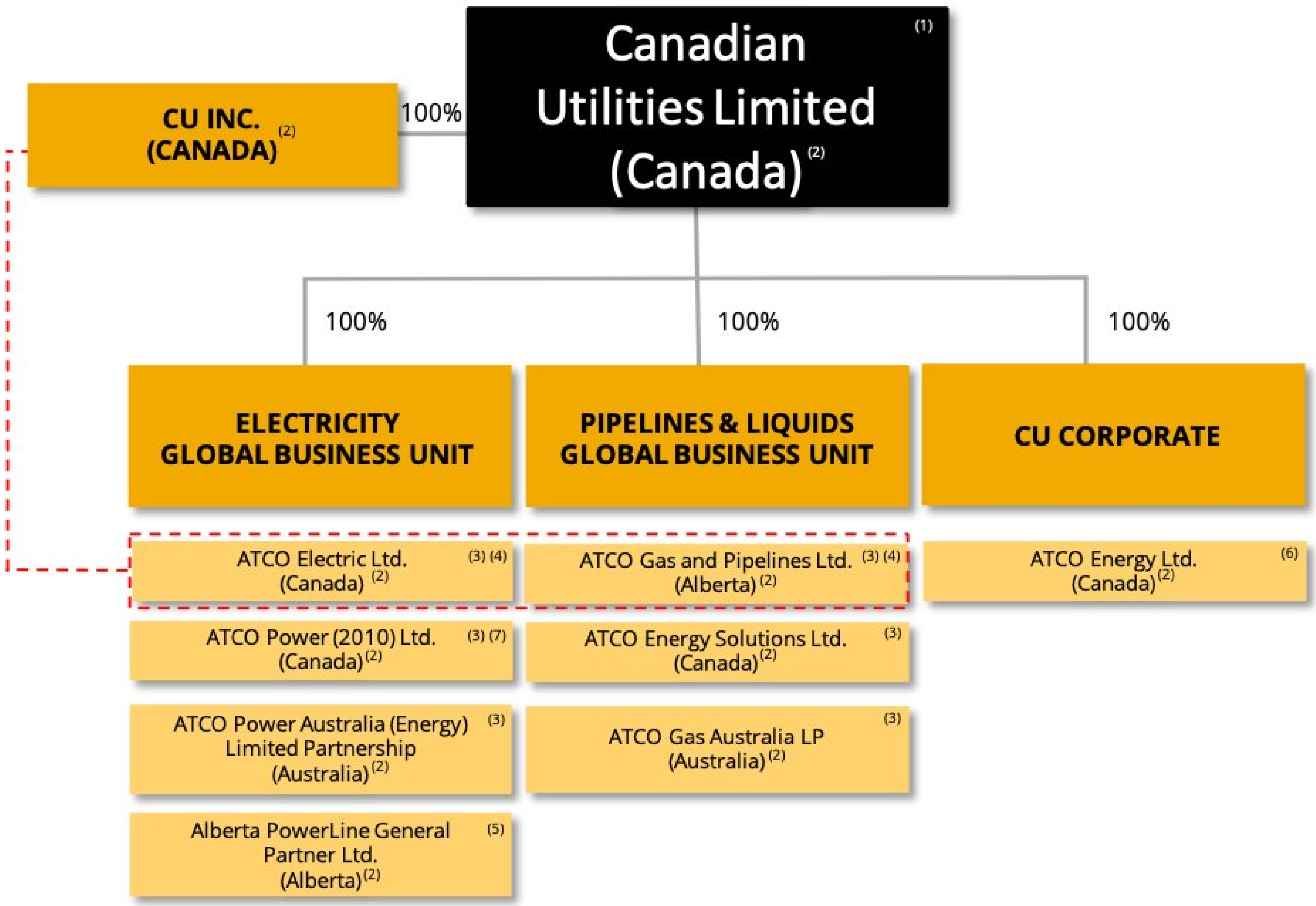
# CORPORATE STRUCTURE

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 Alberta Utilities, which had been financed by Canadian Utilities, are now primarily financed by CU Inc.

## 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, 2019.*

*(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 (Energy) 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.*

*(5) Alberta PowerLine General Partner Ltd., the general partner of Alberta PowerLine Limited Partnership (Alberta PowerLine or APL), was a partnership between Canadian Utilities Limited (80 per cent) and Quanta Services, Inc. (20 per cent). In December of 2019, Canadian Utilities, along with Quanta Services Inc. completed the previously announced sale of APL. Canadian Utilities received aggregate proceeds of $222 million for its interest in APL and will remain as the operator over its 35-year contract with the Alberta Electric System Operator.*

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

*(7) On September 30, 2019, Canadian Utilities announced the sale of its Canadian fossil fuel-based electricity generation portfolio for aggregate proceeds of $821 million. The sale was completed in the fourth quarter of 2019.*

# CORE MISSION AND VALUES

### 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 MISSION

To build a global portfolio of utilities and energy infrastructure assets that consistently delivers operational excellence and superior returns.

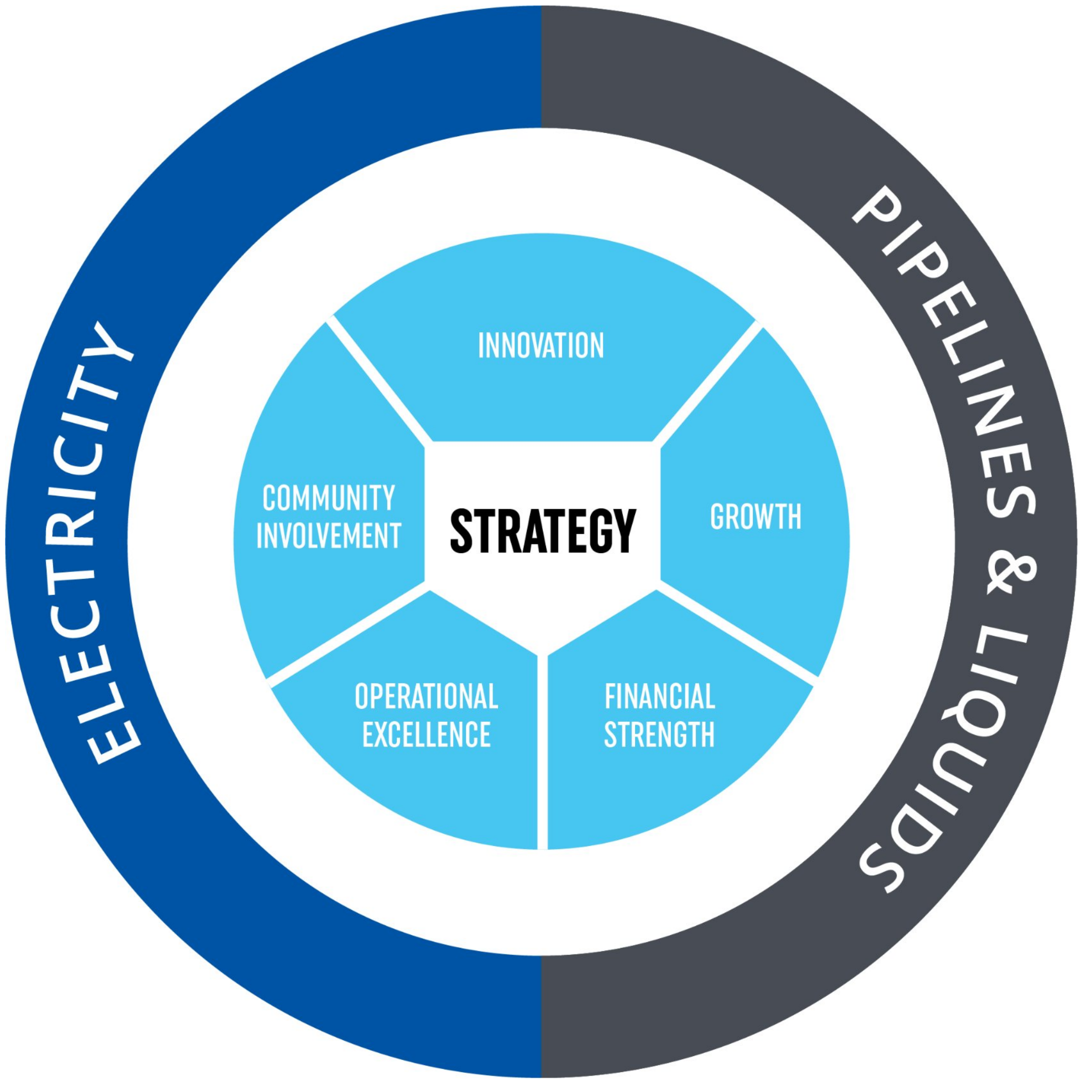
### CORE VALUES

It is ATCO's Heart and Mind that drives the Company's approach to service reliability and product quality. Our pursuit of excellence governs the way we act and make decisions.

# 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 continue offering our customers premier, comprehensive and integrated solutions to meet their needs and expand into new markets.

These strategic imperatives are supported by our unwavering commitment to operational excellence, our customers, our people and the 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 our customers; developing significant, value-creating greenfield projects; and fostering continuous improvement.

We pursue the acquisition and development of complementary assets and businesses 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 flows from operations, cash balances on hand, credit facilities and access to capital markets. It enabless 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 our environmental impact. We ensure the timely supply of goods and services that are critical to our customers' ability to meet their 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.

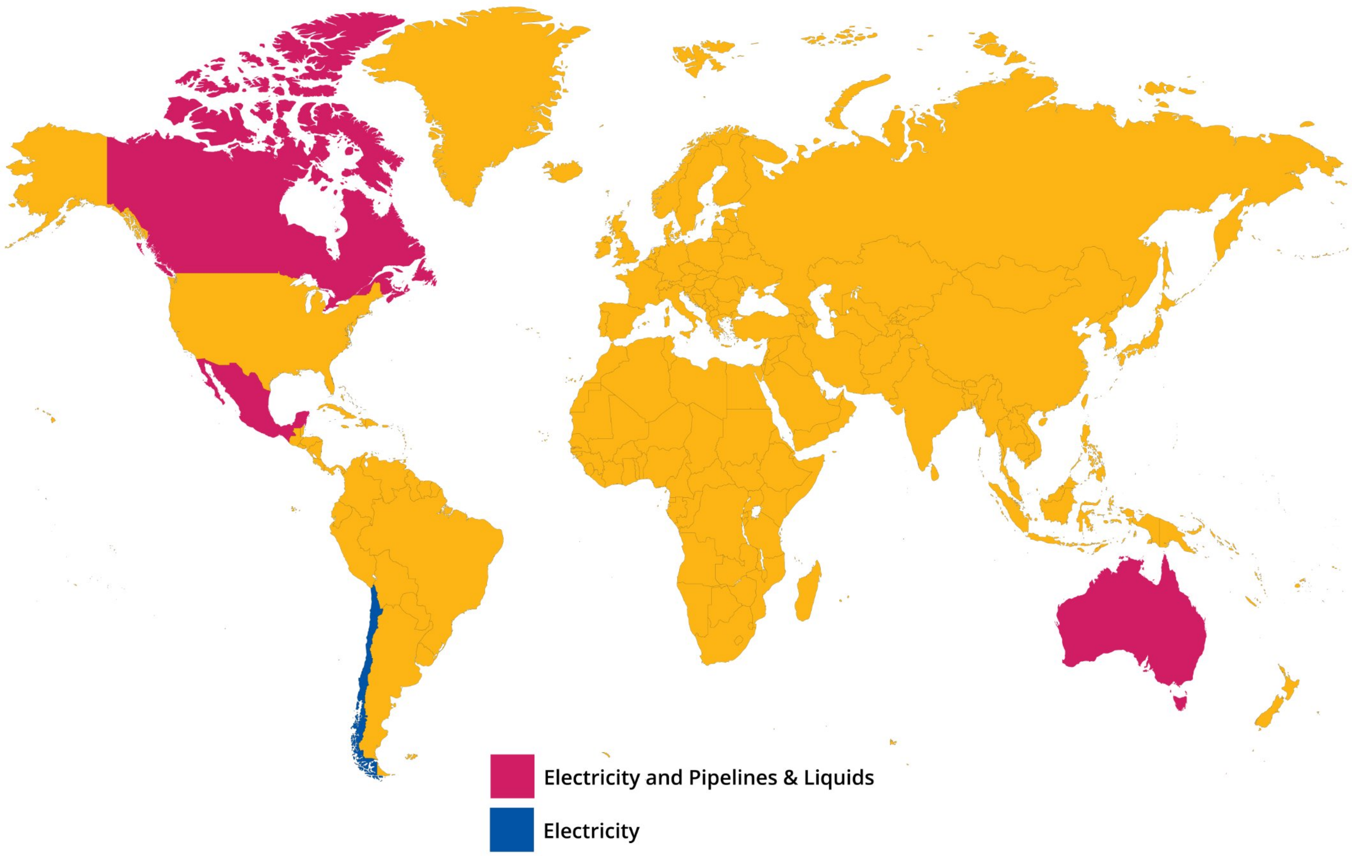
## FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

