ATCO LTD.
ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2016

MARCH 2, 2017

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

Unless otherwise noted, the information contained within this AIF is presented as at December 31, 2016.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (52.8 per cent ownership) and in ATCO Structures & Logistics Ltd. (75.5 per cent ownership).

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

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CORPORATE STRUCTURE

ATCO Ltd. (the Company) is the successor to the business founded in 1947 by the late S.D. Southern and the late R.D. Southern. It was incorporated under The Companies Act (Alberta) by Certificate of Incorporation on August 31, 1962. The Company was continued under the Business Corporations Act (Alberta) on March 13, 1984. The address of the head office and the registered office of the Company is ATCO Centre 707, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6.

A significant change to the Company's corporate structure occurred in June 1980 when ATCO Ltd. acquired a 58.1 per cent controlling interest in Canadian Utilities Limited from IU International Corporation of Philadelphia. In March 1999, Canadian Utilities was reorganized to separate its Alberta-based regulated businesses from the non-regulated businesses.

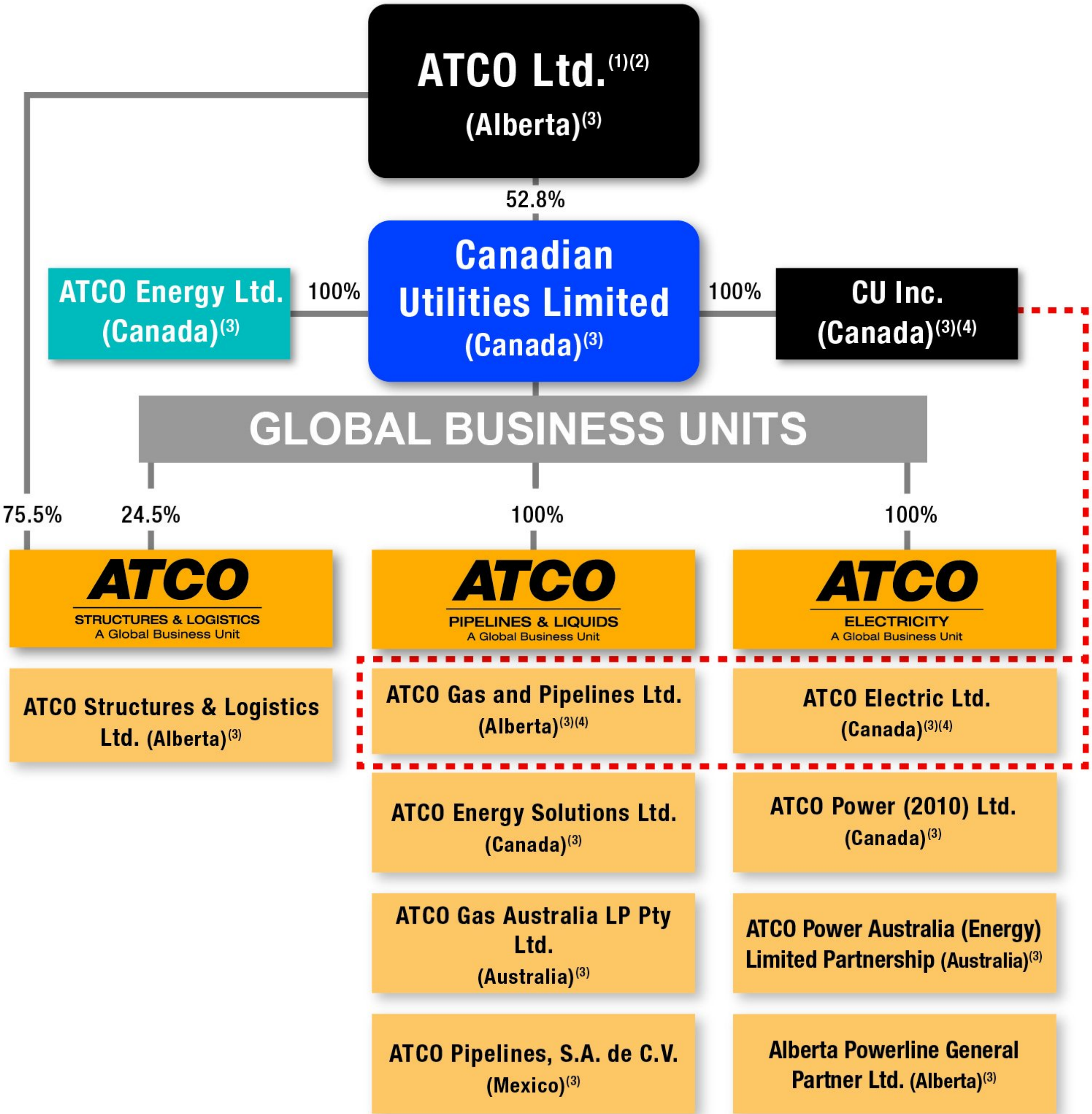
This reorganization was implemented by the transfer of the common shares and debt of the regulated subsidiaries from Canadian Utilities to CU Inc., in return for common shares of CU Inc. As a result of the reorganization, the Company's Alberta Utilities, which had been financed by Canadian Utilities, are now mainly financed by CU Inc. The common shares and debt of those regulated subsidiaries are held by CU Inc.

INTERCORPORATE RELATIONSHIPS

With approximately 7,000 employees and assets of $20 billion, ATCO is a diversified global corporation delivering service excellence and innovative business solutions in Structures & Logistics (workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management); Electricity (electricity generation, transmission, and distribution); Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales). More information can be found at www.atco.com.

SIMPLIFIED ORGANIZATIONAL STRUCTURE

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



(1) At December 31, 2016, the Company owned 89.3 per cent of the Class B common shares, which are the only voting securities outstanding, and 38.9 per cent of the Class A non-voting shares of Canadian Utilities, for an aggregate ownership of 52.8 per cent.

(2) 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, 2016.

(3) Jurisdiction in which the company was incorporated.

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

ATCO CORE VALUES AND VISION

Excellence: The Heart & Mind of ATCO

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

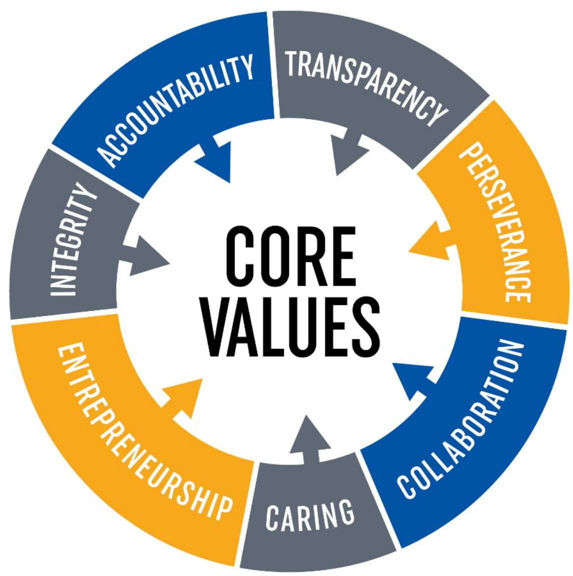
R.D. Southern, Founder, ATCO

CORE VALUES

It is ATCO's Heart and Mind that drives the Company's approach to service reliability and product quality; employee, contractor and public safety; and environmental stewardship.

Our pursuit of excellence governs the way we act and make decisions. At ATCO we strive to live by the following values:

- **Integrity**: We are honest, ethical and treat others with fairness, dignity and respect.
- **Transparency**: We are clear about our intentions and communicate openly.
- **Entrepreneurship**: We are creative, innovative and take a measured approach to opportunities, balanced with a long-term perspective.
- **Accountability**: We make good decisions, take personal ownership of tasks, are responsible for our actions and deliver on our commitments.
- **Collaboration**: We work together, share ideas and recognize the contribution of others.
- **Perseverance**: We persevere in the face of adversity with courage, a positive attitude and a fierce determination to succeed.
- **Caring**: We care about our customers, our employees, their families, our communities and the environment.



CORE VISION

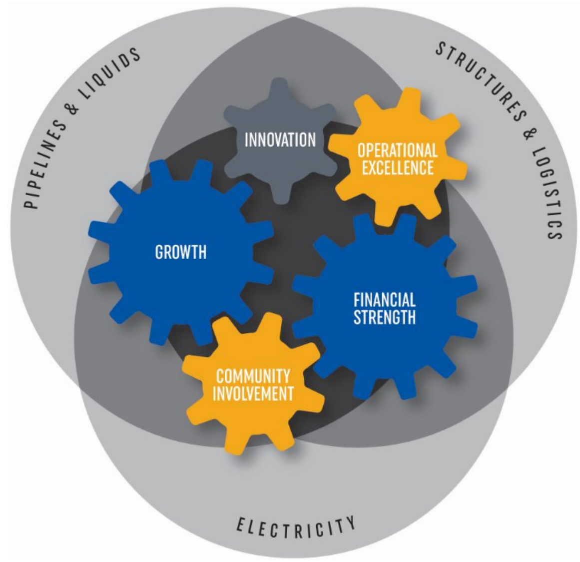
Our core vision is to improve the lives of our customers by providing sustainable, innovative and comprehensive solutions globally. We believe in well-managed risk and a disciplined approach to growth. We fuel the imagination of our people to drive growth over the long-term, ultimately delivering value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

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

ATCO STRATEGIES

Growth and financial strength are the pivotal strategies employed to build our enterprise. The long-term success of the Company is dependent on our ability to grow our business by expanding into new markets and business lines while offering our customers complete services and products to meet their needs.

These strategic imperatives are supported by the Company's commitment to innovation and operational excellence. We are also committed to engaging with our employees throughout their careers and to helping create healthy, vibrant communities in which the Company does business and in which our people live and work.



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

GROWTH

Long-term sustainable growth is paramount. The Company approaches this strategy by: expanding geographically to meet the global needs of customers; developing significant, value-creating greenfield projects; and fostering continuous improvement and innovation through research and development.

The ongoing exploration of opportunities to acquire assets provides the Company with additional growth potential. The Company will pursue the acquisition and development of complementary assets that have future growth potential and provide long-term value for share owners.

FINANCIAL STRENGTH

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

The Company continuously reviews its holdings to evaluate opportunities to sell mature assets and redeploy 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 the Company.

INNOVATION

The Company seeks to create a work environment where employees are encouraged to take a creative and innovative approach to meeting our customers' needs. By committing to continuous improvement through research and development, the Company is able to offer our customers unique and imaginative solutions that differentiate us from our competitors.

OPERATIONAL EXCELLENCE

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

COMMUNITY INVOLVEMENT

ATCO 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 investment involves developing partnerships with Indigenous and community groups that may be affected by projects and operations worldwide, and building ongoing, positive Indigenous relationships that contribute to economic and social development in their communities. The Company also engages with governing authorities, regulatory bodies, and landowners. We encourage partnerships throughout the organization and at all levels that will serve to benefit non-profit organizations through volunteer efforts, providing products and services in-kind, and general advice where required.

FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

ATCO's financial and operational achievements in 2016 relative to the strategies outlined above are included in the Company's MD&A, 2016 Annual Financial Statements and AIF. Further commentary regarding strategies and commitments to growth, financial strength, innovation, operational excellence, and community involvement will be provided in the forthcoming 2016 Annual Report, Management Proxy Circular and Sustainability Report. The 2016 Management Proxy Circular also contains discussion of the Company's corporate governance practices.

ATCO's website, www.atco.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

ATCO Ltd. is a diversified global enterprise with assets of $20 billion and approximately 7,000 employees engaged in Structures & Logistics, Electricity, Pipelines & Liquids, and Retail Energy.

STRUCTURES & LOGISTICS GLOBAL BUSINESS UNIT

OVERVIEW

The Structures & Logistics Global Business Unit is made up of four diversified, complementary businesses to meet the needs of our customers and communities around the world: Modular Structures, Logistics and Facility Operations & Maintenance Services, Lodging & Support Services and Sustainable Communities. Together these businesses offer workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management.

BUSINESS STRATEGY

Structures & Logistics' business strategy is to grow a stable base of earnings through its customer service-related segments, while continuing to pursue business-wide cost reduction initiatives to increase its competitive position on project-related activity.

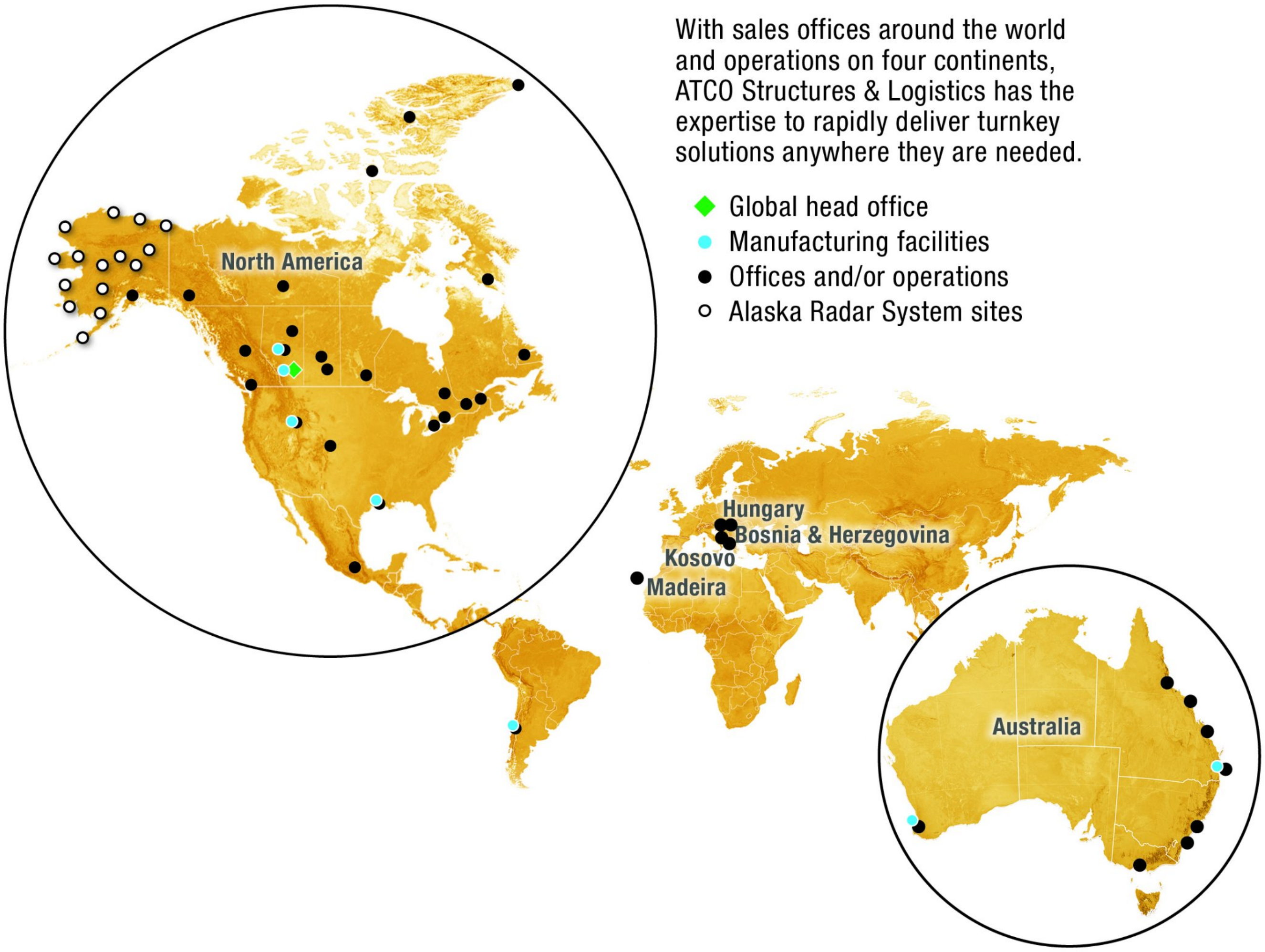
MARKET OPPORTUNITIES

The anticipated future expansion of the LNG market, particularly in the U.S. and Canada, is expected to result in increased development of gas reserves requiring innovative modular facilities, remote workforce housing and site support services. Non-traditional modular markets such as public education facilities, high density urban residential housing and correctional facilities offer additional development opportunities.