Canadian Utilities’ financial and operational achievements in 2019 relative to the strategies outlined above are included in the 2019 MD&A, and the 2019 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 2019 Management Proxy Circular, Year in Review, and Sustainability Report. The 2019 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 $20 billion and approximately 4,600 employees engaged in delivering service excellence and innovative business solutions in Electricity (electricity transmission, distribution and generation); Pipelines & Liquids (natural gas transmission and distribution, energy storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales).




We are privileged to serve more than two million customers around the world, providing integrated, forward-thinking solutions in electricity, pipelines and liquids, retail energy, and responsible industrial water solutions. We power homes, businesses and communities, energize industries and deliver customer-focused energy infrastructure solutions.

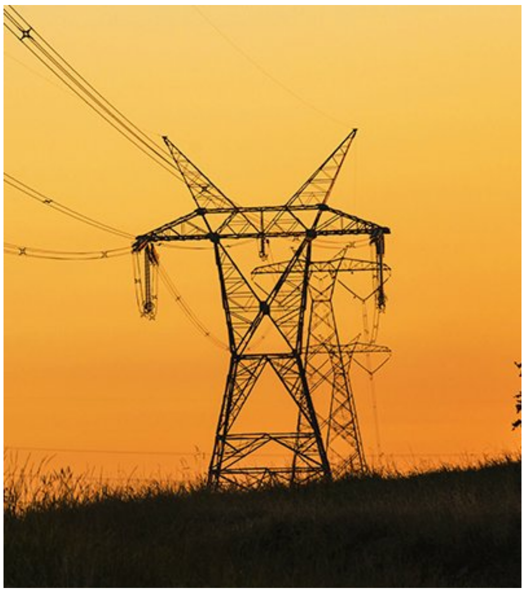
## ELECTRICITY GLOBAL BUSINESS UNIT

**OVERVIEW**

The Electricity Global Business Unit's activities are conducted through two regulated businesses: electricity distribution and electricity transmission, and non-regulated electricity generation and transmission. Together these businesses provide electricity distribution, transmission, generation, and related infrastructure services.

**BUSINESS STRATEGY**

Electricity's strategy is to grow its businesses through: investing in regulated electricity distribution and transmission, capitalizing on opportunities to provide long-term contracted electricity transmission services and renewable and natural gas-fired electricity generation.



*Electricity transmission towers, Alberta*

**MARKET OPPORTUNITIES**

The electricity regulated businesses expect to see continued investment opportunities based on customer growth and system replacements. Expansion will be focused in select global markets, including Canada, Australia, Latin America and the U.S.

Electricity targets select markets with stable regulatory environments and rule of law, excellent long-term growth potential, and strategic fit with our existing asset base and complementary skills.

**MARKET CHALLENGES**

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

**ELECTRICITY DISTRIBUTION AND TRANSMISSION**

The activity areas in which electricity distribution and electricity transmission operate in Western and Northern Canada are shown in the map below.


Electricity distribution and transmission transmit and deliver 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.

Electricity distribution and transmission 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, 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 662,000 people live in the principal markets for electric utility service by electricity distribution and transmission and its subsidiaries NUY, NWT and AEY. Service is provided to approximately 260,000 customers. Electricity distribution and transmission has been assigned approximately 65 per cent of the designated service area within Alberta. This service area contains approximately 14 per cent of the provincial electrical load and 13 per cent of the population.

The numbers of customers served by electricity distribution and transmission, NUY, NWT and AEY at the end of 2019 and 2018 are shown below.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Number** | **%** | **Number** | **%** |
| Industrial | **10,295** | **4** | 10,455 | 4 |
| Commercial | **34,686** | **14** | 34,532 | 14 |
| Residential | **182,726** | **70** | 181,373 | 70 |
| Rural, REA and other | **32,042** | **12** | 31,911 | 12 |
| Total | **259,749** | **100** | 258,271 | 100 |

Electricity distributed to the various classes of customers in 2019 and 2018 is shown below.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **GWh** | **%** | **GWh** | **%** |
| Industrial | **8,392** | **66** | 8,586 | 66 |
| Commercial | **2,395** | **19** | 2,438 | 19 |
| Residential | **1,321** | **10** | 1,342 | 10 |
| Rural, REA and other | **556** | **5** | 562 | 5 |
| Total | **12,664** | **100** | 12,928 | 100 |

Electricity distribution and transmission, 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 60,000 km of distribution lines. In addition, electricity distribution and transmission delivers power to and operates approximately 4,000 km of distribution lines owned by Rural Electrification Associations (REA).

Electricity distribution and transmission, NUY, NWT and AEY own and operate 23 diesel and hydro-generating plants, with an aggregate nameplate capacity of 40-MW in Alberta, the Yukon and Northwest Territories. The maximum peak load demand for these plants during 2019 was 19-MW.

Electricity distribution and transmission, 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 electricity distribution and transmission, 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 determined 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.

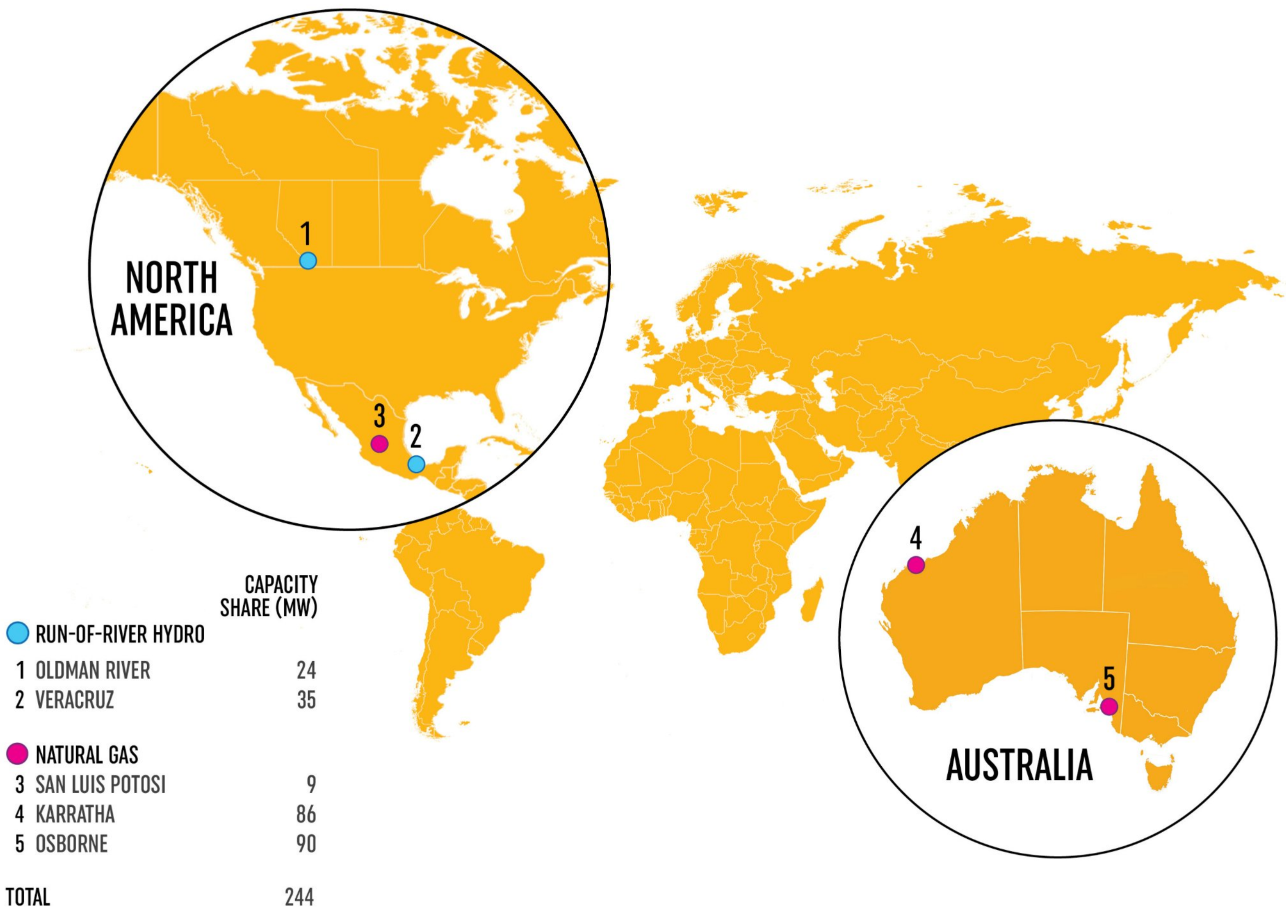
Under the Electric Utilities Act (Alberta) (EUA), wholesale tariffs for electricity transmission must be approved by the Alberta Utilities Commission (AUC). Transmission tariffs allow any owner of a generating unit to access the Alberta transmission system and thus facilitate the sale of its power. The 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.

**ELECTRICITY GENERATION**

**Map of Electricity Generation Post September 30, 2019 Sale**




**Canada**

In the fourth quarter of 2019, Canadian Utilities finalized the sale of its 2,276-MW Canadian fossil fuel-based electricity generation portfolio (12 coal-fired and natural gas-fired electricity generation assets) in a series of transactions for aggregate proceeds of $821 million. Following the close of the transaction, Canadian Utilities continues to own 244-MW of electricity generation assets in Canada, Mexico and Australia.

| Name & Location | Type | Date In Service | MW [(1)] | Ownership (%) | Capacity Share (MW) | Contracted Capacity (MW) | Partner(s) [(2)] | Customer(s) | Contract Expiry Date |
|---|---|---|---|---|---|---|---|---|---|
| **CANADA** | | | | | | | | | |
| **Oldman River** Pincher Creek, AB | Hydroelectric | 2003 | 32 | 75 | 24 | – | Piikani Nation | Merchant | – |

(1) *Name plate capacity*
(2) *Piikani Nation means Piikani Resource Development Inc.*

### Mexico

Canadian Utilities owns Electricidad del Golfo, a long-term contracted, 35-MW hydroelectric power station based in the state of Veracruz, Mexico.

Canadian Utilities and its Mexican partner, Grupo Ranman, own 11-MW of distributed generation at a distributed generation facility located in the World Trade Centre industrial park in San Luis Potosí, Mexico.

| Name & Location | Type | Date In Service | MW [(1)] | Ownership (%) | Capacity Share (MW) | Contracted Capacity (MW) | Partner(s) [(2)] | Customer(s)[(2)] | Contract Expiry Date |
|---|---|---|---|---|---|---|---|---|---|
| **MEXICO** | | | | | | | | | |
| Distributed Generation **San Luis Potosí** | Gas-Fired | 2016 | 11 | 80 | 9 | 9 | Grupo Ranman | Various | 2026 |
| Electricidad del Golfo **Veracruz** | Hydroelectric | 2014 | 35 | 100 | 35 | 35 | – | Various | 2028 |
| **Total - Mexico** | | | **46** | | **44** | **44** | | | |

(1) *Name plate capacity*
(2) *Grupo Ranman means RANMAN Energy Inc.*

### Australia

Canadian Utilities 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 and provide energy for thousands of public sector, domestic, industrial and commercial clients. They have secured 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 electricity 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 facility, 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.

In 2018, Canadian Utilities negotiated a five-year extension to the Power Purchase Agreement with Origin Energy Electricity Limited for Osborne to December 31, 2023.

| 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** | | | |

*(1) Name plate capacity*
*(2) Full names of customers and partners:*
- *Origin Electricity means Origin Energy Electricity Limited*
- *Origin Energy means Origin Energy Limited*

### Chile

***Distribution-Connected Solar Generation Facility***

In the fourth quarter of 2019, Canadian Utilities entered into a partnership with Impulso Capital, a Chilean developer, to build and operate the 18-MW Cabrero Solar project. This project, located in southern Chile, will provide clean solar energy to the Chilean electricity grid. The first 3-MW is under construction, and is expected to be operational in 2020. The remaining 15-MW is scheduled for completion in 2021. The total investment in this project is expected to be approximately $24 million.

## NON REGULATED ELECTRICITY TRANSMISSION

Canadian Utilities operates five non-regulated electricity transmission assets 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

In March 2019, APL energized the Fort McMurray West 500-kV Transmission Line, three months ahead of schedule, on-budget and with an impeccable safety record.

In the second quarter of 2019, Canadian Utilities and Quanta Services Inc. entered into agreements to sell APL. Canadian Utilities offered an opportunity for Indigenous communities along the electricity transmission line route to obtain up to a 40 per cent equity interest.

With the completion of the sale in December 2019, seven Indigenous communities in Alberta have a combined 40 per cent equity ownership in this essential Canadian energy infrastructure project: Athabasca Chipewyan First Nation, Bigstone Cree Nation, Gunn Metis Local 55, Mikisew Cree First Nation, by way of its business arm, the Mikisew Group of Companies, Paul First Nation, Sawridge First Nation and Sucker Creek First Nation.

The remaining 60 per cent of APL was acquired by a consortium including TD Asset Management Inc., for and on behalf of TD Greystone Infrastructure Fund (Global Master) L.P., and IST3 Investment Foundation acting on behalf of its investment group IST3 Infrastruktur Global. The sale transaction also included the assumption of $1.4 billion of APL debt.

Canadian Utilities received aggregate proceeds of $222 million for its interest in APL and will remain as the operator of APL over its 35-year contract with the Alberta Electric System Operator.

# PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

## OVERVIEW

The Pipelines & Liquids Global Business Unit's 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.

*Natural gas transmission control station, Drayton Valley, Alberta*

## MARKET OPPORTUNITIES

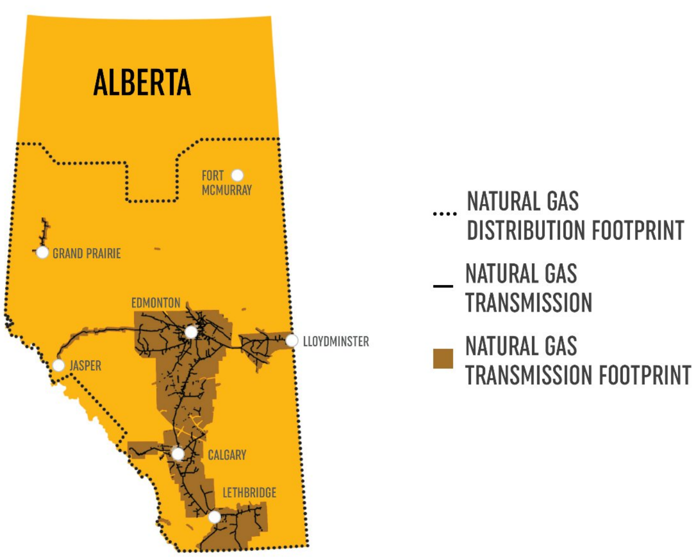
The pipelines and liquids regulated businesses expect to see continued growth based on forecasted customer growth and system replacements. Expansion of pipelines in Alberta is expected to increase the need for energy storage to manage supply and demand. Expansion will be focused in select global markets, including Canada, Australia, Latin America, and the U.S.

Pipelines & Liquids targets select markets with stable regulatory environments and rule of law, excellent long-term growth potential, and strategic fit with our existing asset base and complementary skills.

## MARKET CHALLENGES

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

The following map shows the areas served by natural gas distribution and natural gas transmission in Alberta.



## NATURAL GAS DISTRIBUTION

Natural gas distribution delivers natural gas throughout Alberta and in the Lloydminster area of Saskatchewan and serves approximately 1.2 million customers in nearly 300 Alberta communities.

Natural gas distribution's 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 natural gas distribution's customers were located in these 11 communities in 2019. 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 natural gas distribution at the end of 2019 and 2018 is shown below.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Number** | **%** | **Number** | **%** |
| Residential | **1,131,342** | **92** | 1,117,109 | 92 |
| Commercial | **100,698** | **8** | 99,363 | 8 |
| Industrial | **346** | **–** | 344 | – |
| Other | **7** | **–** | 3 | – |
| Total | **1,232,393** | **100** | 1,216,819 | 100 |

The quantity of natural gas distributed by natural gas distribution in 2019 and 2018 is shown below.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **PJ** | **%** | **PJ** | **%** |
| Residential | **133.3** | **47** | 129.5 | 47 |
| Commercial | **137.3** | **48** | 133.3 | 48 |
| Industrial | **13.7** | **5** | 13.9 | 5 |
| Other | **0.3** | **–** | 0.3 | – |
| Total | **284.6** | **100** | 277.0 | 100 |

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

Natural gas distribution delivers 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 natural gas distribution and its obligations to deliver natural gas services to consumers in the municipality.

All franchises are exclusive to natural gas distribution 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 determined by the prevailing regulatory authority.

In Edmonton, distribution of natural gas is carried on under the authority of an exclusive franchise. Natural gas distribution 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, the distribution of natural gas operates under a municipal by-law. The rights of natural gas distribution 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.

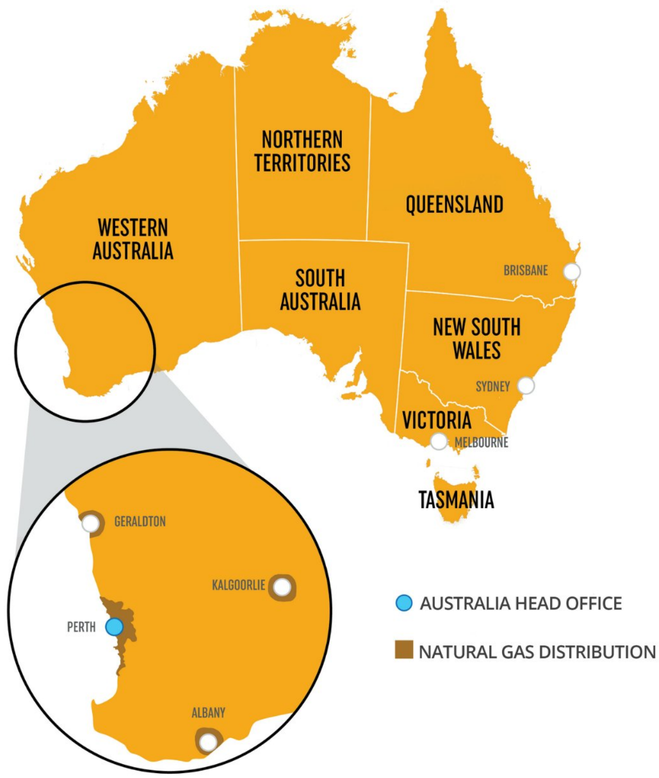
## NATURAL GAS TRANSMISSION

Natural gas transmission 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.

Natural gas transmission owns and operates an extensive natural gas transmission system. The system currently consists of approximately 9,100 km of pipelines, 16 compressor sites, approximately 3,700 receipt and delivery points, and a salt cavern natural gas storage peaking facility near Fort Saskatchewan, Alberta. The system has 179 producer receipt points, one interconnection with Alliance Pipeline, and one interconnection with Many Islands Pipelines. Peak delivery capability of the natural gas transmission system is 3.9 billion cubic feet per day.

**INTERNATIONAL NATURAL GAS DISTRIBUTION**

International natural gas distribution's operations are shown in the following map.




International natural gas distribution provides natural gas distribution services in Western Australia and serves approximately 771,000 customers in 18 communities, including metropolitan Perth and surrounding regions such as Geraldton, Bunbury, Busselton, Kalgoorlie, Harvey, Pinjarra, Brunswick Junction and Capel. International natural gas distribution 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 international natural gas distribution at the end of 2019 and 2018 is shown below.