MARKET CHALLENGES

The global economic slow-down in natural resource-based economies has continued to result in decreased private sector capital investment programs, and increased competition for major modular structures projects.

Locations of facilities and operations are shown in the map below.



MODULAR STRUCTURES

ATCO Structures & Logistics' Modular Structures division has marketed and installed its manufactured products in over 100 countries. This division has established a reputation as a leading international supplier of re-locatable and permanent shelter solutions. The main sources of revenue are from workforce housing, space rentals and sales products, and related services. Workforce housing supplies modular units for accommodation. Space rentals provide modular units for temporary and permanent offices, commercial buildings, lavatories and schools.

Workforce Housing

ATCO Structures & Logistics manufactures, sells and leases workforce housing products in Canada, the U.S, Australia, Chile and other select international markets. These products include prefabricated standard or custom units designed to be assembled into self-contained accommodation facilities. The units typically comprise sleeping quarters, kitchen, dining and recreation facilities. They are constructed to withstand a range of weather conditions and to meet appropriate regional building codes, current industry standards and are refurbished and upgraded as needed. ATCO Structures & Logistics also purchases used workforce housing units from customers. These units are then retrofitted as needed and made available for resale or lease in the workforce housing market.

Demand for workforce housing products is directly related to both the capital spending cycle and development activity in various industries, mainly the natural resources sector.

LNG Modular Structures Project

In the third quarter of 2016, Structures & Logistics completed manufacturing 462 modular units. The installation and customer turnover of all the manufactured units occurred in the fourth quarter of 2016. This work was done under a contract to design, construct, transport, install and rent the modular units at a major LNG project near Lake Charles, Louisiana. The units are being used to provide sleeping accommodation for 1,900 persons, kitchen and dining facilities, and a recreation centre.

Under the terms of the agreement, the new workforce housing units are being leased for a 29 month period which commenced in January 2016. At the end of the lease term, the units will be returned to the Company's fleet, thereby expanding its footprint in the U.S. market. The earnings from this contract are being recorded as workforce housing rental income in the Modular Structures business.

Site C Clean Energy Workforce Housing Project

In the third quarter of 2016, Structures & Logistics completed the manufacture and install phase of the 1,600 person workforce housing facility for workers constructing the Site C Clean Energy Project on the Peace River in northeast British Columbia. Structures & Logistics is also providing a full suite of lodge-related services including catering, janitorial, maintenance, medical and fire protection until 2022. The total value for Structures & Logistics' scope of work over the term of the contract is $470 million. The earnings from the lodge-related services are being recorded in the Lodging & Support Services business.

Space Rentals and Sales

The space rentals and sales business is located in Canada, Australia, the U.S. and Chile. This division leases and sells re-locatable modular offices, classrooms and other structures. The space rentals fleet comprises modular units that can be used for office and commercial complexes, lunchrooms, storage facilities, lavatories, medical facilities, classrooms and locker rooms.

Onsite structures are used mainly by construction and resource companies on urban and rural construction sites. Commercial and community structures, although re-locatable, are often used as more permanent facilities by a wide range of private and public sector customers.

Space rental products are generally offered to customers under lease packages that may include options to purchase. Lease terms vary from one month to five years. Customers with longer term requirements typically purchase rather than lease. Sales from the space rental products fleet assist in the cost of maintaining a modern inventory of these units.

The following table compares ATCO Structures & Logistics' rental fleet by geographic area for 2016 and 2015. In 2016, the number of workforce housing units increased in both Australia and in the United States. This increase was the result of additions to the Australian rental fleet and the manufacture of workforce housing units for the LNG Modular Structures project near Lake Charles, Louisiana. In the second quarter of 2016, ATCO Structures & Logistics acquired a 50 per cent ownership interest in Sabinco Soluciones Modulares S.A which will now operate under the name ATCO-Sabinco S.A. This acquisition increases the Company's fleet assets internationally for 2016.

Number of Units in Lease Fleet

	2016		2015	
	Workforce Housing	**Space Rentals**	**Workforce Housing**	**Space Rentals**
Canada	**1,966**	**4,534**	2,106	4,858
Australia	**2,183**	**7,913**	914	8,354
United States	**791**	**93**	334	90
Chile (1)	**34**	**1,089**	–	–
Total	**4,974**	**13,629**	3,354	13,302

(1) Due to 50 per cent ownership, the number of lease fleet units noted represents 50 per cent of the total number of workforce housing and space rental units available at ATCO-Sabinco S.A.

Manufacturing

The Modular Structures division manufactures products at facilities in Canada, the U.S., Australia and Chile. In the fourth quarter of 2016, ATCO Structures & Logistics closed the plant, offices and yard at its Wichita Falls, TX location. In Australia, ATCO Structures & Logistics also leases manufacturing facilities which are not included in the table below.

Location	sq. ft.	Ownership
Canada		
Calgary (ATCO Commercial Centre)	275,000	100%
Edmonton (Spruce Grove)	90,000	100%
United States		
Pocatello, Idaho	200,000	100%
Diboll, Texas	90,000	100%
Australia		
Perth, Western Australia	193,000	100%
Brisbane, Queensland	31,000	100%
Chile		
Santiago	21,500	50%

Chile Acquisition

In the second quarter of 2016, ATCO announced that it expanded its international modular structures business by investing $25 million in Sabinco Soluciones Modulares S.A. (Sabinco) for a 50 per cent ownership interest. Sitrans Servicios Integrados de Tranportes Ltda. (Sitrans) retained 50 per cent ownership of the company, which now operates under the name ATCO-Sabinco S.A.

Headquartered in Santiago, Chile, ATCO-Sabinco S.A.'s fleet of space rental and workforce housing units accounts for approximately 10 per cent of the Chilean market. ATCO-Sabinco S.A.'s established presence in Chile also provides a strong foundation upon which the partnership can expand, with potential growth opportunities in other South American markets.

LOGISTICS AND FACILITY O&M SERVICES

The core business of ATCO Structures & Logistics is the provision of Logistics and Facility O&M services in Canada and internationally. In Canada, ATCO Structures & Logistics provides these services to a combination of private and public sector clients and customers. Internationally, services have been primarily in support of the North Atlantic Treaty Organization (NATO).

The core competencies of ATCO Structures & Logistics are the integrated delivery and management of Logistics and Facility O&M services to select public and private sector clients. These services can largely be divided into two categories:

- **Site Operations and Maintenance Services:** these comprise services such as fire, first responder services, solid waste management, water/wastewater management, fuel storage and distribution, and light civil work; and
- **Facility Management Services:** these involve the repairs and general maintenance of operating facilities.

Logistics and Facility O&M Services Contracts

Principal contracts as of December 31, 2016 are shown in the table below.

Contract	Customer	Start Date	Completion Date
NATO Flying Training (1)	CAE Military Aviation Training Inc.	Jun 2000	May 2020
Iqaluit Fuel Contract (2)	Government of Nunavut	Dec 2007	Nov 2017
Ontario Facilities Management Contract (3)	Defence Construction Canada	Apr 2013	Mar 2018
Facilities & Operations Maintenance Contract	Major Canadian exploration & production company	Mar 2014	Feb 2018
NATO Fire Protection Contract	NATO Support Agency (NSPA)	Jan 2015	Dec 2019
NATO HQ CIS Support	NATO Support Agency	Sep 2003	Dec 2018
Alaska Radar System (2) (4)	U.S. Department of Defense	Oct 2016	Oct 2026

(1) The contract may be extended at the option of the customer to 2021.

(2) Joint venture with Indigenous partners.

(3) The contract may be extended at the option of the customer to 2023.

(4) Logistics and Facilities O&M Services contract to October 2027 based on 10 one-year option periods and an additional one-year option for contract phase out.

NATO Flying Training

ATCO Structures & Logistics manages, operates and maintains facilities to support NATO Flying Training in Canada (NFTC) located at 15 Wing Moose Jaw. This contract has been held by the Company since 2000. The Company will re-compete for this contract in a competitive bidding process in 2020. NFTC trains approximately 140 pilots per year from various NATO countries and ATCO Structures & Logistics provides the following services:

- Facility O&M to 58 buildings;
- Roads and grounds services to 428 hectares requiring grounds maintenance and vegetation control including general pest control and pest (bird and mammal) control to limit Bird Air Strike Hazard for operating aircraft; and
- Snow and Ice Control for Airside operating surfaces (to a "bare and dry" standard) and groundside roads, parking lots and sidewalks.

Iqaluit Fuel Contract

In June 2007, the Government of Nunavut awarded ATCO Structures & Logistics a contract for bulk fuel delivery services in Iqaluit, Nunavut. The contract commenced in December 2007 and ATCO Structures & Logistics is currently in discussions with the Government of Nunavut to extend the contract beyond the November 2017 completion date.

Ontario Facilities Management Contract

In February 2013, ATCO Structures & Logistics was awarded a facilities and operations management contract with Defense Construction Canada (DCC). DCC provides construction contract management and related infrastructure services to the Department of National Defense (DND). The Company provides site services to 45 DND sites in southwestern and northern Ontario as well as the Greater Toronto Area with a gross total building area of 226,974 square metres. The five-year contract began in April 2013 with an option to be extended for five more years.

Facilities & Operations Maintenance Contract

In March 2014, ATCO Structures & Logistics was awarded a contract to provide facility and operations maintenance services to five resource development sites in northern Alberta operated by a major Canadian exploration and production company. The two-year contract, which began in March 2014, has recently been extended to February 28, 2018.

NATO Fire Protection Contract

In December 2014, ATCO Structures & Logistics was awarded a contract to provide around-the-clock fire protection services to NATO troops, known as Kosovo Force, at the 700-person Camp Novo Selo near Pristina, Kosovo. The five-year contract commenced in January 2015 based on a one-year contract with four additional one-year option periods.

NATO HQ CIS Support

In August 2016, ATCO Structures & Logistics successfully rebid the contract to provide Communication and Information Systems support to the NATO headquarters at the 820-person Camp Butmir near Sarajevo. The contract extension is for 16 months, commencing September 1, 2016, with an option to be extended for three additional one-year option periods.

Alaska Radar System

ARCTEC Alaska, a joint-venture between ATCO Structures & Logistics and ASRC Federal Primus, was awarded a contract with the United States Department of the Air Force (USDAF) to provide operations and maintenance services to 15 strategic radar sites that form the Alaska Radar System. The 10-year contract, commencing October 2016, continues a successful 19-year relationship with the USDAF.

LODGING & SUPPORT SERVICES

The Lodging & Support Services division provides remote accommodations and related facility management services, including food, housekeeping, retail, recreation, maintenance and utilities management.

In 2016, ATCO Structures & Logistics managed a portfolio of open and closed lodges with a capacity to accommodate approximately 7,400 people across Alberta, British Columbia, Saskatchewan, and Newfoundland and Labrador through a combination of open and closed lodges. Open lodges are owned and operated by ATCO Structures & Logistics as a hotel that services surrounding industries and projects. Closed lodges are owned by clients and come in two types: i) turnkey which are built and operated by ATCO Structures & Logistics; and ii) services-only lodges which are built by an external third-party but operated by ATCO Structures & Logistics.

Open Lodges

ATCO Structures & Logistics and the Fort McKay First Nation are partners in a joint venture which owns and operates the Barge Landing and Creeburn Lake Lodges. These two sister lodges, located 65 kilometres (km) north of Fort McMurray in the community of Fort McKay, offer a 1,900-person capacity for workers involved in natural resource projects in the surrounding area.

Closed Lodges

As noted, the Lodging and Support Services division operates two types of closed lodges as follows:

- **Turnkey Lodges:** These lodges are part of ATCO Structures & Logistics' bundled services solution, which combines the design, manufacturing and installation of an accommodation complex along with operations, including food services, housekeeping, retail, maintenance and utility services. One turnkey lodge was operated by ATCO Structures & Logistics in 2016, the 1,600-person Two Rivers Lodge for the BC Hydro Site C Clean Energy Project in northeast British Columbia.
- **Services-only Contracts:** ATCO Structures & Logistics operates a number of services-only lodges, providing the food, housekeeping, retail, recreation, maintenance and utility management services at client owned facilities. Services-only contracts in 2016 were:
    - 1,900-person lodge for CNRL in Alberta;
    - 1,612-person lodges comprised of 1,500-persons at Husky Sunrise Lodge and 112-persons at Husky Operations Lodge near Fort McMurray, Alberta;
    - 1,470-person K+S Potash Canada Legacy Lodge in Saskatchewan; and
    - Up to nine lodges ranging in size of 100-persons to 200-persons for Valard Construction in Newfoundland and Labrador in support of its Muskrat Falls hydroelectric project.

ATCO SUSTAINABLE COMMUNITIES

ATCO Sustainable Communities designs and manufactures permanent building solutions, including a full range of pre-fabricated, sustainable buildings. These structures are built mainly for Indigenous customers in remote locations. The building projects include schools, daycares, gymnasiums, hockey arenas, gas stations, multi-purpose community centres and offices as well as single and multi-family housing. The division combines ATCO Structures & Logistics' traditional modular construction processes with either pre-engineered steel buildings or soft-wall structures that improve quality and reduce cost, site work and waste associated with building in remote locations.

ELECTRICITY GLOBAL BUSINESS UNIT

OVERVIEW

The Electricity Global Business Unit's activities are conducted through two regulated businesses; ATCO Electric Distribution and ATCO Electric Transmission, and three non-regulated businesses; ATCO Power, ATCO Power Australia and Alberta PowerLine (APL). Together these companies provide electricity distribution, transmission, and generation, and related infrastructure services.

BUSINESS STRATEGY

Electricity's strategy is to grow its businesses through continued investment and leverage of expertise in regulated electricity distribution and transmission, capitalize on the opportunity to provide renewable and firm supply electricity generation for Albertans, and expand its businesses geographically to meet the evolving needs of our global customer base through the development of innovative infrastructure solutions.

MARKET OPPORTUNITIES

The Government of Alberta's plan to eliminate emissions from coal-fired generation by 2030 has created a need for renewable power generation and firm capacity, such as gas-fired and hydroelectric power generation, as well as energy storage, to backstop the renewable power supply. Additional electricity distribution and transmission investment opportunities may result from this changing power market in addition to ongoing investment opportunities for customer growth and system replacements.

MARKET CHALLENGES

Near term, power market challenges related to the Alberta energy-only market put downward pressure on market pricing until surplus supply and additional clarity on market design are resolved.

ATCO ELECTRIC

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

ATCO Electric transmits and distributes electricity to 245 communities and rural areas in east-central and northern Alberta. Among those served are the communities of Drumheller, Lloydminster, Grande Prairie and Fort McMurray as well as the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

ATCO Electric is headquartered in Edmonton and has 38 offices throughout its service area. Electric utility service is also provided to three communities in Saskatchewan. AEY serves 18 communities in the Yukon Territory, including the capital city of Whitehorse, and one community in British Columbia. NUY and NWT serve nine communities in the Northwest Territories, including the capital city of Yellowknife.

Approximately 630,000 people live in the principal markets for electric utility service by ATCO Electric and its subsidiaries NUY, NWT and AEY. Service is provided to approximately 256,000 customers. ATCO Electric has been assigned about 65 per cent of the designated service area within Alberta. This service area contains approximately 14 per cent of the provincial electrical load and 14 per cent of the population.

The number of customers served by ATCO Electric, NUY, NWT and AEY at the end of 2016 and 2015 is shown below.

	2016		2015	
	Number	%	Number	%
Industrial	**10,668**	**5**	10,919	5
Commercial	**34,221**	**13**	33,955	13
Residential	**179,525**	**70**	179,388	70
Rural, REA and other	**31,661**	**12**	31,477	12
Total	**256,075**	**100**	255,739	100

Electricity distributed to the various classes of customers in 2016 and 2015 is shown below.

	2016		2015	
	GWh	%	GWh	%
Industrial	**7,448**	**64**	7,506	63
Commercial	**2,393**	**20**	2,465	21
Residential	**1,292**	**11**	1,341	11
Rural, REA and other	**526**	**5**	520	5
Total	**11,659**	**100**	11,832	100

ATCO Electric, NUY, NWT and AEY own and operate extensive electricity transmission and distribution systems. The systems consist of approximately 12,000 kms of transmission lines and 72,000 kms of distribution lines. In addition, ATCO Electric delivers power to and operates approximately 4,000 kms of distribution lines owned by Rural Electrification Associations (REA).