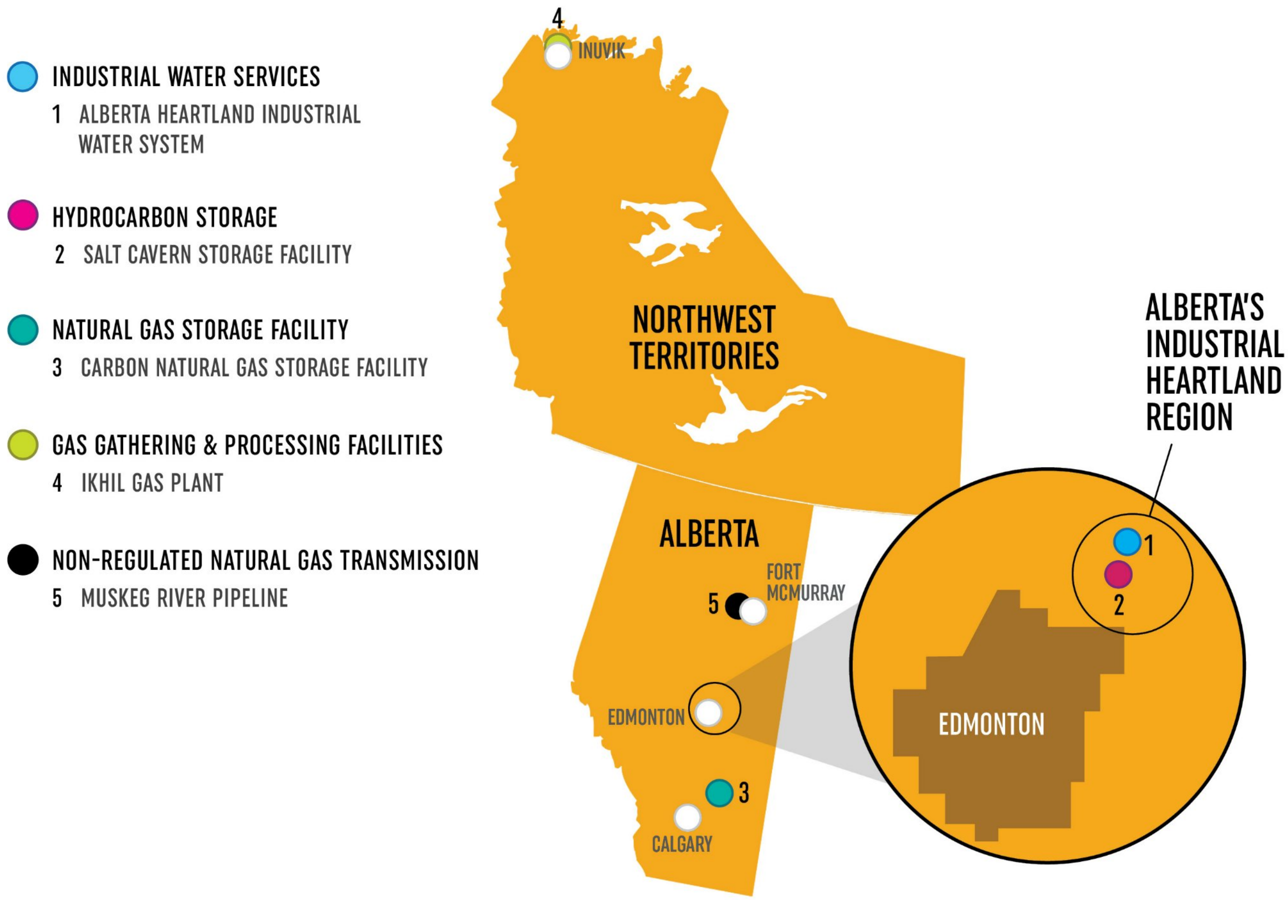
| | | 2019 | | 2018 |
|---|---|---|---|---|
| | Number | % | Number | % |
| Residential | **756,342** | **98** | 747,424 | 98 |
| Commercial | **14,063** | **2** | 13,699 | 2 |
| Industrial | **182** | **–** | 180 | – |
| Total | **770,587** | **100** | 761,303 | 100 |

The quantity of gas delivered by international natural gas distribution in 2019 and 2018 is shown below.

| | | 2019 | | 2018 |
|---|---|---|---|---|
| | PJ | % | PJ | % |
| Residential | **10.0** | **38** | 10.3 | 38 |
| Commercial | **3.4** | **13** | 3.5 | 13 |
| Industrial | **12.8** | **49** | 13.0 | 49 |
| Total | **26.2** | **100** | 26.8 | 100 |

### STORAGE & INDUSTRIAL WATER

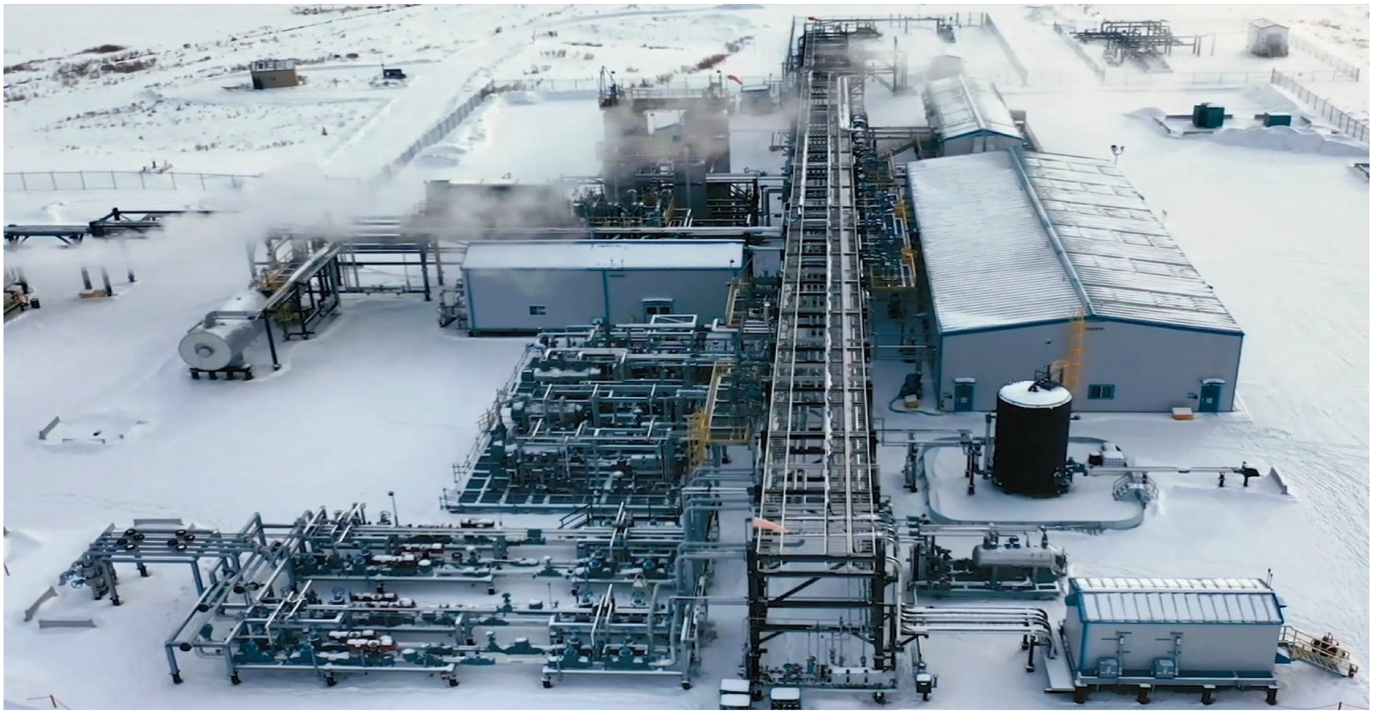
Storage & industrial water builds, owns and operates non-regulated industrial water, natural gas storage, hydrocarbon storage, and natural gas related infrastructure to serve the midstream sector of Western Canada's energy industry. It operates and owns a one-third interest in a regulated natural gas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




***Hydrocarbon Storage***

The ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta includes assets held in a partnership between storage & industrial water (60 per cent ownership share) and Petrogas Energy Corp (40 per cent ownership share) focused on supporting customers through natural gas liquids storage and related infrastructure. The facility consists of four storage caverns under long-term contract, 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 two additional caverns began contributing earnings in the second quarter of 2018.

In the fourth quarter of 2019, storage & industrial water secured long-term contracts for a fifth salt cavern storage facility at the ATCO Heartland Energy Centre. As well, we secured long-term contracts for the construction and operation of a pipeline connecting the new salt cavern facility to existing pipelines in the area for receipt and delivery of hydrocarbon products. Construction began in the fourth quarter of 2019, with full operation targeted for late 2021.



*ATCO Heartland hydrocarbon storage facility, Fort Saskatchewan, Alberta*

***Natural Gas Storage***

Storage & industrial water 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.

Storage & industrial water also provides flexible storage, natural gas procurement and transportation services tailored to customers' 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***

Storage & industrial water's multi-user water system is connected to the North Saskatchewan River through our industrial water system. We provide integrated water services including pipeline transportation, storage, water treatment, recycling and disposal to a number of our 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.

***Natural Gas Gathering and Processing***

Storage & industrial water has a non-operating 33.3 per cent ownership interest in one natural gas gathering and processing facility, the Ikhil gas plant.

***Natural Gas Liquids Extraction***

Storage & industrial water has an interest in one natural gas liquids (NGL) extraction facility as at December 31, 2019. The Empress Gas Liquids Straddle Plant is currently undergoing reclamation and remediation.

***Non-regulated Natural Gas Pipeline***

Storage & industrial water owns the 116-km Muskeg River non-regulated natural gas pipeline that provides natural gas transportation service under a long-term commercial agreement to meet the needs of the Muskeg River Mine facilities and other facilities in the Fort McMurray area. Service on the pipeline commenced in June 2002 under a long-term commercial agreement with Canadian Natural Upgrading Limited and other joint venture participants.

## 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 & Other includes CU Inc. and Canadian Utilities preferred share dividend and debt 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.

### BLUE FLAME KITCHEN

The ATCO Blue Flame Kitchen (BFK) in Alberta 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.

BFK had its start with simple natural gas appliance demonstrations and small cooking schools for homemakers and has since evolved into a comprehensive global resource for adults and kids alike. Today the BFK provides recipes and "how-to" guides, an answer line staffed by professional Home Economists, as well as school programs, cooking classes and events hosted at our state-of-the-art learning centres in Calgary, Edmonton and Jandakot, Western Australia.

# 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.

## FINANCIAL RESULTS SUMMARY

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

| Revenues [1] | | 2019 | | 2018 | | 2017 |
|---|---|---|---|---|---|---|
| | ($ millions) | % | ($ millions) | % | ($ millions) | % |
| Electricity | **2,155** | **55** | 2,858 | 65 | 2,460 | 60 |
| Pipelines & Liquids | **1,649** | **42** | 1,470 | 34 | 1,630 | 40 |
| Corporate & Other | **208** | **5** | 162 | 4 | 95 | 2 |
| Intersegment Eliminations | **(107)** | **(2)** | (113) | (3) | (100) | (2) |
| Total | **3,905** | **100** | 4,377 | 100 | 4,085 | 100 |

*(1) The above data has been extracted from Note 4 ("Segmented Information") of the 2019 Consolidated Financial Statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar.*

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

Revenues in 2019 were $472 million lower than in 2018. Lower revenues were mainly due to the completion of construction activity at APL in the first quarter of 2019 and forgone revenue following the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019. Lower revenues were partially offset by higher flow-through revenues in natural gas distribution for third party franchise and transmission fees, and growth in the regulated rate base.

| Adjusted Earnings [1] [2] | | 2019 | | 2018 | | 2017 |
|---|---|---|---|---|---|---|
| | ($ millions) | % | ($ millions) | % | ($ millions) | % |
| Electricity | **424** | **70** | 434 | 71 | 397 | 66 |
| Pipelines & Liquids | **261** | **43** | 247 | 41 | 273 | 45 |
| Corporate & Other | **(77)** | **(13)** | (74) | (12) | (69) | (11) |
| Intersegment Eliminations | **–** | **–** | – | – | 1 | – |
| Total | **608** | **100** | 607 | 100 | 602 | 100 |

*(1) The above data has been extracted from Note 4 ("Segmented Information" ) of the 2019 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 and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.*

Adjusted earnings in 2018 were $5 million higher than 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.