ATCO Electric, NUY, NWT and AEY own and operate 26 diesel, natural gas turbine and hydro-generating plants, with an aggregate nameplate capacity of 59 MW in Alberta, the Yukon and Northwest Territories. The maximum peak load demand for these plants during 2016 was 29 MW.

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

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

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

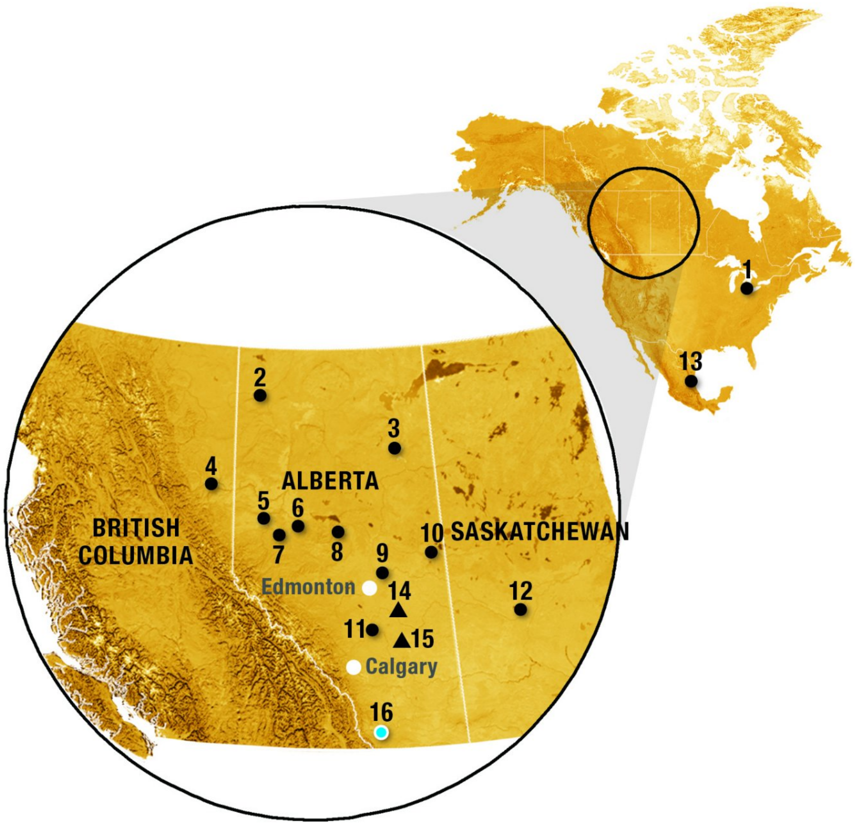
Under the Electric Utilities Act (Alberta) (EUA), wholesale tariffs for electricity transmission must be approved by the Alberta Utilities Commission (AUC). Transmission tariffs allow any owner of a generating unit to access the Alberta transmission system and thus facilitate the sale of its power. The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

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

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

ATCO POWER

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



Facility	Generating Capacity Owned (MW)
● **NATURAL GAS**	
1 Brighton Beach	290
2 Rainbow Lake 4 & 5	45
3 Muskeg River	119
4 McMahon	60
5 Poplar Hill	45
6 Valleyview 1 & 2	90
7 Karr	3
8 House Mountain	6
9 Scotford	170
10 Primrose	42
11 Joffre	192
12 Cory	130
13 San Luis Potosi	2
▲ **COAL-FIRED**	
14 Battle River 3, 4 & 5	689
15 Sheerness 1 & 2	390
● **RUN-OF-RIVER HYDRO**	
16 Oldman River	24
Total	**2,297**

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

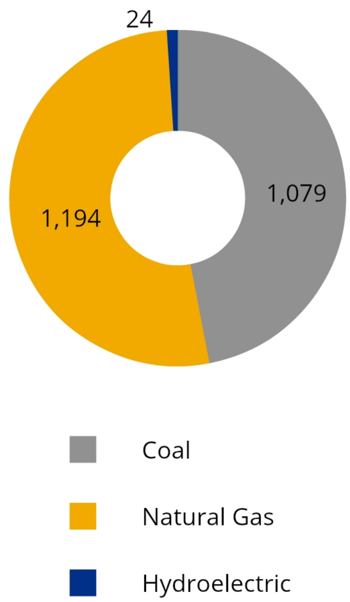
The Alberta power market serves approximately 4 million people. Installed electricity generating capacity at December 31, 2016, was approximately 16,400 MW, fuelled by 38 per cent coal, 45 per cent natural gas, 5 per cent hydroelectric, 9 per cent wind and 3 per cent other. Approximately 180 MW of capacity was installed in 2016; this consisted primarily of natural gas generation.

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

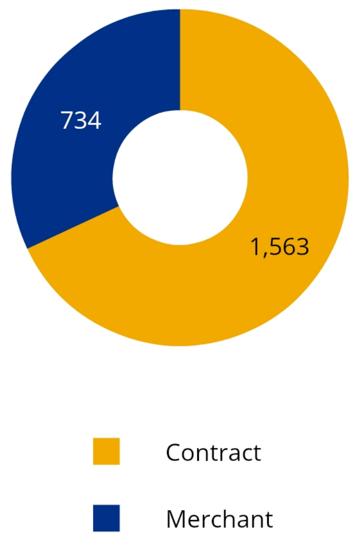
At December 31, 2016, ATCO Power had an ownership position in generating plants with a total capacity, including partners' interests, of 3,604 MW. It operates 3,484 MW (97 per cent) and owns 2,297 MW (64 per cent) of the total capacity. This owned generating capacity is fuelled by 1,194 MW (52 per cent) natural gas, 1,079 MW (47 per cent) coal and 24 MW (1 per cent) hydroelectric. Details of these plants are shown in Appendix 1.

The following charts illustrate the approximate portion of owned generating capacity by fuel types in the portfolio and contract versus merchant portions of owned capacity at December 31, 2016.

Owned Generating Capacity by Fuel Type (MW)



Electricity Market Exposure in Portfolio (MW)



As at December 31, 2016, ATCO Power had 1,563 MW (68 per cent) of its owned generating capacity contracted in Canada with an average remaining contract length of approximately eight years.

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

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

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

In March 2016, the Company purchased the remaining 49 per cent interest in Barking Power Limited, an entity that holds land assets in the U.K. Barking Power Limited which was previously accounted for as a joint venture and is now consolidated. This transaction was completed to strategically position ATCO Power for future opportunities in the U.K. market, including the potential re-powering of the existing Barking site if economically feasible in future years. As of December 2016, the Barking site remains inactive.

Thermal Power Purchase Arrangements

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

On July 25, 2016, the Government of Alberta commenced legal action to determine the validity and interpretation of certain terms within the coal PPAs and related regulations. The legal action filed by the Government seeks to prevent the PPAs from being returned to the Balancing Pool. ATCO has never been a buyer of a coal PPA, and the proceeding seeks no direct relief against ATCO.

In December 2016, the Government of Alberta announced it had reached an agreement to settle the legal action against TransCanada Energy. The agreement completely removes TransCanada Energy from the court proceedings and settles the matter between the parties as well as all arbitrations with the Balancing Pool. As a result, the Sheerness units 1 and 2 PPAs have been returned to the Balancing Pool, who retains the rights and obligations under the PPAs.

A legal action remains outstanding between the Government of Alberta and Enmax for its return of certain PPAs to the Balancing Pool, including the Battle River unit 5 PPA.

ATCO continues to operate Battle River unit 5 and Sheerness units 1 and 2 under the terms of their respective PPAs. ATCO will monitor and, in its capacity as a respondent, participate in the proceeding.

Distributed Generation

In 2016, ATCO Power continued to advance distributed generation projects in Alberta and Mexico. Distributed generation aligns with the Company's strategy of taking a creative and innovative approach to meeting our customers' needs by building a fleet of portable natural gas-fired units that can be deployed for temporary or permanent projects.

With the cost of traditional, wire-delivered electricity on the rise, onsite power generation systems specifically designed and optimized for unique site requirements while using safe, reliable, proven power generation technologies are more cost-effective. In terms of permanent onsite power solutions, the gas-fired power plants are designed, built, owned and operated by ATCO Power. Temporary power generation can be used to bridge the gap between grid connection and permanent generation, for emergency or supplementary onsite power, or to offset electricity shortages.

In the first quarter of 2016, ATCO Power signed a 10-year contract to build and operate a two unit, 3 MW natural gas-fired units located southeast of Grande Prairie, Alberta with a capital investment of $8 million. In the fourth quarter of 2016, the Company and its Mexican partner, Grupo Ranman, completed the first phase of a distributed generation facility located in the World Trade Centre industrial park in San Luis Potosi, Mexico. Two 2 MW natural gas-fired units were installed to service initial customers. ATCO Power plans to expand this facility to up to 20 MW by December 2017.

Mexico Tula Cogeneration

In October 2014, the Company and its Mexican partner, Grupo Hermes S.A. de C.V., were selected by PMX Cogeneracion S.A.P.I. de C.V., an affiliate of Mexico's state-owned petroleum company Pemex, to commence the project development and approval process for a natural gas cogeneration plant at the Miguel Hidalgo refinery near the town of Tula in the state of Hidalgo, Mexico.

During 2015 and 2016, ATCO and Grupo Hermes worked with Pemex to further the development of the plant. Commercial discussions continue with Pemex, who remains committed to the project and to working with ATCO and Grupo Hermes.

Strathcona Cogeneration Plant

In September 2016, Inter Pipeline Ltd. acquired the shares of The Williams Companies Inc.'s and Williams Partners L.P.'s Canadian businesses, including Williams Canada Propylene ULC (now Inter Pipeline Propylene ULC following a name change). ATCO Power has been selected by Inter Pipeline Propylene ULC to build and operate a natural gas-fired cogeneration plant to meet the high pressure steam and electricity needs of Inter Pipeline Propylene ULC's proposed propane dehydrogenation facility to be located in the Alberta Industrial Heartland region.

In December 2016, the Government of Alberta announced that Inter Pipeline's project would receive $200 million in royalty credits through the Petrochemical Diversification Program. ATCO's proposed 90 MW cogeneration plant is contingent on Inter Pipeline Ltd.'s final investment decision for the facility, which is expected during the second quarter of 2017. ATCO received its AUC approvals for the cogeneration plant on September 28, 2016.

Non-regulated Electricity Transmission

ATCO Power operates two non-regulated electricity transmission lines in Alberta, the Scotford transmission line and substation in Fort Saskatchewan and the Muskeg River transmission line and substation in Fort McMurray.

Alberta Electricity Market Reform

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

In the near-term, ATCO will assess the economic viability of converting some of its coal-fired electricity generation to natural gas which will include participating in the development of greenhouse gas regulations for natural gas-fired electricity generation. In addition, ATCO will work alongside the Government of Alberta in exploring the potential of hydroelectric power as a means to provide reliable, emissions-free baseload generation in the province. Hydro, as the only form of renewable energy generation with dispatch control, is an optimal solution to replace coal-fired generation while supporting the reliability and sustainability of Alberta's electricity grid.

ATCO POWER AUSTRALIA

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

ATCO Power Australia Headquarters

ATCO Power Australia Natural Gas Facilities

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

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

Osborne

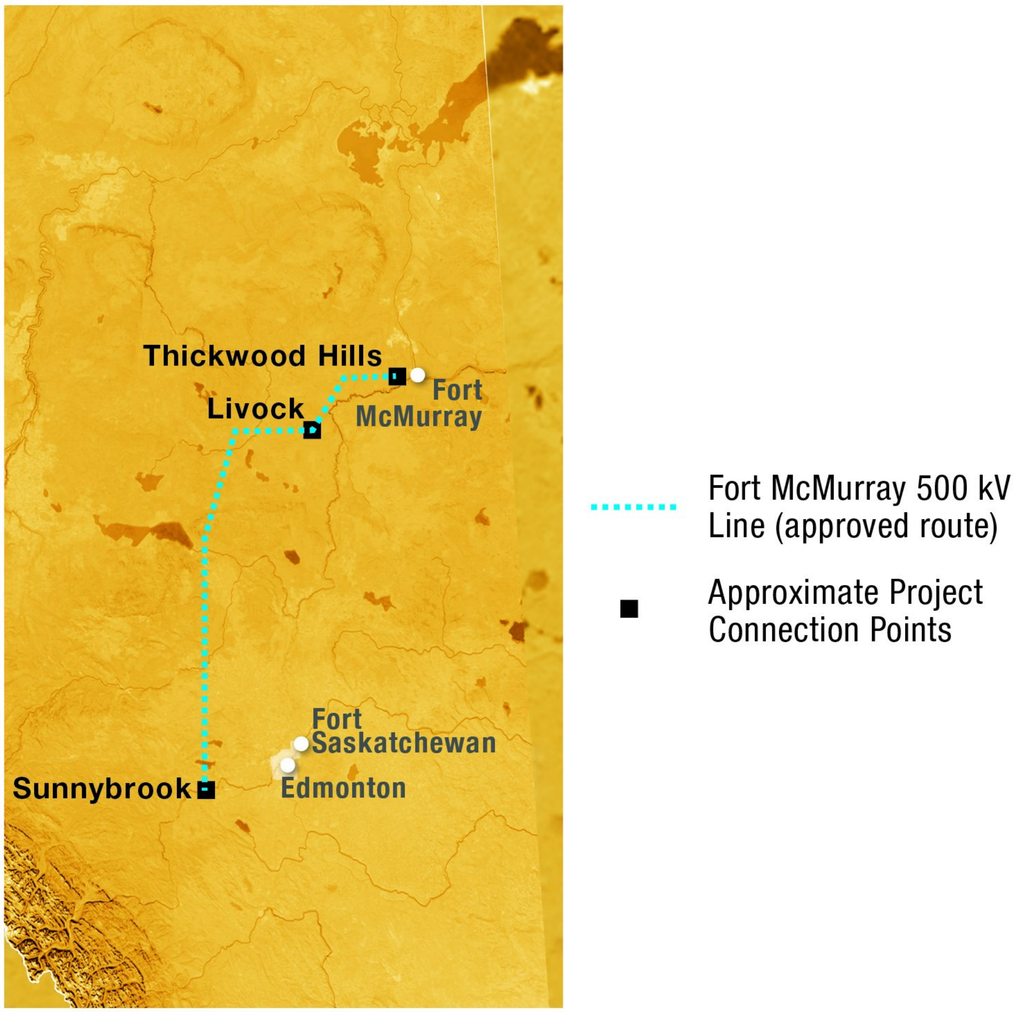
Osborne is a 50:50 joint venture between ATCO Power Australia and Origin Energy that commenced commercial operation on December 7, 1998. The 180 MW Osborne plant is located near Adelaide, South Australia, and is designed to accommodate operation in both cogeneration and combined cycle modes. The facility is fuelled by natural gas from South Australia's Cooper Basin and operated by ATCO Power Australia. 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, operates the facility for its required electricity output.

Karratha Power Station

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

ALBERTA POWERLINE

Alberta PowerLine's approved route is shown on the following map.



Fort McMurray West 500-kilovolt (kV) Transmission Project (Fort McMurray 500 kV Project)

Alberta PowerLine (APL) is a partnership between ATCO's subsidiary, Canadian Utilities Limited, and Quanta Capital Solutions Inc. Alberta PowerLine is 80 per cent owned by Canadian Utilities Limited and 20 per cent owned by Quanta Capital Solutions Inc.

In December 2014, APL was awarded a 35-year, $1.4 billion contract by the AESO to design, build, own, and operate the Fort McMurray 500 kV Project. This project will increase the capacity of the electricity system in northeast Alberta and help to ensure that this economically vital area of the province has the power it needs.

In December 2015, APL submitted the Facilities Application for the project to the AUC. The public hearing was completed in November 2016 and a decision approving the route was received in the first quarter of 2017. The design and planning phases are underway and construction is expected to commence in 2017. The project is anticipated to be in service in 2019.

PIPELINE & LIQUIDS GLOBAL BUSINESS UNIT

OVERVIEW

The Pipelines & Liquids Global Business Unit activities are conducted through three regulated businesses; ATCO Gas, ATCO Pipelines, and ATCO Gas Australia, and one non-regulated business; ATCO Energy Solutions. These companies 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 continued investment and leverage of expertise in regulated natural gas distribution and transmission, and utilize its advantaged position in the Industrial Heartland of Alberta to become a premier hydrocarbon liquids storage and industrial water infrastructure provider in Alberta. Pipelines & Liquids will continue expanding geographically to meet the evolving needs of our global customer base.

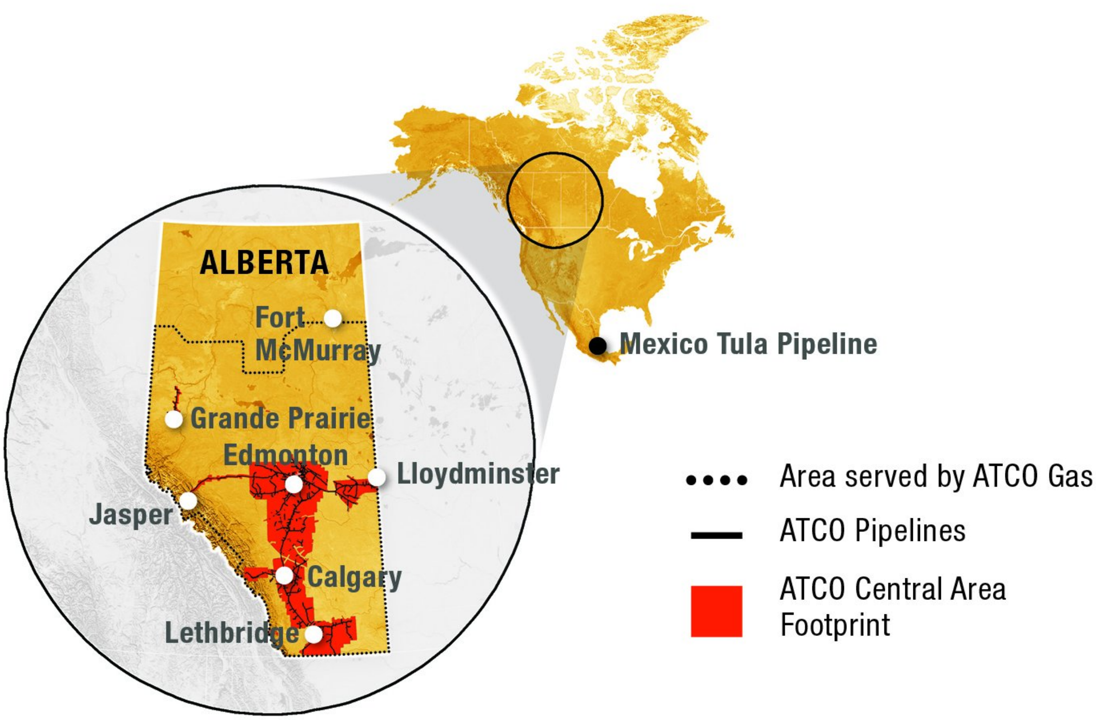
MARKET OPPORTUNITIES

The development of pipelines in Alberta is expected to increase the need for energy storage to manage supply and demand, and the industry trend toward sustainability is expected to increase demand for industrial water solutions. The regulated businesses expect to see continued growth based on projected customer growth and system replacements.

MARKET CHALLENGES

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

The following map shows the areas served by ATCO Gas and ATCO Pipelines in Alberta, as well as ATCO Pipelines S.A. de C.V.'s natural gas pipeline near Tula, Mexico.



ATCO GAS

ATCO Gas distributes natural gas throughout Alberta and in the Lloydminster area of Saskatchewan and serves more than 1.1 million customers in nearly 300 Alberta communities. Headquartered in Edmonton, it has more than 70 district offices across the province. ATCO Gas services municipal, residential, business and industrial customers.

ATCO Gas' principal markets for distributing natural gas are in Edmonton, Calgary, Airdrie, Fort McMurray, Grande Prairie, Lethbridge, Lloydminster, Red Deer, Spruce Grove, St. Albert and Sherwood Park. These communities have a combined population of approximately 2,800,000. Approximately 75 per cent of ATCO Gas' customers were located in these 11 communities. Also served are 279 smaller communities as well as rural areas with a combined population of approximately 749,000.

The number of customers served by ATCO Gas at the end of 2016 and 2015 is shown below.

	2016		2015	
	Number	**%**	**Number**	**%**
Residential	**1,085,731**	**92**	1,071,988	92
Commercial	**96,978**	**8**	95,880	8
Industrial	**346**	–	350	–
Other	**5**	–	4	–
Total	**1,183,060**	**100**	1,168,222	100

The quantities of natural gas distributed by ATCO Gas in 2016 and 2015 is shown below.

	2016		2015	
	PJ	**%**	**PJ**	**%**
Residential	**111.3**	**47**	113.4	48
Commercial	**112.0**	**48**	111.6	47
Industrial	**12.6**	**5**	13.0	5
Other	**0.2**	–	0.3	–
Total	**236.1**	**100**	238.3	100

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

ATCO Gas distributes natural gas in incorporated communities under the authority of franchises or by-laws and in rural areas under approvals, permits or orders issued through applicable statutes. It currently has 167 franchise agreements with communities throughout Alberta. These franchise agreements detail the rights granted to ATCO Gas and its obligations to deliver natural gas services to consumers in the municipality.

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

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

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

ATCO PIPELINES

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

ATCO Pipelines owns and operates an extensive natural gas transmission system. The system currently consists of approximately 9,400 kms of pipelines, 18 compressor sites, approximately 4,000 receipt and delivery points, and a salt cavern storage peaking facility near Fort Saskatchewan, Alberta. The system has 210 producer receipt points, one interconnection with Alliance Pipeline, and one interconnection with Many Islands Pipelines. Peak delivery capability of the ATCO Pipelines system is 3.8 billion cubic feet per day.

The Alberta System Integration Agreement entered into by ATCO Pipelines and NOVA Gas Transmission Ltd. (NGTL) in 2009 resulted in a single rate and services structure for gas transmission in Alberta. Since October 2011, natural gas transportation rates in Alberta are based on the ATCO Pipelines cost-of-service approved by the AUC plus the NGTL cost-of-service approved by the National Energy Board (NEB). The agreement also required ATCO Pipelines and NGTL to swap ownership of certain physical assets intended to establish distinct operating areas for ATCO Pipelines and NGTL. The Asset Swap was completed in 2016.

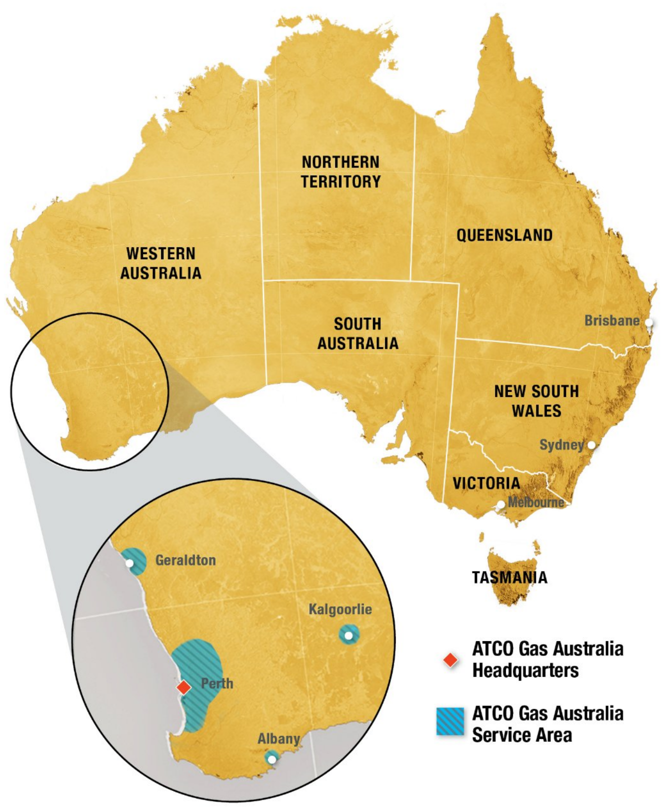
More details on the Alberta System Integration Agreement are provided in the Three Year History section of this Annual Information Form (AIF).

INTERNATIONAL NATURAL GAS TRANSMISSION - MEXICO TULA PIPELINE

In 2014, ATCO signed a 25-year Transportation Services Agreement with the Comisión Federal de Electricidad (CFE) to design, build and operate a 16 km natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. ATCO has completed the majority of construction and continues to work with the Government of Mexico regarding land access and the completion of construction.

ATCO GAS AUSTRALIA

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



ATCO Gas Australia provides natural gas distribution services in Western Australia and serves approximately 741,000 customers in 18 communities, including metropolitan Perth and surrounding regions such as Geraldton, Bunbury, Busselton, Kalgoorlie, Harvey, Pinjarra, Brunswick Junction and Capel. ATCO Gas Australia owns and operates approximately 14,000 kms of natural gas pipelines and associated infrastructure and also distributes liquefied propane gas (LPG) to the community of Albany.

The number of customers served by ATCO Gas Australia at the end of 2016 and 2015 is shown below.

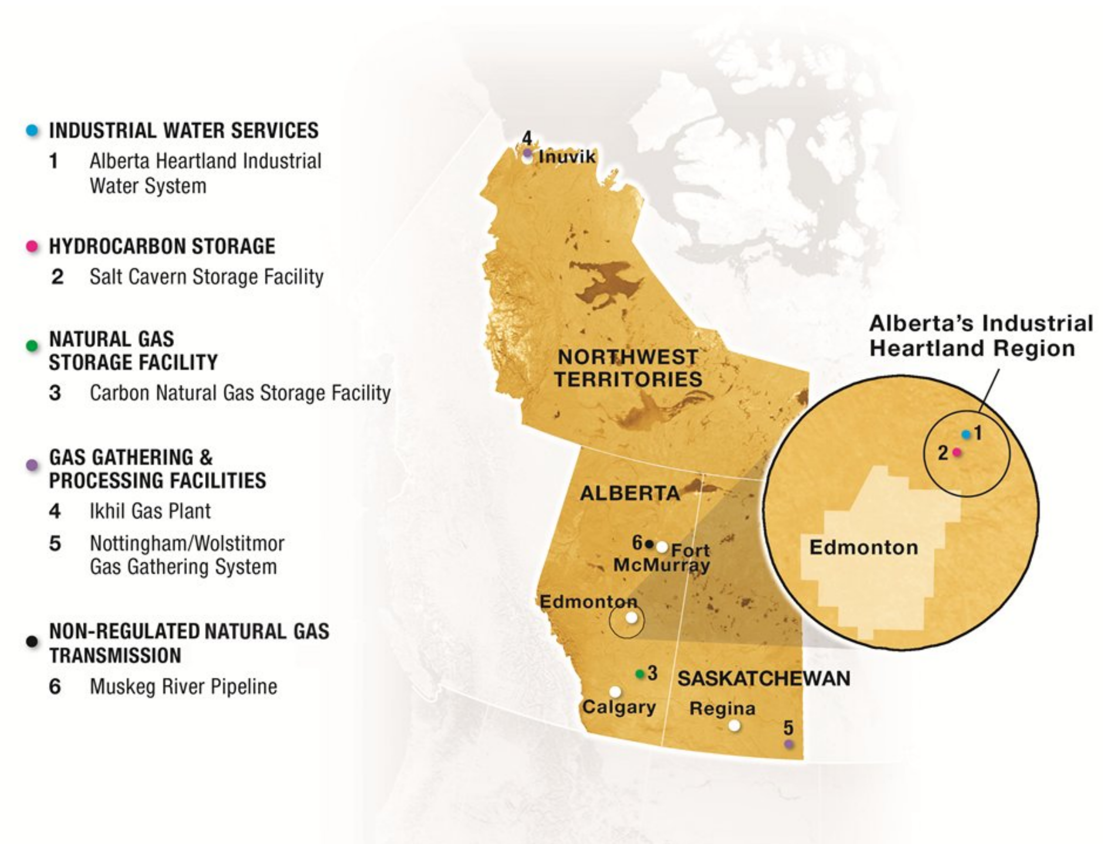
		2016		2015
	Number	%	Number	%
Residential	**727,730**	**98**	712,274	98
Commercial	**13,068**	**2**	12,518	2
Industrial	**176**	**–**	180	–
Total	**740,974**	**100**	724,972	100

The quantity of gas delivered by ATCO Gas Australia in 2016 and 2015 is shown below.

		2016		2015
	PJ	%	PJ	%
Residential	**11.1**	**41**	9.98	38
Commercial	**3.4**	**12**	3.09	12
Industrial	**12.6**	**47**	13.26	50
Total	**27.1**	**100**	26.33	100

ATCO ENERGY SOLUTIONS

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



Hydrocarbon Storage

ATCO Energy Solutions, together with our partner, is developing four salt caverns with capacity to store approximately 400,000 cubic metres of hydrocarbons at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four salt caverns. The total partnership investment is approximately $200 million. ATCO Energy Solutions has a 60 per cent partnership interest.

Construction of the first two caverns is complete and operations are underway with earnings starting in the fourth quarter of 2016. Construction of the two remaining caverns is expected to be complete by the end of 2017. As ATCO Energy Solutions secures additional customers and develops the supporting infrastructure, the Company has the potential to develop up to 40 caverns with the mineral rights it currently has in place in Alberta's Industrial Heartland.

Industrial Water Services

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

In the fourth quarter of 2015, ATCO Energy Solutions entered into a long-term commercial agreement with Air Products to provide water pre-treatment services in addition to the existing water transportation services contract for Air Products' hydrogen facility near Fort Saskatchewan. Construction on this project was completed, and commercial operations commenced in the fourth quarter of 2016. With the addition of this service, ATCO Energy Solutions has the potential to further grow the Company's suite of water and wastewater services for industrial customers throughout Alberta's Industrial Heartland.

Natural Gas Storage

ATCO Energy Solutions owns and operates a natural gas storage facility at Carbon, Alberta. The facility is a natural gas reservoir with a seasonal storage cycle capacity of 52 petajoules, a maximum injection rate of 400 terajoules per day, and a maximum withdrawal rate of 600 terajoules per day. The facility is connected to multiple transmission pipeline systems and has been in service more than 45 years.

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

Natural Gas Liquids Extraction

ATCO Energy Solutions has an interest in one natural gas liquids (NGL) extraction facility as at December 31, 2016, the Empress Gas Liquids Straddle Plant which ATCO Energy Solutions operates but is currently being decommissioned. The Company sold its share in the Edmonton Ethane Extraction Plant effective January 1, 2016. The proceeds from this sale were deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

Natural Gas Gathering and Processing

ATCO Energy Solutions has an interest in two natural gas gathering and processing facilities, the Nottingham and Ikhil gas plants, with a net ownership gathering and processing capacity of 4 million cubic feet per day. In addition, ATCO Energy Solutions owns approximately 165 kms of field gathering lines. Natural gas production connected to ATCO Energy Solutions' natural gas gathering systems is processed for a fee or purchased, processed and sold under third-party contractual arrangements.

Non-regulated Natural Gas Pipeline

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

CORPORATE & OTHER

Corporate & Other includes the recent launch of retail energy through ATCO Energy Ltd. (ATCOenergy) to provide retail electricity and natural gas services in Alberta and the commercial real estate owned by the Company in Alberta. The business development office in Mexico is reported in the Company's Corporate & Other Business Unit, while projects and operations are reported in the Electricity and Pipelines & Liquids Global Business Units. Corporate & Other also includes the Company's global corporate head office in Calgary, Canada and ATCO Australia's corporate head office in Perth, Western Australia. Services provided by one or both corporate head offices include: corporate business development, finance, tax, treasury, regulatory, information technology, human resources, corporate communications, investor relations, risk management, internal audit and other administrative services including compliance and governance services.

RETAIL ENERGY

As part of the Company's continued growth strategy, ATCOenergy was launched in January 2016, selling electricity and natural gas to residential and small commercial customers. ATCOenergy is a logical step in the vertically integrated growth of the Company.

ATCOenergy is comprised of three business lines: ATCOhome, ATCObusiness and the ATCO Blue Flame Kitchen. ATCOhome intends to be a preeminent retailer of electricity and natural gas by leveraging the strength of the ATCO brand with a compelling value proposition that includes sign-up incentives, loyalty rewards, competitive rates and flexible plans for customers. ATCObusiness sells electricity and natural gas to large commercial retail customers. ATCO Blue Flame Kitchen, which has a long history in Alberta spanning more than eight decades, was integrated with ATCOenergy in 2016.