Adjusted earnings were $1 million higher in 2019 compared to 2018. Higher 2019 earnings were largely due to ongoing growth in the regulated rate base and regulatory decisions in our Alberta Utilities, the continued implementation of cost efficiencies across the Company, and incremental earnings from two additional hydrocarbon storage caverns that became operational in the second quarter of 2018.

# ELECTRICITY GLOBAL BUSINESS UNIT

## CAPITAL INVESTMENT

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

| | | | | Year Ended December 31 |
|---|---|---|---|---|
| *($ millions)* | **Total** | **2019** | **2018** | **2017** |
| Electricity Distribution | 678 | **224** | 227 | 227 |
| Electricity Transmission | 616 | **165** | 240 | 211 |
| Electricity Generation [(1)] | 239 | **59** | 156 | 24 |
| Alberta PowerLine | 1,215 | **95** | 664 | 456 |
| Total | 2,748 | **543** | 1,287 | 918 |

*(1) Includes International Electricity Generation capital expenditures in joint ventures of $2 million (2018 -$14 million and 2017-$nil) for the year ended December 31, 2019.*

Electricity's total capital investment over the last three years amounted to $2.7 billion. The largest contributor to this total was the Alberta PowerLine Fort McMurray West 500-kV Project.

The Fort McMurray West 500-kV Project was accounted for as a service concession arrangement under IFRS. Under this arrangement, revenues and costs relating to the design, planning and construction phases of the project were recognized based on a percentage of completion, and revenues and costs relating to the operating phase are recognized as the service is rendered. Capital invested in Alberta PowerLine under this service concession arrangement has been included in capital investments for Electricity.

In December 2019, the sale of APL, a partnership between CU (80 per cent) and Quanta Services Inc. (20 per cent), was finalized. Canadian Utilities will remain as the operator of APL over its 35-year contract with the AESO.

## PERFORMANCE OVERVIEW

### Electricity Distribution and Transmission

In addition to the continued investment in utility infrastructure in Alberta, the financial results of electricity distribution and transmission have been influenced by several regulatory decisions. Electricity distribution achieved lower earnings in 2018 compared to 2017, mainly due to regulatory decisions specific to its performance based regulation (PBR) rebasing on a new five-year term. The lower earnings from PBR rebasing were partially offset by earnings from continued growth in the rate base, 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.

Adjusted earnings in 2019 were higher compared to 2018 mainly due to continued growth in the rate base, additional earnings from the 2018-2019 electricity transmission general tariff application decision, cost efficiencies and lower income taxes.

Regulatory decisions are described in the Regulatory Developments section of this AIF.

### Electricity Generation

Canadian electricity generation 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.

Canadian electricity generation 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.

Canadian electricity generation achieved lower earnings in 2019 compared to 2018 mainly due to favourable earnings realized in 2018 associated with the Balancing Pool's termination of the Battle River unit 5 PPA and the sale of the Barking power assets. Earnings in 2019 were also adversely impacted due to the sale of the Canadian fossil fuel-based electricity generation business.

### *Sale of Canadian Fossil Fuel-Based Electricity Generation Business*

In September 2018 Canadian Utilities announced that it was exploring strategic alternatives for its Canadian electricity generation business.

In May 2019, Canadian Utilities entered into definitive agreements to sell its Canadian fossil fuel-based electricity generation portfolio.

In the fourth quarter of 2019, Canadian Utilities finalized the sale of its 2,276-MW Canadian fossil fuel-based electricity generation portfolio in a series of transactions. In September, Canadian Utilities sold 10 partly- or fully-owned natural gas-fired and coal-fired electricity generation assets in Alberta and BC to Heartland Generation Ltd., an affiliate of Energy Capital Partners. In August, Canadian Utilities sold its 50 per cent ownership interest in the 580-MW Brighton Beach joint venture, located in Windsor, Ontario, to Ontario Power Generation Inc. In July, Canadian Utilities completed the sale of its 50 per cent ownership interest in the 260-MW Cory Cogeneration Station to SaskPower International. Canadian Utilities received $821 million of aggregate proceeds on the sale.

Following the close of the transactions, Canadian Utilities continues to own 244-MW of electricity generation assets in Canada, Mexico and Australia that are 90 per cent contracted with a weighted average contract term of 8 years.

### *Sale of ASHCOR Technologies*

On December 31, 2019, Canadian Utilities sold its 100 per cent investment in ASHCOR Technologies Ltd. (Ashcor), an Alberta-based company engaged in marketing fly ash, to ATCO for aggregate consideration of $35 million. Ashcor was previously reported in the Electricity segment in the Thermal PPA business line.

### *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.

### *Battle River Unit 5 PPA Termination*

On March 21, 2018, the Alberta Balancing Pool provided notice of its intent to terminate the PPA for Battle River unit 5. On September 30, 2018, the Battle River unit 5 PPA was terminated by the Balancing Pool and dispatch control was returned to Canadian Utilities. Associated with this change, Canadian Utilities recorded $42 million in earnings for the completion of performance obligations and availability incentives were recognized in earnings in the third quarter of 2018. These earnings would have been recognized in the normal course of business over the life of the PPA and were included in adjusted earnings.

## International Electricity Generation

International electricity generation adjusted earnings were $12 million in 2018, $2 million lower compared to 2017 mainly as a result of an unplanned outage at the Osborne plant, which returned to service in November 2018.

International electricity generation adjusted earnings of $11 million in 2019 were $1 million lower compared to 2018. Lower earnings were mainly due to the adverse impact of the new Osborne Power Purchase Agreement which came into effect in December 2018. The five-year Osborne PPA extension agreement included lower pricing terms than the prior PPA agreement.

### *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, ATCO announced that Canadian Utilities 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. The total investment associated with the project is approximately $70 million, and the facility is expected to be operational in late 2021.

***Distributed Generation***

In 2017, Canadian Utilities added distributed generation projects in Mexico. Canadian Utilities and its Mexican partner, Grupo Ranman, have 11-MW of capacity installed at a distributed generation facility located in the World Trade Centre industrial park in San Luis Potosí, Mexico.

**Alberta PowerLine**

In August 2017, construction commenced on the approximate 500-km Fort McMurray West 500-kV Project. The target energization date was June 2019. Due to the project being ahead of schedule, the expected energization date was advanced to March 2019, resulting in the recognition of an early energization incentive. On March 28, 2019, the project was energized three months ahead of schedule and on budget.

A strategic review for Canadian Utilities' 80 per cent ownership in Alberta PowerLine commenced in the first quarter of 2019. This process was consistent with the Company's practice of continually evaluating and optimizing its portfolio of businesses.

On June 24, 2019, Canadian Utilities and Quanta Services Inc. entered into definitive agreements for the sale of 100 per cent of their interest in APL and the assumption of approximately $1.4 billion of APL debt. As part of this review, Canadian Utilities provided an opportunity for Indigenous communities to obtain an equity interest in APL.

On September 23, 2019, Canadian Utilities confirmed that seven Indigenous communities had entered into definitive agreements to purchase a combined 40 per cent ownership in APL.

In December of 2019, Canadian Utilities, along with Quanta Services Inc. completed the previously announced sale of Alberta Powerline (APL), a partnership between Canadian Utilities (80 per cent) and Quanta Services Inc. (20 per cent). Canadian Utilities received aggregate proceeds of $222 million for its interest. Canadian Utilities will remain as the operator of APL over its 35-year contract with the Alberta Electric System Operator (AESO).

## PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

### CAPITAL INVESTMENT

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

| ($ millions) | Total | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| | | Year Ended December 31 | | |
| Natural Gas Distribution | 946 | **284** | 290 | 372 |
| Natural Gas Transmission | 829 | **293** | 239 | 297 |
| International Natural Gas Distribution | 254 | **69** | 93 | 92 |
| Non-Regulated Capital Investment [1] | 78 | **31** | 26 | 21 |
| Total | 2,107 | **677** | 648 | 782 |

*(1) Non-Regulated capital investment includes storage & industrial water and Mexico Tula Pipeline.*

Pipelines & Liquids' total capital investment over the last three years amounted to $2.1 billion. The largest expenditures were the replacement of aging infrastructure, installation of new customer connections as well as the AUC-approved Urban Pipeline Replacement program.

#### *Urban Pipelines Replacement Program*

The Urban Pipelines Replacement (UPR) program 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 program is estimated to be approximately $900 million. Natural gas distribution and natural gas transmission have invested $795 million in the UPR program since its inception.

#### *Mains Replacement Program*

Natural gas distribution has two mains replacement programs which were approved in 2011, the plastic mains replacement and the steel mains program. The plastic mains replacement includes 8,000-km of polyvinyl chloride (PVC) and early generation polyethylene (PE) pipe that are planned for replacement by 2031. Natural gas distribution has replaced 2,015-km of PVC and PE pipe since the approval of this program. The steel mains program includes 9,000-km of steel pipe that is monitored and continually evaluated for replacement based on the performance history. Natural gas distribution has replaced 327-km of steel pipe since the approval of this program..

#### *Pembina-Keephills Transmission Pipeline*

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

*Pembina-Keephills transmission pipeline construction, near Wabamun Lake, Alberta*

## PERFORMANCE OVERVIEW

### Natural Gas Distribution

Natural gas distribution's financial results in the last three years were impacted by regulatory decisions, rate base growth from capital investments, cost efficiencies and lower income taxes. Natural gas distribution achieved lower earnings in 2018 compared to 2017, mainly due to regulatory decisions specific to its performance based regulation (PBR) rebasing on a new five-year term. The lower earnings from PBR rebasing were partially offset by earnings from continued growth in the 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.

Adjusted earnings in 2019 were higher compared to 2018 mainly due to cost efficiencies, ongoing growth in the rate base, an increase in customers, and regulatory decisions.

Regulatory decisions are described in the Regulatory Developments section of this AIF.

### Natural Gas Transmission

Natural gas transmission's financial results in the last three years were affected by rate base growth from capital investments and regulatory decisions. Natural gas transmission achieved higher earnings in 2019 compared to 2018 and 2017, mainly due to continued growth in the rate base.

Regulatory decisions are described in the Regulatory Developments section of this AIF.

### International Natural Gas Distribution - Australia

During the last three years, international natural gas distribution'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 inflation rates, savings due to cost reduction initiatives, and favourable Access Arrangement Appeal decisions.

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

Earnings in 2019 were lower than in 2018 mainly due to a difference between inflation rates in the first quarters of 2018 and 2019. The published inflation rate for the first quarter of 2019, when applied to the rate of return calculations, produced a reduction to the revenues and earnings in 2019.

### 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 is involved in a number of disputes arising from landowner and communal landholder claims against the project. We continue to work with the Government of Mexico and other parties to achieve a timely resolution of these disputes.

### Storage & Industrial Water

In 2014, storage & industrial water 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, storage & industrial water disposed or shut–in its interests in gas processing operations except for the remaining interest in the Ikhil Gas Gathering System.

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

Earnings in 2019 were higher than 2018 due to cost efficiencies, incremental earnings from two additional hydrocarbon storage caverns that became operational in the second quarter of 2018, and lower income taxes.

### *Hydrocarbon Storage*

Two hydrocarbon storage caverns were placed in-service in the fourth quarter of 2016 and started to contribute to earnings by the second quarter of 2018. In 2018, construction was completed on two more salt caverns, doubling the capacity at the ATCO Heartland Energy Centre.