REAL ESTATE

ATCO Investments Ltd. owns ATCO Centre Phase II and the adjacent parking lot at 919 & 931 - 11th Avenue S.W., Calgary, Alberta. This building contains approximately 139,600 sq. ft. of net rentable area, of which 100 per cent was occupied at December 31, 2016.

ATCO Investments Ltd. also owns land at the ATCO Commercial Centre in Calgary. The ATCO Structures & Logistics manufacturing plant, office, and yard space occupy just over 22 acres of this property. Part of the remainder of the property is in the planning and construction phase for development. Phase 1 of this development, comprising 230,000 sq. ft. of modern commercial offices, is under construction, and is scheduled for occupancy by the Company by the fourth quarter of 2017.

ATCO Real Estate Holdings Ltd., a subsidiary of Canadian Utilities, owns commercial real estate in Calgary, Edmonton, Fort McMurray, Fort Saskatchewan, and Stettler, all in Alberta.

ATCO MEXICO BUSINESS DEVELOPMENT

The Company has an office in Mexico City to evaluate and pursue business opportunities in Mexico's energy market. The Mexican government has embarked on a program of reforming its energy sector, inviting foreign investment in energy infrastructure such as power generation, electricity and natural gas transmission and distribution facilities. ATCO Mexico is focused on developing, building, owning and operating new energy infrastructure assets to support the development of Mexico's energy infrastructure.

PERFORMANCE SUMMARY

COMPARISON OF SEGMENTED REVENUES AND ADJUSTED EARNINGS

Each Global Business Unit's contribution to the Company's consolidated revenues and adjusted earnings is shown in the charts below. The Company's adjusted earnings are presented after non-controlling interests.

Revenues (1)	**2016**		**2015**	
	($ millions)	*%*	*($ millions)*	*%*
Structures & Logistics	**647**	**16**	869	21
Electricity	**1,877**	**46**	1,771	43
Pipelines & Liquids	**1,496**	**37**	1,525	37
Corporate & Other and Eliminations	**25**	**1**	(34)	(1)
Total	**4,045**	**100**	4,131	100

Adjusted Earnings (1) (2)	**2016**		**2015**	
	($ millions)	*%*	*($ millions)*	*%*
Structures & Logistics	**43**	**12**	27	10
Electricity	**213**	**59**	171	58
Pipelines & Liquids	**136**	**38**	101	34
Corporate & Other and Eliminations	**(32)**	**(9)**	(6)	(2)
Total	**360**	**100**	293	100

(1) The above data has been extracted from Note 3 ("Segmented Information") of the 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 earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities. 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.

REVENUES

Higher revenues from the Regulated Utilities and APL were offset by lower revenues in Structures & Logistics and ATCO Energy Solutions, primarily due to decreased Modular Structures project activity and forgone revenues due to the sale of both the Emissions Management business and several of ATCO Energy Solutions' gas processing facilities in late 2015 and early 2016.

ADJUSTED EARNINGS

Adjusted earnings in the Structures & Logistics Global Business Unit were $16 million higher in 2016 compared to 2015 mainly due to higher profit margins on Modular Structures major project activity, increased occupancy levels in the Lodging business, and business-wide cost reduction initiatives.

Adjusted earnings in the Electricity Global Business Unit were $42 million higher in 2016 compared to 2015. Higher earnings were primarily due to continued capital investment and growth in rate base within Regulated Electricity, business-wide cost reduction initiatives and the adverse impact associated with the Generic Cost of Capital (GCOC) and Capital Tracker regulatory decisions received in 2015.

Adjusted earnings in the Pipelines & Liquids Global Business Unit were $35 million higher in 2016 compared to 2015. Higher adjusted earnings were primarily due to continued capital investment and growth in rate base, business-wide cost reduction initiatives and the adverse impact associated with the GCOC and Capital Tracker regulatory decisions received in the first quarter of 2015.

Corporate & Other adjusted earnings were lower in 2016 compared to 2015. Lower earnings were primarily due to dividend costs associated with Canadian Utilities' preferred share issuances in the second half of 2015 and ATCOenergy business development expenses.

COMPARISON OF SEGMENTED CAPITAL INVESTMENTS

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

	2016 (1)		2015 (1)	
	($ millions)	*%*	*($ millions)*	*%*
Structures & Logistics	**97**	**6**	61	3
Electricity	**647**	**40**	935	49
Pipelines & Liquids	**790**	**49**	875	46
Corporate & Other	**75**	**5**	48	2
Total (2) (3)	**1,609**	**100**	1,919	100

(1) The above data has been extracted from the 2016 MD&A. The reporting currency is the Canadian dollar.

(2) Includes additions to property, plant and equipment, intangibles as well as $18 million (2015 - $97 million) of interest capitalized during construction for the year ended December 31, 2016.

(3) Includes capital expenditures in joint ventures, $89 million (2015 - $51 million) for the year ended December 31, 2016.

Total capital investments of $1,609 million in 2016 were $310 million lower than the $1,919 million reported in 2015. Of the $647 million invested by the Electricity Global Business Unit, $470 million, or 73 per cent, pertained to regulated businesses. Of the $790 million invested by the Pipelines & Liquids Global Business Unit, $678 million, or 86 per cent, pertained to regulated businesses. The remaining expenditures were mainly related to the Company's purchase of the remaining 49 per cent of Barking Power Limited (Barking) in the first quarter of 2016 and an investment in Sabinco for a 50 per cent ownership interest, which was completed in the second quarter of 2016. Sabinco's established presence in Chile provides a strong foundation for expansion, with potential growth opportunities in other South American markets.

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.

During 2015, ATCO restructured into three Global Business Units - Structures & Logistics, Electricity and Pipelines & Liquids. These Global Business Units are vertically integrated and better able to efficiently and effectively respond to customer needs by offering a complete infrastructure solution for housing, energy and delivery, maintenance and ongoing operations to customers worldwide.

STRUCTURES & LOGISTICS GLOBAL BUSINESS UNIT

Earnings from the Structures & Logistics Global Business Unit are significantly influenced by capital spending cycles in the natural resource, defense and construction sectors.

MODULAR STRUCTURES

The Modular Structures division was awarded a number of significant contracts to manufacture and install workforce housing accommodation in North and South America, as well as in Australia, during the previous three years.

North America

LNG Modular Structures Project

In the third quarter of 2016, Structures & Logistics completed manufacturing 462 modular units. The installation and customer turnover of all the manufactured units occurred in the fourth quarter of 2016. This work was done under a contract to design, construct, transport, install and rent the modular units at a major LNG project near Lake Charles, Louisiana. The units are being used to provide sleeping accommodation for 1,900 persons, kitchen and dining facilities, and a recreation centre.

Under the terms of the agreement, the new workforce housing units are being leased for a 29 month period which commenced in January 2016. At the end of the lease term, the units will be returned to the Company's fleet, thereby expanding its footprint in the U.S. market. The earnings from this contract are being recorded as workforce housing rental income in the Modular Structures business.

Site C Clean Energy Workforce Housing Project

In the third quarter of 2016, Structures & Logistics completed the manufacture and install phase of the 1,600 person workforce housing facility for workers constructing the Site C Clean Energy Project on the Peace River in northeast British Columbia. Structures & Logistics is also providing a full suite of lodge-related services including catering, janitorial, maintenance, medical and fire protection until 2022. The total value for Structures & Logistics' scope of work over the term of the contract is $470 million. The earnings from the lodge-related services are being recorded in the Lodging & Support Services business.

Shell Carmon Creek Project

In October 2013, the Company was awarded a $170 million contract to manufacture, install and operate a 1,200-person workforce housing facility for the Shell Carmon Creek Project near the town of Peace River in northern Alberta. The first 616-person phase was completed in 2014 and installation of the second 584-person phase was completed early in the second quarter of 2015.

Jansen Potash Project

In March 2012, ATCO Structures & Logistics was awarded a contract to design, manufacture and install a 2,586-person workforce housing lodge for BHP Billiton's Jansen Potash Project, located 100 kms north of Regina, Saskatchewan, valued at approximately $330 million. The first 500-person phase was completed in 2013 with manufacturing and installation on the second 2,086-person phase completed during the fourth quarter of 2014.

South America

Chile Acquisition

In the second quarter of 2016, ATCO announced that it was expanding its international modular structures business by investing $25 million in Sabinco for a 50 per cent ownership interest. Sitrans Servicios Integrados de Tranportes Ltda. retained 50 per cent ownership of the company, which now operates under the name ATCO-Sabinco S.A.

Headquartered in Santiago, Chile, ATCO-Sabinco S.A.'s fleet of space rental and workforce housing units accounts for approximately 10 per cent of the Chilean market. ATCO-Sabinco S.A.'s established presence in Chile also provides a strong foundation upon which the partnership can expand, with potential growth opportunities in other South American markets.

Australia

Wheatstone Project

In May 2013, ATCO Structures & Logistics was awarded a contract by Bechtel to design, manufacture, transport and install a 2,000-person and kitchen facility and 357 blast resistant lunchroom and amenities buildings for the Chevron-operated Wheatstone Project in Western Australia. The initial scope of the project award for AUD $100 million was completed during the fourth quarter of 2014. The Company was awarded expanded scope to provide additional modular units subsequent to the commencement of the project. In March 2016, ATCO Structures & Logistics completed the Chevron-operated Wheatstone Project in Western Australia. The total value for ATCO Structures & Logistics' scope of work was AUD $384 million.

LOGISTICS AND FACILITY O&M SERVICES

Earnings from the Logistics and Facility O&M Services business were comparable in the last three years. Within the Canadian public sector, ATCO Structures & Logistics provides services to the Department of National Defence. The majority of ATCO Structures & Logistics's international business activities have been and continue to be in support of NATO military operations. The mainstay of the private sector Logistics and Facility O&M Services business in Canada is in the provision of site services to resource based clients (oil and gas and mining customers). A discussion of the principal Logistics and Facility O&M contracts is included in the Business Description section of this AIF.

LODGING & SUPPORT SERVICES

Lodges to support Valard's Muskrat Falls Hydroelectric Project

The Company, together with its partner, Nunatsiavut Group of Companies, was awarded a contract by Valard Construction LP in March 2015. Under the 36-month contract, the Company is providing catering, janitorial and commercial laundry services to nine 100 to 200-person lodges that are housing workers constructing the Muskrat Falls Transmission Project in Newfoundland and Labrador.

K+S Potash Canada

The Company was awarded a camp services contract in the first quarter of 2014 by K+S Potash Canada to support a 1,470-person camp at the Legacy Potash mine in southern Saskatchewan. The contract commenced in April 2014 for a period of two-and-a-half years. The contract includes catering, housekeeping, janitorial, room management, maintenance and lounge/commissary services.

The Company has partnered with the George Gordon First Nation as the K+S Potash Canada Legacy Project is located on the traditional lands of the George Gordon First Nation. The Company has partnered with the George Gordon First Nation on other large projects in Saskatchewan. Building on the success of this cooperation, the Legacy Project partnership demonstrates the Company's commitment to growing capacity in local First Nations.

Blue Sky Lodge

This was the subsequent services management contract that was completed in April, 2016 for the 1,200-person lodging facility that was awarded to the Company by Shell Canada to support its now closed Carmon Creek Project near Peace River, Alberta. The contract contributed to local economic growth and was a joint venture with the Woodland Cree First Nation.

ELECTRICITY GLOBAL BUSINESS UNIT

Electricity's total capital investment over the last three years amounted to $3.2 billion (see table below). The largest expenditures were in the transmission operations of ATCO Electric. The AESO identified the need for major reinforcement and expansion of the electricity transmission system in Alberta, and ATCO Electric is dedicated to improving Alberta's electrical system through responsible transmission development. Continued investment in utility infrastructure in Alberta has been a primary driver of an overall upward trend in earnings in the last three years.

EASTERN ALBERTA TRANSMISSION LINE (EATL)

In December 2015, ATCO Electric completed and placed in-service the longest transmission line in Alberta's history. The 500 kV high voltage direct-current transmission line, with its associated converter stations and facilities, extends approximately 485 kms along a corridor on the east side of the province between Edmonton and Calgary. The $1.8 billion EATL Project is a critical component of Alberta's electrical transmission backbone and will play a key role in bringing renewable energy to Albertans across the province. By reducing the amount of electricity lost during transmission, EATL reduces the amount of power generation required, saving money as well as thousands of tons of future greenhouse gas emissions for Albertans.

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

				Year Ended December 31
($ millions)	**Total**	**2016**	**2015**	**2014**
ATCO Electric Distribution	991	**267**	355	369
ATCO Electric Transmission	1,907	**203**	471	1,233
ATCO Power (1)	213	**108**	85	20
Alberta PowerLine	93	**69**	24	–
Total	3,204	**647**	935	1,622

(1) Includes ATCO Power Australia's capital expenditures in joint ventures of $6 million (2015 - nil) for the year ended December 31, 2016.

ATCO ELECTRIC

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

ATCO POWER

ATCO Power's financial results are affected by power pool prices, price volatility, natural gas prices and power generating plant availability.

Lower Alberta Power Pool prices and reduced price volatility throughout 2015 and 2016 negatively impacted earnings. Average Alberta Power Pool prices were 45 per cent lower in 2016 compared to 2015 and 33 per cent lower in 2015 compared to 2014. In 2016, this impact was offset by higher earnings from ATCO Power's forward sales as well as lower general and administrative expenses due to cost-savings initiatives. As a result, the Company achieved higher earnings in 2016 than 2015.

ATCO Power's 2015 earnings were lower than 2014 due primarily to the poor market conditions. An increase in provincial tax rates and higher outage costs relative to 2014 also contributed to the lower results.

Plant availability can also have an impact on financial results. Plant availability during 2016 remained high across the Company's fleet of generation units. Availability of the independent power plants was lower in 2016 compared to 2015 due to a planned outage at the Joffre facility in 2016. Availability of the Thermal PPA plants was higher in 2016 compared to 2015 as a result of the Battle River unit 5 and Sheerness unit 1 planned outages in 2015.

ATCO POWER AUSTRALIA

ATCO Power Australia's earnings in 2016 were slightly lower compared to 2015 and 2014. In April 2014, British Petroleum (BP) announced that it planned to cease refining operations at its oil refinery in Brisbane by mid-2015, resulting in the planned closure and transfer of ownership of the Company's 33 MW Bulwer Island power station to BP on June 23, 2015. Bulwer Island Energy Partnership (BIEP) was a 33 MW cogeneration plant located at the BP refinery in Brisbane, which commenced commercial operation on January 1, 2000. BIEP was an equal joint venture partnership between ATCO Power Australia and Origin Energy. The closure of this power plant was the main reason for modestly lower earnings in 2016.

ALBERTA POWERLINE

In December 2014, APL ATCO's subsidiary, Canadian Utilities Limited, was awarded a 35-year, $1.4 billion contract by the AESO to design, build, own, and operate the Fort McMurray 500 kV Project. This project will increase the capacity of the electricity system in northeast Alberta and help to ensure that this economically vital area of the province has the power it needs.

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

Capital investments for Electricity also includes the capital invested in Alberta Powerline under this service concession arrangement.

PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

Pipelines & Liquids' total capital investment over the last three years amounted to $2.3 billion (see table below). The largest expenditures were in the AUC-approved Urban Pipeline Replacement (UPR) program and ATCO Gas' Mains Replacement Program. Continued investment in utility infrastructure in Alberta has been a primary driver of an overall upward trend in earnings in the last three years.

URBAN PIPELINE REPLACEMENT PROGRAM

Construction continued on ATCO Pipelines' AUC-approved UPR program in 2016. Construction will continue until 2020 and the total cost of the UPR program is estimated to be $850 million, which includes the cost to integrate the new high-pressure network with ATCO Gas' low-pressure distribution system. In 2016, ATCO Gas and ATCO Pipelines invested $185 million in the UPR program. The program will replace and relocate aging, high-pressure natural gas pipelines in densely populated areas of Calgary and Edmonton to address safety, reliability and future growth.