In the fourth quarter of 2019, storage & industrial water secured long-term contracts for a fifth salt cavern storage facility at the ATCO Heartland Energy Centre. As well, we secured long-term contracts for the construction and operation of a pipeline connecting the new salt cavern facility to existing pipelines in the area for receipt and delivery of hydrocarbon products. Construction began in the fourth quarter of 2019, with full operation targeted for late 2021.

### *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 integrated propane dehydrogenation and polypropylene plant to be known as the Heartland Petrochemical Complex. Service for this contract is expected to commence in the second quarter of 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

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. In addition, Canadian Utilities Corporate & Other includes CU Inc. and Canadian Utilities preferred share dividend and debt expenses.

### *Participation in Canadian Utilities Dividend Reinvestment Plan*

The Canadian Utilities Dividend Reinvestment Plan (DRIP) allowed 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**

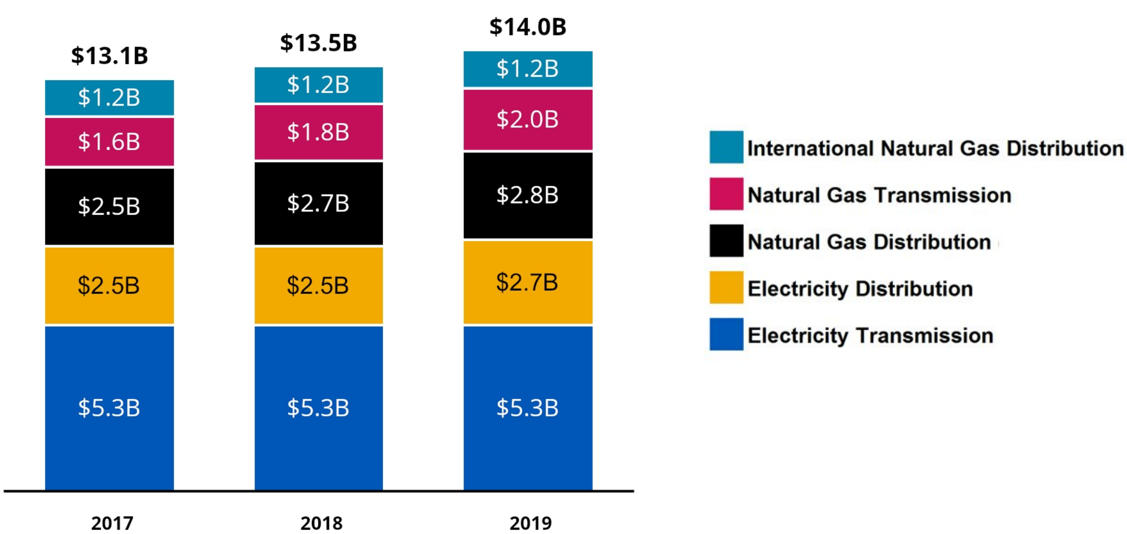
The business operations of electricity distribution, electricity transmission, natural gas distribution and natural gas transmission are regulated mainly by the Alberta Utilities Commission (AUC). The AUC administers acts and regulations covering such matters as rates, financing and service area.

Natural gas transmission and electricity transmission operate under 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 changes in 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 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 a five-year period to recover a return on forecasted rate base, including income taxes, depreciation on the forecasted rate base, and forecasted operating costs based on forecasted throughput. 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 within approved forecasts.

**Regulated Utilities Mid-Year Rate Base**



**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.

The following table contains the ROE and deemed common equity ratios resulting from the most recent GCOC decisions and also contains the mid-year rate base for each of Canadian Utilities' Alberta-based utilities.

| | Year | AUC Decision | Rate of Return on Common Equity (%) (1) | Common Equity Ratio (%) (2) | Mid-Year Rate Base ($ millions) |
|---|---|---|---|---|---|
| **Electricity Distribution** | **2019** | **2018 GCOC (4)** | **8.50** | **37.0** | **2,669 (5)** |
| | 2018 | 2018 GCOC (4) | 8.50 | 37.0 | 2,498 (6) |
| | 2017 | 2016 GCOC (3) | 8.50 | 37.0 | 2,471 (7) |
| **Electricity Transmission** | **2019** | **2018 GCOC (4)** | **8.50** | **37.0** | **5,262 (8)** |
| | 2018 | 2018 GCOC (4) | 8.50 | 37.0 | 5,280 (6) |
| | 2017 | 2016 GCOC (3) | 8.50 | 37.0 | 5,287 (7) |
| **Natural Gas Distribution** | **2019** | **2018 GCOC (4)** | **8.50** | **37.0** | **2,847 (5)** |
| | 2018 | 2018 GCOC (4) | 8.50 | 37.0 | 2,715 (6) |
| | 2017 | 2016 GCOC (3) | 8.50 | 37.0 | 2,549 (7) |
| **Natural Gas Transmission** | **2019** | **2018 GCOC (4)** | **8.50** | **37.0** | **1,971 (9)** |
| | 2018 | 2018 GCOC (4) | 8.50 | 37.0 | 1,791 (6) |
| | 2017 | 2016 GCOC (3) | 8.50 | 37.0 | 1,614 (7) |

*(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 2016 GCOC decision for the periods 2016 to 2017 on October 7, 2016.*

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

*(5) The mid-year rate base for 2019 is equal to the year over year growth in rate base reflected in the 2020 PBR Annual Rate Filings applied to the 2018 actual mid-year rate base and includes mid-year work in progress.*

*(6) The mid-year rate base for 2018 is based on the Rule 005 Actuals Package and includes mid-year work in progress.*

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

*(8) The mid-year rate base for 2019 is based on the electricity transmission 2018-2019 General Tariff Application Compliance Filing and includes estimated mid-year work in progress.*

*(9) The mid-year rate base for 2019 is based on the natural gas transmission 2019-2020 General Rate Application Compliance Filing and includes estimated mid-year work in progress.*

**GCOC (POST-2020)**

In December 2018, the AUC initiated the 2021 GCOC proceeding. The main focus of the proceeding will be to determine the rate of return for the years 2021 and 2022, as well as consideration of returning to a formula-based approach. Initial evidence was filed in January 2020 focusing on comparability to other investments, capital attractiveness and financial integrity. The AUC expects to issue a decision in 2020.

**PERFORMANCE BASED REGULATION**

In December 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.

In February 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. On January 30, 2020, the AUC issued a decision, which provided updated clarification on what would qualify for anomaly adjustments. Parties can now re-apply for applicable anomalies, which if approved, would re-establish 2018 going in rates. Applications are to be submitted in early 2020 with a decision from the AUC expected before the end of the year.

| | 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<br>• Significant capital costs not fully recovered by the I-X formula and meeting certain criteria recovered through a K Factor | • Based on inflation adjusted average historical costs for the period 2013-2016, capital costs are recovered through going-in rates inflated by I-X and a K Bar. The K Bar is calculated annually and adjusted for the actual WACC<br>• 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%<br>• + 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%<br>• 2017: 8.5% | • 2018: 8.5% excluding impact of ECM<br>• 2019: 8.5% excluding impact of ECM<br>• 2020: 8.5%<br>• 2021 and beyond: At approved ROE pending future GCOC proceeding decisions |

## ACCESS ARRANGEMENT - INTERNATIONAL NATURAL GAS DISTRIBUTION

International natural gas distribution's Access Arrangement period (AA4) was 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** | **2019** | **2016 AA4 (3)** | **7.21** | **40.0** | **1,178 (4)** |
| | 2018 | 2016 AA4 (3) | 7.21 | 40.0 | 1,211 (5) |
| | 2017 | 2016 AA4 (3) | 7.21 | 40.0 | 1,179 (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 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) 2019 mid- year rate base was impacted by a strengthening Canadian dollar in 2019. The 2019 mid-year rate base was calculated using a foreign exchange rate of Australian $1 to Canadian $0.91 compared to Canadian $0.96 in 2018. The mid-year rate base in Australian dollars was $1,293 in 2019 and $1,260 in 2018, which is a $33 million increase from 2018 to 2019.*

(5) *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.*

(6) *2017 mid-year rate base was impacted by a strengthening Australian dollar in 2017. The 2017 mid-year rate base was calculated using a foreign exchange rate of Australian $1 to Canadian $0.98 compared to Canadian $0.97 in 2016. The mid-year rate base in Australian dollars was $1,205 in 2017 and $1,145 in 2016, which is a $60 million increase from 2016 to 2017.*

#### *ACCESS ARRANGEMENT 5*

International natural gas distribution received the final decision related to the five-year Access Arrangement 5 (AA5) application from the Economic Regulation Authority (ERA) on November 15, 2019. The ERA also published its final rate of return guidelines which outline the parameters for the weighted average cost of capital (WACC) applicable to AA5. The AA5 WACC calculation was completed using a 20-business day period of observation in September 2019 to determine the risk free rate portion of the WACC calculation prior to the final decision. The WACC also determines the regulated return on equity (ROE) for international natural gas distribution. The AA5 ROE is 5.02 per cent compared to 7.21 per cent in the previous Access Arrangement. The final decision also includes rebasing of revenues for the recovery of operating costs, the approved capital expenditure program, and the forecast of demand and throughput. The common equity ratio for AA5 will be 45 per cent compared to 40 per cent in the previous Access Arrangement.

The tariffs included in the AA5 final decision are applicable for the period January 1, 2020 to December 31, 2024.

## ALBERTA REGULATORY UPDATES

### ELECTRICITY TRANSMISSION AND DISTRIBUTION REGULATORY UPDATES

#### *ELECTRICITY DISTRIBUTION DEPRECIATION PROCEEDING*

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

#### *ELECTRICITY TRANSMISSION AND ELECTRICITY DISTRIBUTION RECOVERY OF 2016 REGIONAL MUNICIPALITY OF WOOD BUFFALO WILDFIRE COSTS*

In October 2019, the AUC issued its decisions associated with electricity transmission and electricity distribution's application for the recovery of costs related to the 2016 Regional Municipality of Wood Buffalo wildfire.

Electricity transmission's applied-for cost recoveries were all substantially approved as part of the electricity transmission 2018-2019 GTA.

Approximately 90 per cent of the applied-for cost recoveries were approved in electricity distribution’s application. The capital cost to replace the destroyed assets was approved as filed as were the majority of the operating and maintenance costs and recovery for lost revenues. However, the value of electricity distribution’s destroyed assets was deemed to be an extraordinary retirement and was not approved for recovery in customer rates, resulting in a reduction to 2019 adjusted earnings of $2 million.

#### *ELECTRICITY TRANSMISSION 2020-2022 GENERAL TARIFF APPLICATION (GTA)*

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

#### *ELECTRICITY TRANSMISSION HANNA REGION TRANSMISSION DEVELOPMENT DEFERRAL APPLICATION*

In February 2017, electricity transmission filed an application seeking approval of approximately $688 million of capital additions related to the Hanna Regional Transmission Development program incurred between 2012 and 2015. A decision from the AUC was received in June 2019 approving the vast majority of capital additions into rate base as prudently incurred.

#### *ELECTRICITY TRANSMISSION 2018-2019 GTA*

In June 2017, electricity transmission filed a GTA for its operations for 2018 and 2019. The decision was received in July 2019 approving the majority of requested capital expenditures and operating costs as filed. The impact of this decision was an increase to second quarter 2019 adjusted earnings of $17 million.