PLASTIC MAINS REPLACEMENT PROGRAM

The Plastic Mains Replacement program within ATCO Gas is a 20-year program aimed at replacing polyvinyl chloride (PVC) and early generation polyethylene (PE) pipe. The pipe has been identified for replacement due to risks associated with brittle cracking. Overall, approximately 8,000 kms of main gas line, impacting roughly 27,500 services, will be replaced. The program began in 2011 with a target completion date of no later than 2030. Through the first six years of the program, approximately 1,522 kms of main line, impacting 8,912 services, have been replaced.

STEEL MAINS REPLACEMENT PROGRAM

ATCO Gas has 9,000 kms of steel pipe which it continues to replace as it identifies pipe at the end of its useful life. The pipe that is being replaced is generally more than 60 years old and a portion of this pipe is replaced every year. ATCO Gas will see an increase in this required replacement activity as the steel mains age. In 2016, ATCO Gas replaced approximately 41 kms of steel pipe.

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

				Year Ended December 31
($ millions)	**Total**	**2016**	**2015**	**2014**
ATCO Gas	959	**336**	331	292
ATCO Pipelines	694	**252**	257	185
ATCO Gas Australia	249	**90**	80	79
Non-Regulated Capital Investment (1)	401	**112**	207	82
Total	2,303	**790**	875	638

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

In addition to the continued investment to utility infrastructure in Alberta, the financial results of ATCO Pipelines and ATCO Gas have been influenced by several regulatory decisions. The regulatory decisions are described in the "Regulatory Development" section in the Company's MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

Alberta System Integration

In 2009, ATCO Pipelines and NGTL entered into an agreement with respect to natural gas transmission service that will allow ATCO Pipelines and NGTL to utilize their physical assets under a single rates and services structure with a single commercial interface for Alberta customers. This integration ends duplicate tolling and operational activities and results in more efficient regulatory processes.

The AUC issued a decision on May 27, 2010 approving the integration, subject to subsequent applications to address (i) the transition of ATCO Pipelines’ customers to NGTL, and (ii) the swap of assets between ATCO Pipelines and NGTL in order to establish distinct operating areas. Commercial integration and the transition of customers took place on October 1, 2011, following AUC approval.

On November 22, 2012, the AUC issued a decision approving an asset swap between ATCO Pipelines and NGTL in order to establish distinct operating areas (Asset Swap). On October 16, 2014, the NEB issued an order approving the Asset Swap. The Asset Swap was completed in 2016.

INTERNATIONAL NATURAL GAS TRANSMISSION - MEXICO TULA PIPELINE

In 2014, ATCO signed a 25-year Transportation Services Agreement with the Comisión Federal de Electricidad (CFE) to design, build and operate a 16 km natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. ATCO has completed the majority of construction and continues to work with the Government of Mexico regarding land access and the completion of construction.

ATCO GAS AUSTRALIA

During the last three years, ATCO Gas Australia’s earnings have benefited from continued growth in rate base as a result of increased investment in utility infrastructure, growth in customer base, interest savings related to the refinancing of its long-term debt at favourable rates, savings due to cost reduction initiatives, and favourable Access Arrangement decisions.

In July 2015, the Western Australia Economic Regulation Authority (ERA) released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. The Australian Competition Tribunal (ACT) decision resulted in a reduced utility ROE from 10.41 per cent (AA3) to 7.21 per cent (AA4).

ATCO Gas Australia lodged an Appeal Application with the ACT on October 1, 2015 seeking leave to appeal a number of key items, including, but not limited to, ROE and the recovery of operating expenses, depreciation and corporate income tax expenses. The ACT decision was received in July 2016 resulting in an increase of approximately $3 million to 2016 adjusted earnings mainly due to an improvement in the recoverability of certain expenses.

ATCO ENERGY SOLUTIONS

ATCO Energy Solutions' financial results in the last three years were affected mainly by natural gas storage differentials, industrial water services provided, and natural gas liquids pricing and volumes.

During the last three years, storage volumes increased, but differentials declined significantly prior to 2016. The result is lower storage earnings, partially offset by higher earnings realized from the sale of excess natural gas as a result of enhancements in the delivery capability of the Company's natural gas storage facility. Higher earnings were realized in 2016 due to higher demand and prices for storage services.

Average frac spreads have been volatile over the last three years and continued to decline in 2014 through 2015. ATCO Energy Solutions' frac spreads were further impacted by its exposure to propane prices which experienced greater decline resulting from warmer weather. This volatility is reflected in the Company's earnings from Gas Processing operations and assets.

In 2014, ATCO Energy Solutions commenced a strategy of repositioning itself as an energy infrastructure provider within Alberta's Industrial Heartland, Canada's largest hydrocarbon processing region. As a result of this new direction, industrial water contracts were executed and a major hydrocarbon storage partnership was announced. By the end of 2016, the Company has disposed or shut–in its interests in Gas Processing operations except for the remaining interest in the Nottingham/Wolstitmor and Ikhil Gas Gathering System.

Hydrocarbon Storage

ATCO Energy Solutions, together with our partner, is developing four salt caverns with capacity to store approximately 400,000 cubic metres of hydrocarbons at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four salt caverns. The total partnership investment is approximately $200 million. ATCO Energy Solutions is the facility operator and has a 60 per cent partnership interest.

Construction of the first two caverns is complete and operations are underway with earnings contributions commencing in the fourth quarter of 2016. Construction of the two remaining caverns is expected to be complete by the end of 2017.

Industrial Water

In anticipation of the growing demand for industrial water transportation services in Alberta's Industrial Heartland, ATCO Energy Solutions upgraded its water infrastructure in 2011 and 2012, positioning the Company as a leading supplier of comprehensive industrial water infrastructure and energy-related services in the region.

In the fourth quarter of 2015, ATCO Energy Solutions entered into a long-term commercial agreement with Air Products to provide water pre-treatment services in addition to the existing water transportation services contract for Air Products' hydrogen facility near Fort Saskatchewan. Construction on this project was completed, and commercial operations commenced in the fourth quarter of 2016. With the addition of this service, ATCO Energy Solutions has the potential to further grow the Company's suite of water and wastewater services for industrial customers throughout Alberta's Industrial Heartland.

CORPORATE & OTHER

RETAIL ENERGY

As part of the Company's continued growth strategy, ATCOenergy was launched in January 2016, selling electricity and natural gas to residential and small commercial customers. ATCOenergy is a logical step in the vertically integrated growth of the Company.

ATCOenergy is comprised of three business lines: ATCOhome, ATCObusiness and the ATCO Blue Flame Kitchen. ATCOhome intends to be a preeminent retailer of electricity and natural gas by leveraging the strength of the ATCO brand with a compelling value proposition that includes sign-up incentives, loyalty rewards, competitive rates and flexible plans for customers. ATCObusiness sells electricity and natural gas to large commercial retail customers. ATCO Blue Flame Kitchen, which has a long history in Alberta spanning more than eight decades, was integrated with ATCOenergy in 2016.

OTHER EVENTS

Participation in Canadian Utilities Dividend Reinvestment Plan

The Canadian Utilities Dividend Reinvestment Plan (DRIP) allows eligible Class A and Class B share owners of Canadian Utilities to reinvest all or a portion of their dividends in additional Class A shares.

In the year ended December 31, 2016, ATCO Ltd. did not participate in the DRIP.

In the year ended December 31, 2015, ATCO Ltd. elected to receive 1,479,752 Class A shares in lieu of cash dividends of $52 million.

In the year ended December 31, 2014, ATCO Ltd. elected to receive 1,675,441 Class A shares in lieu of cash dividends of $65 million.

CAPITAL REDEPLOYMENT

The Company continuously reviews its holdings to evaluate opportunities to sell mature assets and redeploy 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 the Company.

STRUCTURES & LOGISTICS

In December 2015, Structures & Logistics completed the sale of its Emissions Management business. Included in the sale were Emissions Management's operations in Canada, United States and Mexico and the transfer of current contracts and employees. Proceeds of the sale totalled $60 million, resulting in a gain of $16 million. The proceeds from the sale were redeployed to finance the Company's future growth initiatives.

PIPELINES & LIQUIDS

As a result of an ongoing review of the economic environment and declining natural gas supply in Western Canada, certain of the Company's natural gas gathering, processing and liquids extraction assets were either shut-in or sold during the three year period from 2014 to 2016 without a significant impact on the Company's earnings.

In the first quarter of 2016, ATCO Energy Solutions sold its 51.3 per cent ownership in the Edmonton Ethane Extraction Plant. The $21 million of proceeds from the sale were deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

CORPORATE & OTHER

During the third quarter of 2014, the Company completed the sale of its IT services to Wipro, a global IT, consulting and business process services company. ATCO I-Tek developed, operated and supported the Company's information systems and technologies. The billing services, payment processing, credit, collection, and call centre services formerly provided by ATCO I-Tek were retained by the Company. Wipro acquired all the shares of ATCO I-Tek, including current contracts and employees, as well as the assets of ATCO I-Tek Australia as part of the transaction. Proceeds of the sale were $204 million, resulting in a gain of $74 million.

The proceeds from the sale were deployed to finance the Company's growth initiatives, including the significant investment in Regulated Utilities in Alberta, energy infrastructure in Alberta's Heartland, and opportunities in Mexico's energy market. The Company simultaneously entered into a strategic alliance with Wipro to provide a complete suite of IT services.

GOVERNMENT REGULATION

GOVERNMENT OF ALBERTA REGULATION

The regulated electricity and natural gas distribution and transmission operations of ATCO Electric, ATCO Gas and ATCO Pipelines are regulated mainly by the AUC. The AUC administers acts and regulations covering such matters as rates, financing and service area.

The transmission operations of ATCO Electric and ATCO Pipelines are subject to a cost-of-service regulatory model. Under this model, the regulator establishes the revenues required to recover forecast operating costs of the regulated service, including depreciation and amortization and income taxes. The regulator also establishes the revenues needed for a fair return on utility investment. Determining a fair return to common share owners involves the regulator assessing many factors, including returns on alternative investment opportunities with comparable risk and the level of return for a utility to attract the necessary capital to fund operations and maintain financial integrity.

The Company's regulated operations in the Yukon Territory (AEY) and Northwest Territories (NWT and NUY) are subject to a cost-of-service regulatory model, similar to that in Alberta, administered by regulatory authorities in those jurisdictions.

In 2013, the distribution operations of ATCO Electric and ATCO Gas moved to a form of rate regulation called Performance Based Regulation (PBR). The PBR model uses a formula to determine utility rates on an annual basis; however, the rates should provide utilities the opportunity to recover prudently incurred operating costs for providing regulatory services and earn a fair return on investment.

Before the introduction of PBR, the distribution utilities would have filed cost-of-service applications with the AUC to recover forecast costs from customers. Under PBR, however, revenue is determined by a formula that adjusts customer rates for inflation and expected productivity improvements over a five-year period.

Specifically, the PBR formula incorporates the following factors:

- Estimated annual inflation for input prices (I Factor)
- Less an offset to reflect expected productivity improvements during the PBR plan period (X Factor)

PBR also includes mechanisms to allow companies to:

- Recover capital expenditures not recoverable through the PBR formula that are significant and meet certain criteria (K Factor)
- Recover from or refund to customers amounts outside of management's ability to control that are material, should not significantly influence the I Factor, are prudently incurred, are recurring, and could vary greatly from year to year (Y Factor), or are unforeseen, and not likely to recur (Z Factor).

The first PBR period runs from 2013 to 2017. The AUC can re-open and review the PBR plan if utility return on common equity (ROE) is +/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year.

NEXT GENERATION OF PERFORMANCE BASED REGULATION (PBR 2)

On December 16, 2016, the AUC released its decision on the second generation of PBR plan framework for electricity and natural gas distribution utilities in Alberta. Under the 2018 to 2022 second generation PBR framework, utility rates will continue to be adjusted by a formula that estimates inflation annually and assumes productivity improvements. The framework also contains modified provisions for supplemental funding of capital expenditures that are not recovered as part of the base inflation less productivity formula. Regulatory applications to determine going-in rates will be filed by March 31, 2017. This decision does not apply to the transmission operations of ATCO Electric and ATCO Pipelines; these continue to be regulated under Cost of Service regulation.

The following table compares the key aspects of the PBR First Generation with the PBR Second Generation based on the AUC's December 16, 2016 decision.

	PBR First Generation	PBR Second Generation
Timeframe	2013 to 2017	2018 to 2022
Inflation Adjuster (I Factor)	Inflation indexes (AWE and CPI) adjusted annually	Unchanged
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 anomalies, inflation and growth to 2017 dollars; inflated by I-X thereafter over the PBR term
Treatment of Capital Expenditures	• Recovered through going-in rates inflated by I-X • Significant capital expenditures not fully recovered by the I-X formula and meeting certain criteria recovered through a K Factor	• Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital expenditures for the period 2013-2016 • Significant capital expenditures that are extraordinary, not previously incurred and required by a third-party recovered through a “Type I” K Factor
ROE Used for Going-in Rates	8.75%	• 8.5% • + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019
Efficiency Carry-over Mechanism (ECM)	ECM up to 0.5% additional ROE for the years 2018 and 2019 based on certain criteria	ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria
Reopener	+/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year	Unchanged
ROE Used for Reopener Calculation	• 2013 to 2016: 8.3% • 2017: 8.5%	2018 approved ROE (once known) and approved rates thereafter

GENERIC COST OF CAPITAL (GCOC)

In October 2016, the Company received the AUC 2016 GCOC decision. The decision established the return on equity (ROE) and deemed common equity ratios for the Alberta Utilities for 2016 and 2017. The approved ROE and common equity ratios for 2017 will remain in place on an interim basis for 2018 and for subsequent years until changed by the AUC. For ATCO Electric Distribution and ATCO Gas, the 2016 GCOC decision only applies to incremental capital funding and does not apply to the base PBR formula. Based on the changes to the approved ROE and common equity ratios, the net impact is expected to be an improvement to 2017 adjusted earnings for ATCO, mainly due to the increase in the approved ROE and common equity ratio for ATCO Electric Transmission.

The table below details mid-year rate base, rate of return on common equity and the common equity ratio for each of ATCO Electric Distribution, ATCO Electric Transmission, ATCO Pipelines and ATCO Gas during the past three years. The information shown reflects the most recent amending or varying orders issued after the original decision date.

	Year	AUC Decision	Rate of Return on Common Equity (%) (1)	Common Equity Ratio (%) (2)	Mid-Year Rate Base ($ millions)
ATCO Electric Distribution	**2017**	**2016 GCOC (3)**	**8.50**	**37.0**	**–**
	2016	**2016 GCOC (3)**	**8.30**	**37.0**	**2,315 (6)**
	2015	2013 GCOC (4)	8.30	38.0	2,130 (7)
	2014	2013 GCOC (4)	8.30	38.0	1,949
ATCO Electric Transmission	**2017**	**2016 GCOC (3)**	**8.50 (5)**	**37.0**	**–**
	2016	**2016 GCOC (3)**	**8.30 (5)**	**37.0**	**5,218 (8)**
	2015	2013 GCOC (4)	8.30	36.0	5,198 (9)
	2014	2013 GCOC (4)	8.30	36.0	4,413
ATCO Gas	**2017**	**2016 GCOC (3)**	**8.50**	**37.0**	**–**
	2016	**2016 GCOC (3)**	**8.30**	**37.0**	**2,352 (10)**
	2015	2013 GCOC (4)	8.30	38.0	2,145 (11)
	2014	2013 GCOC (4)	8.30	38.0	1,988
ATCO Pipelines	**2017**	**2016 GCOC (3)**	**8.50**	**37.0**	**–**
	2016	**2016 GCOC (3)**	**8.30**	**37.0**	**1,263 (12)**
	2015	2013 GCOC (4)	8.30	37.0	1,144
	2014	2013 GCOC (4)	8.30	37.0	979

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

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

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

(4) The ROE and common equity ratio were based on the last AUC GCOC decision of March 23, 2015.

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

(6) The mid-year rate base forecast for 2016 is based of the 2016-2017 Capital Tracker Compliance application filed on April 14, 2016.

(7) The mid-year rate base for 2015 is based on the Rule 005 Actuals Package filed on May 2, 2016.

(8) The mid-year rate base forecast for 2016 is based of the 2015-2017 GTA Compliance application filed on December 14, 2016.

(9) The mid-year rate base for 2015 is based on the Rule 005 Actuals Package filed on May 2, 2016.