### *ELECTRICITY TRANSMISSION 2015-2017 DIRECT ASSIGNED PROJECTS DEFERRAL APPLICATION*

In March 2019, electricity transmission filed an application seeking the approval of approximately $2.2 billion of capital additions from transmission projects with in-service dates between 2015-2017. The application includes $1.8 billion in capital additions from the Eastern Alberta Transmission Line.

## NATURAL GAS TRANSMISSION REGULATORY UPDATES

### *NATURAL GAS TRANSMISSION 2019-2020 GENERAL RATE APPLICATION (GRA)*

In July 2018, natural gas transmission filed a GRA for 2019 and 2020. The decision was received in June 2019 approving the majority of requested capital expenditures and operating costs requested as filed. The adjustments directed by the AUC in the decision had a $3 million positive impact in the second quarter 2019 adjusted earnings.

## PBR REGULATORY UPDATES

### *1ST GENERATION PERFORMANCE BASED REGULATION (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 1st 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.

In February 2019, the AUC issued its decision that the re-opening of the plan was not warranted, agreeing with Canadian Utilities' submission that the achievements of the utilities were not due to a flaw in the PBR plan, but rather were the result of management decisions responding to the incentives the plan created. This process is closed.

## COMMON MATTERS REGULATORY UPDATES

### *INFORMATION TECHNOLOGY (IT) COMMON MATTERS*

In August 2014, Canadian Utilities sold its IT services business to Wipro Ltd. (Wipro) and signed a ten-year IT Master Services Agreement (MSA) effective January 1, 2015. Proceeds of the sale were $204 million, resulting in a one-time after-tax gain of $138 million which was recorded in earnings attributable to equity owners of the company. In 2014, the Company did not include this gain on sale in adjusted earnings because it was a significant one-time event.

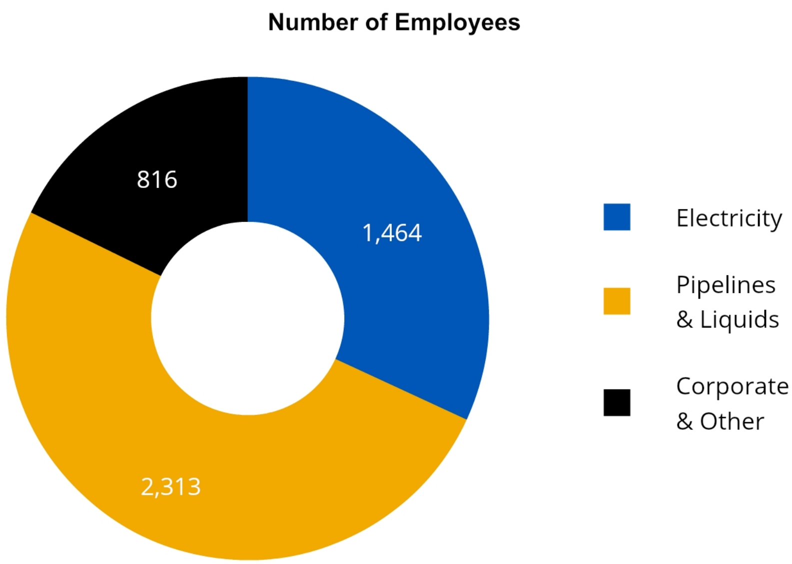
In 2015, the AUC commenced an Information Technology Common Matters (IT Common Matters) proceeding to review the recovery of information technology costs by the Alberta Utilities from January 1, 2015 going forward. In June 2019, the AUC issued its decision regarding the IT Common Matters proceeding and directed the Alberta Utilities to reduce the first-year of the Wipro MSA by 13 per cent and to apply a glide path that reduces pricing by 4.61 per cent in each of years 2 through 10. For natural gas distribution and electricity distribution, the AUC's direction impacts the PBR 2018 going-in rates and treatment of capital costs. For the natural gas transmission and electricity transmission utilities, the AUC's direction impacts the revenue requirement dating back to 2015. The Alberta Utilities presented a considerable amount of evidence, including independent expert benchmarking and price review studies, to show that the Wipro MSA rates were at fair market value (FMV). As such, there was no cross subsidization between the sale price of Canadian Utilities' IT services business to Wipro in the 2014 transaction and the establishment of IT rates under the MSA. Despite these efforts, the AUC determined that the Alberta Utilities failed to demonstrate that the IT pricing in the MSA would result in just and reasonable rates.

As a result of the AUC's IT Common Matters decision, a $23 million reduction to the previously recorded 2014 after-tax gain on sale of $138 million was recorded in 2019. Going forward, the IT Common Matters decision is expected to further reduce the previously recorded gain. Consistent with the treatment in 2014, the $23 million reduction recognized in 2019, along with ongoing impacts associated with this decision, are not included in adjusted earnings.

In July 2019, the Alberta Utilities filed a leave to appeal application with the Alberta Court of Appeal in relation to the AUC Decision on the IT Common Matters proceeding. In October 2019, the Alberta Court of Appeal denied the Alberta Utilities leave to appeal application.

# EMPLOYEE INFORMATION

At December 31, 2019, the Company had 4,593 employees. The accompanying chart represents the employee numbers in each segment. The chart does not include 6 employees in our ATCO-Sabinco joint venture, and 23 employees in international electricity generation 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** | **2019** | **2018** | **2017** |
|---|---|---|---|---|
| Series Second Preferred Shares | | | | |
| Series V [(1)] | Oct 3, 1997 | 1.1500 | 1.1500 | 1.0000 |
| Series Y [(2)] | Sep 21, 2011 | 0.8508 | 0.8508 | 0.9254 |
| 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 | | 1.6908 | 1.5732 | 1.4300 |

*(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 9, 2020, the Board of Directors declared a first quarter dividend of 43.54 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, the Company suspended its dividend reinvestment program. No Class A non-voting shares were issued under the DRIP during the year ended December 31, 2019.

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.

# CAPITAL STRUCTURE

## SHARE CAPITAL

The share capital of the Company at February 25, 2020 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 | 199,734,581 |
| Class B Shares | Unlimited | 73,516,244 |

### 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.

***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, 5,030,200 Class A shares were available for issuance at December 31, 2019. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

## 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 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.

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 17, 2019, DBRS Limited (DBRS) affirmed its 'A (high)' long-term corporate credit rating and stable outlook on CU Inc. On August 9, 2019, DBRS affirmed its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities.

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

On November 11, 2019, S&P affirmed its 'BBB+' long-term issuer credit rating and stable outlook on ATCO Gas Australia Pty Ltd.

## 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 generally of good 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.

# 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 2019.

**CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES**

| | | | Class A Shares | | | Class B Shares |
|---|---|---|---|---|---|---|
| **2019** | **High ($)** | **Low ($)** | **Volume** | **High ($)** | **Low ($)** | **Volume** |
| January | 34.15 | 30.90 | 11,122,074 | 34.00 | 30.85 | 70,517 |
| February | 35.00 | 32.93 | 10,385,825 | 34.75 | 32.96 | 23,554 |
| March | 36.99 | 34.95 | 13,355,752 | 37.00 | 35.25 | 35,381 |
| April | 37.52 | 36.23 | 9,017,047 | 37.50 | 36.25 | 20,634 |
| May | 38.30 | 36.36 | 9,495,526 | 38.35 | 36.40 | 19,865 |
| June | 38.63 | 36.47 | 9,877,496 | 38.75 | 36.60 | 17,344 |
| July | 37.22 | 35.01 | 14,152,393 | 37.00 | 35.00 | 20,225 |
| August | 38.51 | 35.64 | 10,825,867 | 38.50 | 35.70 | 26,286 |
| September | 39.56 | 38.03 | 9,982,321 | 39.50 | 38.25 | 28,213 |
| October | 39.90 | 37.76 | 11,217,554 | 39.75 | 38.00 | 15,815 |
| November | 39.87 | 38.36 | 12,264,929 | 40.00 | 38.50 | 20,713 |
| December | 40.14 | 38.56 | 9,992,821 | 40.00 | 38.60 | 194,975 |

**CUMULATIVE REDEEMABLE SECOND PREFERRED SHARES**

| | | | Series Y | | | Series AA | | | Series BB |
|---|---|---|---|---|---|---|---|---|---|
| **2019** | **High ($)** | **Low ($)** | **Volume** | **High ($)** | **Low ($)** | **Volume** | **High ($)** | **Low ($)** | **Volume** |
| January | 19.00 | 17.75 | 347,722 | 22.43 | 21.89 | 30,623 | 22.24 | 21.40 | 20,530 |
| February | 19.25 | 18.26 | 340,866 | 22.49 | 21.99 | 308,232 | 22.28 | 21.75 | 120,315 |
| March | 18.99 | 17.51 | 100,924 | 23.12 | 22.09 | 179,666 | 23.18 | 22.07 | 79,375 |
| April | 18.88 | 17.91 | 51,763 | 23.11 | 22.70 | 244,520 | 23.11 | 22.69 | 145,336 |
| May | 18.89 | 17.37 | 61,236 | 23.10 | 22.55 | 181,906 | 23.00 | 22.37 | 25,359 |
| June | 18.25 | 16.40 | 99,541 | 22.79 | 21.78 | 84,296 | 22.62 | 21.81 | 79,476 |
| July | 18.27 | 17.54 | 253,279 | 23.20 | 22.61 | 335,122 | 22.98 | 22.53 | 29,095 |
| August | 17.97 | 15.75 | 220,412 | 22.99 | 22.50 | 224,549 | 22.95 | 22.23 | 63,038 |
| September | 17.48 | 16.60 | 942,146 | 23.48 | 22.41 | 24,891 | 23.25 | 22.41 | 56,923 |
| October | 17.32 | 16.24 | 186,817 | 23.65 | 22.98 | 68,845 | 23.38 | 22.90 | 67,877 |
| November | 17.42 | 16.39 | 189,539 | 23.65 | 23.00 | 19,699 | 23.38 | 22.84 | 417,285 |
| December | 17.70 | 16.71 | 318,748 | 23.65 | 23.02 | 17,866 | 23.48 | 22.91 | 35,424 |

| | | | Series CC | | | Series DD |
|---|---|---|---|---|---|---|
| **2019** | **High ($)** | **Low ($)** | **Volume** | **High ($)** | **Low ($)** | **Volume** |
| January | 20.73 | 19.94 | 40,288 | 21.03 | 19.85 | 40,785 |
| February | 20.60 | 20.16 | 63,381 | 20.48 | 19.96 | 217,433 |
| March | 21.28 | 20.34 | 132,264 | 21.37 | 20.20 | 186,300 |
| April | 21.50 | 21.14 | 48,392 | 21.70 | 21.03 | 394,667 |
| May | 21.23 | 20.85 | 133,012 | 21.25 | 20.80 | 145,882 |
| June | 20.89 | 20.45 | 37,525 | 20.97 | 20.38 | 39,857 |
| July | 21.80 | 20.78 | 111,686 | 21.40 | 20.77 | 81,754 |
| August | 21.45 | 21.01 | 88,485 | 21.49 | 20.75 | 141,529 |
| September | 21.75 | 21.10 | 72,846 | 21.70 | 21.00 | 51,796 |
| October | 21.77 | 21.28 | 58,763 | 21.71 | 21.11 | 50,642 |
| November | 21.75 | 21.20 | 50,899 | 21.69 | 21.09 | 83,904 |
| December | 21.97 | 21.50 | 48,268 | 21.60 | 21.25 | 58,281 |

| | | | Series EE | | | Series FF |
|---|---|---|---|---|---|---|
| **2019** | **High ($)** | **Low ($)** | **Volume** | **High ($)** | **Low ($)** | **Volume** |
| January | 24.49 | 23.50 | 124,472 | 26.24 | 24.56 | 81,970 |
| February | 24.00 | 23.30 | 359,518 | 25.64 | 24.67 | 102,797 |
| March | 25.30 | 24.00 | 32,013 | 25.71 | 25.22 | 60,386 |
| April | 25.10 | 24.60 | 29,151 | 26.39 | 25.55 | 147,197 |
| May | 24.95 | 24.20 | 197,533 | 26.21 | 25.15 | 101,519 |
| June | 24.55 | 23.96 | 46,578 | 25.95 | 24.79 | 96,149 |
| July | 24.83 | 24.09 | 34,116 | 26.18 | 25.46 | 80,101 |
| August | 24.85 | 23.72 | 49,028 | 25.93 | 24.76 | 45,072 |
| September | 24.79 | 24.20 | 51,511 | 25.98 | 25.10 | 103,824 |
| October | 24.90 | 24.61 | 84,730 | 25.79 | 25.26 | 33,969 |
| November | 24.98 | 24.64 | 95,996 | 25.93 | 25.17 | 128,944 |
| December | 24.99 | 24.65 | 82,223 | 25.84 | 25.18 | 60,532 |