(10) The mid-year rate base forecast for 2016 is based on the 2016 forecast included in the 2016-2017 Capital Tracker Compliance Application filed on May 12, 2016.

(11) The mid-year rate base for 2015 is based on the Rule 005 Actuals Package filed on May 16, 2016.

(12) The mid-year rate base for 2016 is from the 2017/2018 General Rate Application (GRA) filed September 22, 2016.

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

In March 2015, ATCO Electric Transmission filed a general tariff application for its operations for 2015, 2016 and 2017. The application requested, among other things, additional revenues to recover higher financing, depreciation and operating costs associated with growth in rate base in Alberta. In August 2016, the AUC issued a decision on the GTA with final rates that were lower than the approved interim rates from 2015 mainly due to lower approved O&M and G&A costs. The impact of this decision was a reduction to 2016 adjusted earnings of $10 million of which $6 million relates to 2016 and $4 million relates to 2015.

PBR CAPITAL TRACKER APPLICATIONS

The Capital Tracker is a mechanism included in the 2013-2017 PBR regulatory model to allow the Company to recover capital investments that meet certain criteria and are not recoverable through the base PBR formula. The decisions for the 2014 Capital Tracker true-up and the 2016-2017 Capital Tracker applications were received by ATCO Electric Distribution in March 2016 and ATCO Gas in April 2016. These decisions included approval of incremental funding for the majority of the Company's applied-for forecast Capital Tracker programs for 2016 and 2017.

WESTERN AUSTRALIA GOVERNMENT REGULATION

ATCO Gas Australia is regulated mainly by the Economic Regulation Authority (ERA) of Western Australia. Rates are generally set for a five-year Access Arrangement (or General Rate Application). ATCO Gas Australia is subject to a cost-of-service regulatory mechanism under which the ERA establishes the revenues for each year of the Access Arrangement to recover (i) a return on projected rate base, including income taxes; (ii) depreciation on the projected rate base; and (iii) projected operating costs.

Under the existing Access Arrangement, ATCO Gas Australia is using the Post-Tax Revenue Model (PTRM) method to determine revenue requirement and customer rates. Under this method, the impact of inflation is added to the rate base annually. The inflation impact is reflected in customer rates in future periods through the recovery of depreciation. Customer rates are adjusted annually through a mechanism, which adjusts the approved rates in real dollars for actual inflation.

The PTRM nominal post-tax return for 2015 under the current Access Arrangement is 6.02 per cent. The return is based on a deemed capital structure of 60 per cent debt and 40 per cent equity. This return was calculated using a cost of debt based on market rates for a benchmark sample of companies in Australia within the BBB credit band and a cost of equity, based on a capital asset pricing model. Income taxes are provided for separately in the build-up of the revenue requirement.

In July 2015, the Western Australia Economic Regulation Authority (ERA) released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. The Australian Competition Tribunal (ACT) decision resulted in a reduced utility ROE from 10.41 per cent (AA3) to 7.21 per cent (AA4).

ATCO Gas Australia lodged an Appeal Application with the ACT on October 1, 2015 seeking leave to appeal a number of key items, including, but not limited to, ROE and the recovery of operating expenses, depreciation and corporate income tax expenses. The ACT decision was received in July 2016 resulting in an increase of approximately $3 million to 2016 adjusted earnings mainly due to an improvement in the recoverability of certain expenses.

The following table compares the ROE and deemed common equity ratios resulting from the 2016 ERA Amended Final Decision.

	Year	ERA Decision	Mid-Year Rate Base ($ millions)	Rate of Return on Common Equity (%) (1)	Common Equity Ratio (%) (2)
ATCO Gas Australia	**2016**	**2016 AA4 (3)**	**1,111**	**7.21**	**40**
	2015	2016 AA4 (3)	1,083	7.21	40
	2014	2016 AA4 (3)	953	8.81	40

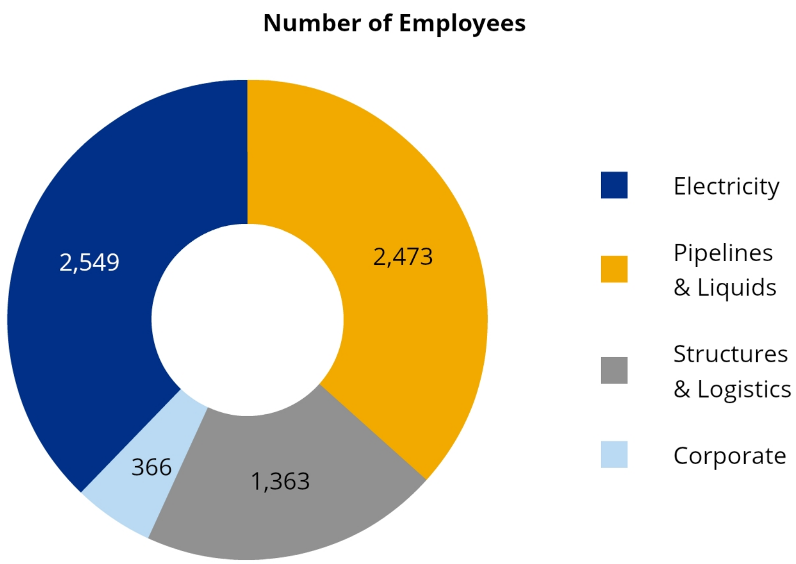
(1) Rate of return on common equity is the rate of return on the portion of rate base considered to be financed by common equity.

(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.

EMPLOYEE INFORMATION

At December 31, 2016, the Company had 6,751 employees. The accompanying chart represents the employee numbers in each segment. The chart does not include 23 employees in ATCO Power Australia joint ventures and 509 employees in Structures & Logistics joint ventures.



SUSTAINABILITY, CLIMATE CHANGE AND THE ENVIRONMENT

Sustainability, Climate Change and the Environment is described in the "Sustainability, Climate Change and the Environment" section in ATCO Ltd.'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 Information" and "Business Risks and Risk Management" sections in ATCO Ltd.'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)	**2016**	**2015**	**2014**
Class I and Class II Shares	**1.14**	0.99	0.86

The Company's practice is to pay dividends quarterly on its Class I and Class II Shares. The Company has increased its common share dividend each year since 1993. On January 12, 2017, the Board of Directors declared a first quarter dividend of 32.75 cents per share. That amount represents a 15 per cent increase over the quarterly dividends per share paid in 2016; the sixth consecutive year of a 15 per cent increase in dividends. The payment of any dividend is at the discretion of the Board of Directors and depends on the Company's financial condition, among other factors.

CAPITAL STRUCTURE

SHARE CAPITAL

The share capital of the Company at March 1, 2017 is as shown below.

Share Description	**Authorized**	**Outstanding**
Preferred Shares issuable in series	20,000,000	–
Junior Preferred Shares issuable in series	8,000,000	–
Class I Shares	300,000,000	101,237,123
Class II Shares	50,000,000	13,417,705

PREFERRED SHARES AND JUNIOR PREFERRED SHARES

The Preferred Shares and Junior Preferred Shares are issuable from time to time in one or more series with rights, restrictions, conditions and limitations as may be determined by the Board of Directors. Both the Preferred Shares and Junior Preferred Shares have priority over the Class I Shares and Class II Shares in the payment of dividends and the distribution of assets on the liquidation, dissolution or winding up of the Company.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

Each Class II Share may be converted into one Class I Share at any time at the share owner's option. If an offer to purchase all Class II Shares is made, and such offer is accepted and taken up by the owners of a majority of the Class II Shares, and if, at the same time, an offer is not made to the Class I Share owners on the same terms and conditions, then the Class I Shares will be entitled to the same voting rights as the Class II Shares. The two share classes rank equally in all other respects.

Of the 10,200,000 Class I Shares authorized for grant of options under ATCO's stock option plan, 2,732,750 Class I Shares were available for issuance at December 31, 2016. Options may be granted to the Company's officers and key employees 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.

NORMAL COURSE ISSUER BID

The Company believes that, from time to time, the market price of its Class I Shares may not fully reflect the value of its business, and that purchasing its own Class I Shares represents an attractive investment opportunity and desirable use of available funds.

On March 2, 2015, ATCO commenced a normal course issuer bid to purchase up to 2,030,168 outstanding Class I Shares. The bid expired on February 29, 2016. On March 1, 2016, ATCO commenced a new normal course issuer bid to purchase up to 3,043,884 outstanding Class I Shares. The bid expired on February 28, 2017.

During the year ended December 31, 2016, 460,000 shares were purchased for $18 million.

All purchases were made by means of open market transactions through the facilities of the TSX. A copy of the notices filed with the TSX may be obtained by any share owner without charge by contacting the Corporate Secretary at the head office of the Company.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

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

CREDIT RATINGS

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

In July 2016, Standard & Poor's Rating Services (S&P) affirmed its "A" with a negative outlook corporate credit rating on ATCO Ltd. and its subsidiaries Canadian Utilities Limited and CU Inc. In August 2016, DBRS Limited (DBRS) affirmed its rating on the Company as "A" (low) with a stable trend.

In October 2016, S&P affirmed its rating on ATCO Gas Australia's debt as "A-" with a negative outlook.

The following table shows the current credit ratings assigned to ATCO Ltd., the securities of Canadian Utilities Limited and CU Inc., and ATCO Gas Australia Limited Partnership’s long-term debt. Ratings are provided by DBRS and S&P.

	DBRS	S&P
ATCO Ltd.		
Issuer	A (low)	A
Canadian Utilities Limited		
Long-term debt and issuer	A	A
Commercial paper	R-1 (low)	A-1 (mid)
Preferred shares	Pfd-2 (high)	P-2 (high)
CU Inc.		
Long-term debt and issuer	A (high)	A
Commercial paper	R-1 (low)	A-1 (mid)
Preferred shares	Pfd-2 (high)	P-2 (high)
ATCO Gas Australia Limited Partnership (1)		
Long-term debt and issuer	N/A	A-

(1) ATCO Gas Australia Limited Partnership holds the long-term debt for ATCO Gas Australia Pty Ltd.

LONG-TERM DEBT AND ISSUER CREDIT RATINGS

An “A” rating by DBRS is the third highest of 10 categories. Long-term debt 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 debt 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” rating by S&P is also the third highest of 10 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.

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 further denoted by the subcategories “high”, “middle”, and “low”.

An “A-1 (Mid)” rating by S&P is the second highest of eight categories in its Canadian commercial paper ratings scale. A short-term obligation rated “A-1 (Mid)” reflects a strong capacity for the entity to meet its financial commitment on the obligation.

PREFERRED SHARE CREDIT RATINGS

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

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

CREDIT RATINGS GENERALLY

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

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

MARKET FOR SECURITIES OF THE COMPANY

The Company's Class I Shares and Class II Shares are listed on the Toronto Stock Exchange (TSX).

TRADING PRICE AND VOLUME

The following table sets forth the high and low prices and volume of the Company's shares, traded on the TSX under the symbols ACO.X for Class I shares and ACO.Y for Class II shares during 2016 as reported by the TSX:

			Class I Shares			Class II Shares
2016	***High ($)***	***Low ($)***	**Volume**	***High ($)***	***Low ($)***	**Volume**
January	38.93	33.14	3,170,942	38.58	33.80	15,336
February	39.96	35.46	3,067,566	39.98	35.63	24,016
March	39.75	35.91	3,184,796	39.50	36.60	12,291
April	41.55	38.26	2,229,765	41.25	38.40	7,269
May	43.42	40.64	3,823,881	43.00	40.80	8,722
June	45.62	42.94	3,917,958	45.50	42.51	27,518
July	49.23	45.45	2,935,496	49.00	45.68	16,692
August	49.65	47.52	2,881,354	49.25	48.03	5,506
September	49.29	45.63	5,125,028	49.00	46.20	12,390
October	48.00	45.31	3,962,760	47.75	45.65	8,244
November	47.30	42.01	4,235,713	47.20	42.27	12,851
December	45.09	42.05	3,553,902	44.78	42.37	12,387

DIRECTORS AND OFFICERS

DIRECTORS (1)

NANCY C. SOUTHERN

Calgary, Alberta, Canada
Director since 1989
Age 60

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

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

ROBERT T. BOOTH, Q.C. (2)

Calgary, Alberta, Canada
Director since 2008
Age 64

Mr. Booth is a partner in the law firm Bennett Jones LLP, based in Calgary, Alberta. He is a member of the Law Society of Alberta and the Canadian Bar Association. Mr. Booth is honorary counsel to the Royal Military Colleges of Canada Foundation, the Conference of Defence Associations and the CDA Institute.

Mr. Booth's legal practice covers many areas of the natural resources, energy, defence and security fields, including client representation in oil and gas exploration, production and marketing, major pipeline transportation and liquefied natural gas projects, uranium mining and production, power generation and transmission, and energy utility businesses.

Mr. Booth obtained a B.Eng. degree from the Royal Military College of Canada in 1974, and an LL.B. from Dalhousie University in 1977. In 2009, he obtained his ICD.D certification from the Director Education Program of the Institute of Corporate Directors.

DENIS M. ELLARD

Calgary, Alberta, Canada
Director since 2014
Age 70

Before his retirement in 2003, Mr. Ellard was Senior Vice President Business Development, ATCO. Over his 35 year career, Mr. Ellard held several senior positions within the organization, including Senior Vice President and General Manager, Northwestern Utilities Limited; Senior Vice President, Canadian Utilities Limited; and President, ATCO Singlepoint Ltd. His responsibilities included oversight of operations, management, and regulatory matters, as well as reviews of risk, general safety, and environmental issues. Mr. Ellard has served in various capacities on several community and industry boards, including the Alberta Economic Development Authority.

Mr. Ellard has a B.Sc. in Mechanical Engineering and an MBA with a major in Finance from the University of Alberta.

C. ANTHONY FOUNTAIN

Wadhurst, East Sussex, England
Director since 2015
Age 56

Mr. Fountain is Chairman of Sellafield Ltd., a U.K. company responsible for reprocessing spent nuclear fuel, storage and decommissioning with some 12,000 employees. Prior to this role, Mr. Fountain was Chief Executive Officer of Refining & Marketing at Reliance Industries Limited, which includes the largest and most complex refinery system in the world. Before joining Reliance, Mr. Fountain spent two years as Chief Executive Officer of the Nuclear Decommissioning Authority ("NDA"), owner of all the U.K.'s legacy civil nuclear assets. Mr. Fountain had a 25 year career with BP prior to the NDA with his last role as Group Vice President, COO, Fuels Value Chains (London). He brings extensive operational, strategic, risk, health and safety, and environmental experience to the Board.

Mr. Fountain graduated in Economics and International Studies from Warwick University and also holds an M.Phil. in Economics from Oxford University. Mr. Fountain has also attended several Executive Education Programs at Stanford, Harvard and Cambridge.

MICHAEL R.P. RAYFIELD (3)

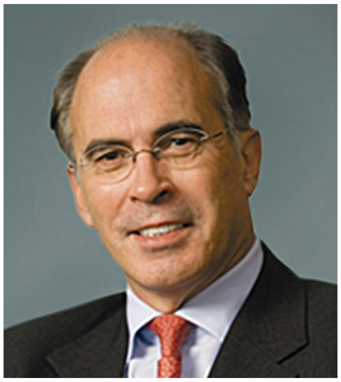
Toronto, Ontario, Canada
Director since 2009
Age 74

Mr. Rayfield was Vice Chair, Investment and Corporate Banking, BMO Capital Markets until 2013. He was responsible for senior corporate relationships in Canada, the U.S. and the U.K., and management of BMO's investment banking business in China and India. Mr. Rayfield was also on the Canadian Management Committee. He has extensive international banking experience in Latin America, Australia and Japan. Mr. Rayfield is also a director of ATCO Structures and Logistics Ltd.

Mr. Rayfield is a graduate of The Chartered Institute of Bankers in the U.K.; the Senior Manager's Program at Harvard Business School; and the Advanced Executive Program at J.L. Kellogg Graduate School, Northwestern University. He studied at Cambridge University and is a graduate of the Director Education Program at the Institute of Corporate Directors where he obtained extensive enterprise risk and financial strategy knowledge.