# DIRECTORS AND OFFICERS

## DIRECTORS [1]

### MATTHIAS F. BICHSEL, PhD

| | |
|---|---|
| Primary residence | Luzern, Switzerland |
| Director since | 2014 |
| Age | 65 |
| 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 | 63 |
| 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 J. NORMAND (3)(4)

| | |
|---|---|
| Primary residence | Edmonton, Alberta, Canada |
| Director since | 2008 |
| Age | 73 |
| 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.

## ALEXANDER J. POURBAIX

| | |
|---|---|
| Primary residence | Calgary, Alberta, Canada |
| Director since | 2019 |
| Age | 54 |
| Independent | |

As the President & Chief Executive Officer of Cenovus Energy Inc., Mr. Pourbaix is responsible for establishing the strategic direction for the company and delivering strong financial and operational performance. Mr. Pourbaix took on the company's leadership role in November of 2017 and is also a member of the Board of Directors of Cenovus Energy Inc.

Prior to Cenovus, Mr. Pourbaix spent 27 years with TC Energy (formerly known as TransCanada Corporation) and its affiliates in a broad range of leadership roles, including Chief Operating Officer, where he was responsible for the company's commercial activity and overseeing major energy infrastructure projects and operations. He also has experience in corporate strategy, business development, mergers, acquisitions and divestitures, as well as stakeholder relations. He is currently a director of the Business Council of Canada, Vice Chairman of the Board of Governors at the Canadian Association of Petroleum Producers, and a member of the Business Council of Alberta.

Mr. Pourbaix earned both a LL.B. and B.A. degree from the University of Alberta.

## HECTOR A. RANGEL (4)

| | |
|---|---|
| Primary residence | Mexico City, Mexico |
| Director since | 2014 |
| Age | 72 |
| Independent | |

Mr. Rangel is the President of BCP Securities Mexico, a joint venture with BCP Securities LLC, a U.S. 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 GNP Profuturo Afore and GNP Seguros, 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 | 58 |
| Independent | |

Ms. Reed is 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.

From 2016 until 2019, Ms. Reed was Chair of ERIC Alpha Holdings Pty Ltd and its subsidiaries, which includes 40 per cent ownership of Ausgrid, an electricity distribution business in Australia. She was a director of Ausgrid from 2013 until 2019. She was the Chief Executive Officer/Managing Director of Spark Infrastructure from 2008 to 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 | 75 |
| 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 | 63 |
| Not Independent | Ms. Southern is not independent because she has a material relationship with CU. She is CU's Executive Chair. |

Nancy Southern is Executive Chair of Canadian Utilities Limited, as well as Chair & Chief Executive Officer of ATCO Ltd. She is accountable for Canadian Utilities' strategic direction, vision and governance.

After joining the Canadian Utilities Board of Directors in 1990, Ms. Southern served as Co-Chair prior to being appointed Chair in December 2012. Ms. Southern was President from 2003 until 2015, and Chief Executive Officer from 2003 until 2019. She serves on the boards of a majority of ATCO subsidiary companies. Ms. Southern also serves as Executive Vice President of Spruce Meadows Ltd. and is a founding director of AKITA Drilling Ltd., a director of Sentgraf Enterprises Ltd., an Honorary Director of the BMO Financial Group and serves on the Rideau Hall Foundation Board of Directors. In addition to her business leadership, Ms. Southern has long played a leading role in advocating on social issues of global importance - most notably, the rights of Indigenous peoples and the role of women in business.

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, the Business Council of Alberta, the University of Calgary School of Public Policy Advisory Council, and the South Australian Minerals and Petroleum Expert Group.

## LINDA A. SOUTHERN-HEATHCOTT (4)

| | |
|---|---|
| Primary residence | Calgary, Alberta, Canada |
| Director since | 2000 |
| Age | 56 |
| Not Independent | Ms. Southern-Heathcott is not independent because she has a material relationship with CU. She is an immediate family member of the Executive Chair. |

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 Boards of ATCO Structures & Logistics Ltd. and Sentgraf Enterprises Ltd. and as Chair of Travel Alberta. She is also a member of the TELUS Calgary Community Board and the National Music Centre Benefit Committee.

In 2010, Ms. Southern-Heathcott received her ICD.D certification from the Director Education Program of the Institute of Corporate Directors. In 2018, Ms. Southern-Heathcott was named an Honorary Lieutenant Colonel of the King's Own Calgary Regiment.

## CHARLES W. WILSON (2)

| | |
|---|---|
| Primary residence | Boulder, Colorado, U.S. |
| Director since | 2000 |
| Age | 80 |
| 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.

## WAYNE G. WOUTERS, PC, OC

| | |
|---|---|
| Primary residence | Ottawa, Ontario, Canada |
| Director since | 2019 |
| Age | 68 |
| Independent | |

Mr. Wouters is Strategic and Policy Advisor to the Canadian law firm McCarthy Tétrault LLP. Prior to joining the private sector, Mr. Wouters had a distinguished 37-year career in the federal public service, including five years serving as the Clerk of the Privy Council of Canada. As Clerk, he held the roles of Deputy Minister to the Prime Minister, Secretary to the Cabinet and Head of Public Service. During his career, he has held the positions of Secretary of the Treasury Board, Deputy Minister of Human Resources and Skills Development, and Deputy Minister of Fisheries and Oceans.

Mr. Wouters has industry expertise in the oil and gas and natural resources, transportation, technology, telecommunications, and security sectors.

He was inducted by the Prime Minister as a Member of the Privy Council in 2014 and appointed an Officer of the Order of Canada in 2017.

Mr. Wouters graduated in Commerce (Honours) from the University of Saskatchewan and holds a MA in Economics from Queen's University. He holds several honorary degrees.

*(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 |
|---|---|
| M.G. Constantinescu<br>Alberta, Canada | Senior Vice President & Chief Transformation Officer, ATCO Ltd. & Canadian Utilities Limited |
| P.D. Cook<br>Alberta, Canada | Senior Vice President & Controller, Canadian Utilities Limited |
| D.A. DeChamplain<br>Alberta, Canada | Executive Vice President & Chief Financial Officer, ATCO Ltd. & Canadian Utilities Limited |
| C. Gear<br>Alberta, Canada | Corporate Secretary, ATCO Ltd. & Canadian Utilities Limited |
| C.R. Jackson<br>Alberta, Canada | Vice President, Finance, Treasury & Risk, ATCO Ltd. & Canadian Utilities Limited |
| S.W. Kiefer<br>Alberta, Canada | President, ATCO Ltd. and President & Chief Executive Officer, Canadian Utilities Limited |
| G.J. Lidgett<br>Alberta, Canada | Executive Vice President & General Manager, Utilities, Canadian Utilities Limited |
| R.A. Penrice (1)<br>Alberta, Canada | Executive Vice President, Corporate Services, Canadian Utilities Limited |
| N.C. Southern<br>Alberta, Canada | Chair & Chief Executive Officer, ATCO Ltd. and Executive Chair, Canadian Utilities Limited |
| W.K. Stensby<br>Alberta, Canada | Executive Vice President, Corporate Development, Canadian Utilities Limited |

*(1) Ms. Penrice became an officer of the Company effective January 1, 2020.*

### 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 Ms. Penrice and Mr. Constantinescu. Ms. Penrice was appointed Executive Vice President, Corporate Services in January 2020. Prior to joining the Company, Ms. Penrice was Interim CEO for Sears Canada Inc. where she led the wind down of the operations in Canada. Ms. Penrice has held several senior management roles within Sears Canada and at Hudson's Bay Company specializing in Human Resources, Logistics, Merchandising, Store Operations and Marketing. Mr. Constantinescu was appointed Senior Vice President & Chief Transformation Officer in February 2018. Prior to joining the Company, he was Chairman and Chief Executive Officer of Orthoshop Geomatics Ltd.

## DIRECTORS' AND OFFICERS' INTEREST IN THE COMPANY

At December 31, 2019, 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 (90.6 per cent) of the issued and outstanding Class B shares of the Company.

## INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Since January 1, 2019, 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, other than market differential loans made to two officers which were repaid in 2019.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

As at February 25, 2020, there were 73,516,244 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 90.15 per cent of the outstanding Class B shares. ATCO Ltd. is controlled by Sentgraf Enterprises Ltd. (Sentgraf) which in turn is controlled by the Sentgraf Spousal Trust (the Spousal Trust). Ms. Nancy Southern, Ms. Linda Southern-Heathcott and Mrs. Margaret E. Southern are the trustees of the Spousal Trust. ATCO, Sentgraf and the Spousal Trust 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 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 10 years before the date hereof, become 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 Canada Business Corporations Act (CBCA) 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 32 of the 2019 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 2019 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 and dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to 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 2019 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 11, 2019. Additional financial information is provided in the Company's audited 2019 Consolidated Financial Statements and the Company's MD&A for the financial year ended December 31, 2019.

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.

**AUC** means the Alberta Utilities Commission.

**Average weekly earnings (AWE)** is an indicator of short-term employee earnings growth.

**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.

**Consumer price index (CPI)** measures the average change in prices over time that consumers pay for a basket of goods and services.

**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.

**GHG** means greenhouse gas.

**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.

**Kilowatt** (kW) is a measure of electric power equal to 1,000 watts.

**MD&A** means the Company's Management's Discussion and Analysis for the year ended December 31, 2019.

**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.

**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.

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

# APPENDIX 1

# 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; and
- 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; and
- 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); and
- 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 25 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 & Risk 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)* | **2019** | **2018** |
|---|---|---|
| Audit fees (1) | **3.7** | 3.7 |
| Audit-related fees (2) | **0.1** | 0.1 |
| Tax fees (3) | **0.3** | 0.5 |
| Total | **4.1** | 4.3 |

*(1) Audit fees are the aggregate professional fees paid to the external auditor for the audit of the annual 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.*