ROBERT J. ROUTS, PhD (2) (3)

Brunnen, Switzerland
Director since 2012
Age 70



Until his retirement in 2008, Dr. Routs was an Executive Board Member at Royal Dutch Shell plc. He was responsible for the global refining, chemical, marketing, trading and renewable businesses. During his career, he held various senior management positions in the U.S., Canada and The Netherlands, including Chairman of Shell Canada prior to the buyout of the public shareholding by Royal Dutch Shell plc. Dr. Routs is also a director of ATCO Australia Pty Ltd.

Dr. Routs has substantial experience in the refining and chemical industry with a strong focus on operational safety and sustainable operations to reduce the industry's impact on the environment.

Dr. Routs is an emeritus member of the International Advisory Council to the Economic Development Board of Singapore and received the Distinguished Citizen of Singapore medal.

Dr. Routs graduated in Chemical Engineering from the Technical University of Eindhoven in The Netherlands, where he also obtained a PhD in Technical Sciences. He completed the Program for Management Development at Harvard Business School in 1991.

LINDA A. SOUTHERN-HEATHCOTT

Calgary, Alberta, Canada
Director since 2012
Age 53

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 ATCO in November 2016 and of Canadian Utilities and CU Inc. on March 1, 2017. 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 and Logistics Ltd. and Sentgraf Enterprises Ltd.

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

ROGER J. URWIN, PhD, C.B.E. (2) (3)

London, England
Director since 2014
Age 70

Dr. Urwin is the Chair of ATCO Australia Pty Ltd. He has worked in gas, electric and telecom utilities throughout his career. He retired at the end of 2006 as Group Chief Executive of National Grid plc. He played a key role in establishing National Grid's international strategy and its successful expansion into the U.S., creating one of the largest investor-owned utility companies in the world. Dr. Urwin was the Managing Director and Chief Executive of London Electricity from 1990 to 1995. He was non-executive Chairman of Utilico Investments Limited until October 2015 and has been a special advisor to Global Infrastructure Partners, an international infrastructure investment fund. He was Chair of Alfred McAlpine plc from 2006 to 2008.

Dr. Urwin is a Commander of the Order of the British Empire.

Dr. Urwin has a Physics degree and a PhD from the University of Southampton, U.K.

SUSAN R. WERTH (2)

Calgary, Alberta, Canada
Director since 2014
Age 60

Ms. Werth retired as Senior Vice President & Chief Administration Officer, ATCO Ltd. and Canadian Utilities Limited in May 2014. In this role Ms. Werth was responsible for Human Resources, Corporate Secretarial, Marketing and Communications, Security, Real Estate, Aviation and Administration. She was Chair of ATCO’s Disclosure, Management Pension, Crisis Management, and Donations & Sponsorship Committees. She was Vice President, Administration, ATCO Group from 1995 to 2000. During her career, Ms. Werth has gained a wealth of experience and brings significant insight into all aspects of ATCO's business. Ms. Werth is also on the Board of ATCO Structures & Logistics Ltd. and Sentgraf Enterprises Ltd.

CHARLES W. WILSON (2) (3)

Boulder, Colorado, USA
Director since 2002
Age 77

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

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

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

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

OFFICERS (IN ALPHABETICAL ORDER)

Name, Province and Country of Residence	Position Held and Principal Occupation
C.J. Ackroyd Alberta, Canada	Vice President, Marketing & Communications ATCO Ltd. and Canadian Utilities Limited
B.R. Bale Alberta, Canada	Senior Vice President & Chief Financial Officer ATCO Ltd. and Canadian Utilities Limited
C.M.D. Field Alberta, Canada	Vice President, Human Resources ATCO Ltd. and Canadian Utilities Limited
C. Gear Alberta, Canada	Corporate Secretary ATCO Ltd. and Canadian Utilities Limited
E.M. Kiefer Alberta, Canada	Senior Vice President & Chief Administration Officer ATCO Ltd. and Canadian Utilities Limited
S.W. Kiefer Alberta, Canada	Chief Strategy Officer, ATCO Ltd. & Canadian Utilities Limited President, Canadian Utilities Limited
G.J. Lidgett Alberta, Canada	Managing Director, Pipelines & Liquids ATCO Ltd. and Canadian Utilities Limited
A.L. Maher Alberta, Canada	Vice President, Controller ATCO Ltd. and Canadian Utilities Limited
R.C. Neumann Alberta, Canada	Vice President, Internal Audit ATCO Ltd. and Canadian Utilities Limited
S.F. Policicchio Alberta, Canada	Manager Director, Shared Services ATCO Ltd. and Canadian Utilities Limited
A.M. Skiffington Alberta, Canada	Vice President & Chief Information Officer ATCO Ltd. and Canadian Utilities Limited
N.C. Southern Alberta, Canada	Chair, President & Chief Executive Officer, ATCO Ltd. and Chair & Chief Executive Officer, Canadian Utilities Limited
W.K. Stensby Alberta, Canada	Managing Director, Electricity ATCO Ltd. and Canadian Utilities Limited
P.C. Tait Alberta, Canada	Vice President, Real Estate Strategies ATCO Ltd. and Canadian Utilities Limited
D.J. Toole Alberta, Canada	Vice President, HR Services ATCO Ltd. and Canadian Utilities Limited
C.G. Warkentin Alberta, Canada	Vice President, Finance & Risk ATCO Ltd. and Canadian Utilities Limited

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 Mr. Tait and Ms. Toole. Mr. Tait has held several senior management and executive level roles specializing in national and international corporate real estate, including his most recent position as Global Director of Real Estate and Construction at Magna International (a Canadian automotive supplier). Ms. Toole has held several senior executive roles, serving as Vice President, Human Resources at Brookfield Residential (a land development and home building company) and prior to that, as Vice President, Human Resources at TransAlta (a power generation and energy trading company).

DIRECTORS' AND OFFICERS' INTEREST IN THE COMPANY

At December 31, 2016, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), 11,512,435 (85.7 per cent) of the issued and outstanding Class II Shares of the Company. In addition, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), 68,609,677 (92.3 per cent) of the issued and outstanding Class B common shares of Canadian Utilities Limited.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Since January 1, 2016, there has been no indebtedness outstanding to the Company from any of its directors, executive officers, senior officers or associates of any such directors, nominees or senior officers.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On March 1, 2017, there were 13,417,705 Class II 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 II Shares is the Margaret E. Southern Spousal Trust (the "Spousal Trust"). Ms. Nancy Southern, Ms. Linda Southern-Heathcott and Mrs. Margaret E. Southern are trustees of the Spousal Trust. All actions regarding the Class II Shares owned by the Spousal Trust require the approval of a majority of the trustees.

The Spousal Trust owns 4,000 Class II Shares. The Spousal Trust is also the controlling share owner of Sentgraf Enterprises Ltd. ("Sentgraf"), which owns 11,447,520 Class II Shares. These combined shareholdings represent 85.3 per cent of the outstanding Class II Shares. (The Spousal Trust and Sentgraf are collectively referred to as the "Majority Share Owner".)

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

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES OR SANCTIONS

Corporate Cease Trade Orders

Except as otherwise disclosed herein, no director, executive officer or controlling security holder of the Company is, as at the date of this AIF, or has been, within the past ten 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 or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or

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

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

Personal Bankruptcies

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

Penalties or Sanctions

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

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

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

CONFLICTS OF INTEREST

Circumstances may arise where members of the Board serve as directors or officers of corporations which are in competition to the interests of the Company. No assurances can be given that opportunities identified by any such member of the Board will be provided to the Company. However, the Company's policies 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 I Shares and Class II Shares is CST Trust Company 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 our audited consolidated financial statements for the year ended December 31, 2016.

MATERIAL CONTRACTS

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

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has prepared the auditor's report for the Company's annual 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 Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities. 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 I and Class II Shares is presented in the Company's MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the 2016 Annual Financial Statements.

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

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 May 10, 2017. Additional financial information is provided in the Company's audited consolidated financial statements and the Company's MD&A for the financial year ended December 31, 2016.

Information relating to Canadian Utilities or CU Inc. may be obtained on request from Investor Relations at 1500, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6, or by telephone (403) 292-7500 or fax (403) 292-7532. Corporate information is also available on the Company's website: www.ATCO.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 ATCO Electric Distribution, ATCO Electric Transmission, ATCO Gas and ATCO Pipelines.

Ancillary Services means those services purchased by the AESO from Alberta generating stations to ensure that electricity can be transmitted reliably, efficiently, and securely across Alberta's interconnected transmission system.

APL means Alberta PowerLine.

ATCO means ATCO Ltd.

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 means ATCO Ltd. and its subsidiaries.

ATCO I-Tek means ATCO I-Tek Inc.

ATCO Pipelines means the natural gas transmission division of AGP.

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

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

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

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

AUC means the Alberta Utilities Commission.

Canadian Utilities means Canadian Utilities Limited.

Class I Shares means Class I Non-Voting Shares of the Company.

Class II Shares means Class II Voting Shares of the Company.

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

ERA means the Economic Regulatory Authority (Western Australia).

EUA means the Electric Utilities Act (Alberta).

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

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

GAAP means Canadian generally accepted accounting principles.

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.

Km means kilometre.

LNG means liquefied natural gas.

MD&A means the Company's Management's Discussion and Analysis for the year ended December 31, 2016.

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

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

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

NEB means National Energy Board.

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.

NGTL means NOVA Gas Transmission Ltd.

NUY means Northland Utilities (Yellowknife) Limited.

NWT means Northland Utilities (NWT) Limited.

PBR means Performance Based Regulation.

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

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

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

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

ROE means Return on Equity.

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

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

TPL means Thames Power Limited.

U.K. means United Kingdom.

U.S. means United States of America.

APPENDIX 1

DETAILS OF GENERATING PLANTS

ATCO POWER GENERATING PLANTS

Name & Location	Type	Date In Service	MW[(1)]	Ownership (%)	Capacity Share (MW)	Contracted Capacity (MW)	Partner(s)[(2)]	Customer(s)[(2)]	Contract Expiry Date
Battle River 3, 4 Forestburg, AB	Coal-Fired Thermal	1969 & 1975	304	100	304		–	Merchant	–
Battle River 5 Forestburg, AB	Coal-Fired Thermal	1981	385	100	385	368	–	ENMAX	2020
Sheerness 1, 2 Hanna, AB	Coal-Fired Thermal	1986 & 1990	780	50	390	378	TransAlta	Balancing Pool	2020
Cory Saskatoon, SK	Gas-Fired Cogeneration	2003	260	50	130	130	SPI	SPC	2028
Joffre Red Deer, AB	Gas-Fired Cogeneration	2000	480	40	192	46	Capital Power / NOVA	NOVA/ Merchant	2020
McMahon Taylor, BC	Gas-Fired Cogeneration	1993	120	50	60	60	Spectra Energy	BC Hydro	2029
Muskeg River Ft. McMurray, AB	Gas-Fired Cogeneration	2003	170	70	119	119	SPI	AOSP/ Merchant	2042
Primrose Primrose, AB	Gas-Fired Cogeneration	1998	85	50	42	21	CNRL	CNRL/ Merchant	2018
Rainbow Lake 4, 5 Rainbow Lake, AB	Gas-Fired Cogeneration	1999	90	50	45	–	Husky Energy	Husky Energy/ Merchant	2020
Scotford Ft. Saskatchewan AB	Gas-Fired Cogeneration	2003	170	100	170	140	–	AOSP/ Merchant	2043
Brighton Beach Windsor, ON	Gas-Fired Combined-Cycle	2004	580	50	290	290	OPG	Shell Energy	2024
Poplar Hill Grande Prairie, AB	Gas-Fired Open-Cycle	1998	45	100	45	–	–	Merchant / TMR [(3)] contract	2020
Valleyview 1, 2 Valleyview, AB	Gas-Fired Open-Cycle	2001 & 2008	90	100	90	–	–	Merchant	–
Oldman River Pincher Creek, AB	Hydroelectric	2003	32	75	24	–	Piikani Nation	Merchant	–
Distributed Generation House Mountain, AB	Gas-Fired	2016	6	100	6	6	–	Apache Canada Ltd.	2026
Distributed Generation Karr, AB	Gas-Fired	2016	3	100	3	3	–	Various	2026
Distributed Generation Mexico	Gas-Fired	2016	4	50	2	2	Grupo Ranman	Various	2026
Total (A)			**3,604**		**2,297**	**1,563**			

ATCO POWER AUSTRALIA GENERATING PLANTS

Name & Location	Type	Date In Service	MW (1)	Ownership (%)	Capacity Share (MW)	Contracted Capacity (MW)	Partner(s) (2)	Customer(s) (2)	Contract Expiry Date
Osborne South Australia	Gas-Fired Combined-Cycle	1998	180	50	90	90	Origin Energy	Origin Electricity	2018
Karratha Western Australia	Gas-Fired Open-Cycle	2010	86	100	86	86	–	Horizon Power	2030
Total (B)			**266**		**176**	**176**			
Total (A + B)			**3,870**		**2,473**	**1,739**			

(1) Name plate capacity.

(2) Full names of customers and partners:

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

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

APPENDIX 2

AUDIT & RISK COMMITTEE INFORMATION

AUDIT & RISK COMMITTEE MANDATE

PURPOSE

The Audit & Risk Committee (the "Committee") of ATCO Ltd. is responsible for contributing to the effective stewardship of the Company by assisting the Board of Directors of the Company (“Board”) in fulfilling its oversight of:

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

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 Company’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 Company 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 Company and its subsidiary entities with the officers, employees and internal and external auditors of the Company and its subsidiary entities. All employees are directed to cooperate with the Committee’s requests;
- meet with the Company's officers, external auditors or outside counsel, as necessary;
- delegate authority, to the extent permitted by applicable legislation and regulation, to one or more designated members of the Committee, including the authority to pre-approve all auditing and permitted non-audit services provided by the Company’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 Company;
- independent (within the meaning of sections 1.4 and 1.5 of National Instrument 52-110);
- financially literate (within the meaning of section 1.6 of National Instrument 52-110).

In order to be considered to be independent for the purposes of membership on the Committee, a director must have been determined by the Board to have no direct or indirect material relationship with the Company 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 Company 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 Company'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 Company'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 Company.
- Review analysis 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 analysis 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 Company's annual and interim financial statements, MD&A and earnings press releases and the AIF before the Company 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 Company publicly discloses this information.
- Recommend to the Board the approval of the Company's annual financial statements, AIF and annual MD&A.
- Be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and periodically assess the adequacy of these procedures. This would include an annual review of the Company's Disclosure Policy.
- Be satisfied that the Company 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 Company; 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 Company, 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 Company or its subsidiaries by the external auditor of the Company ("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 policies and procedures for the engagement of Non-audit Services (refer to Policy B-12, External Audit Services - ATCO) 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 Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

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.

Risk Management

- Understand the principal risks of the Company; review and consider with management the Company's risk taking philosophy; review and discuss with management the Company'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 Company'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 and approve risk policies and frameworks recommended by management.
- Review the Company's insurance programs for adequacy annually.

Other

- Ensure that the Company has appropriate procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.
- Provide a means for confidential and anonymous submission by employees of the Company 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, Risk Management Committee, 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 Company 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 Company shall report directly to the Committee. The Committee is expected to maintain free and open communication with the Company'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 Company's Audit & Risk Committee, all of whom are independent and financially literate:

- M.R.P. Rayfield - Mr. Rayfield was Vice Chair, Investment and Corporate Banking, BMO Capital Markets until 2013. He is a graduate of The Chartered Institute of Bankers in the U.K. and has held a series of executive roles in the banking sector during his career. He is also a graduate from the Director Education Program at the Institute of Corporate Directors where he obtained extensive enterprise risk and financial literacy knowledge.
- R.J. Routs - From 2004 until his retirement in 2008, Dr. Routs was an Executive Board Member at Royal Dutch Shell plc. Before that, he held various senior management positions at Royal Dutch Shell in the U.S., Canada and The Netherlands. Additionally, Dr. Routs has been a member of the Audit and Pension Committees for several public companies. Dr. Routs has substantial experience in the refining and chemical industry with a strong focus on operational safety and sustainable operations to reduce the industry's impact on the environment.
- R.J. Urwin (Chair) - Dr. Urwin has been the Chief Executive Officer of major public companies since 1990. He was the Group Chief Executive of National Grid plc from 2001 until his retirement in 2006, and was responsible for compliance with the U.S. Sarbanes-Oxley requirements. Dr. Urwin has been a member of the Audit Committees of a number of U.K. public companies and recently retired as a director of Utilico Investments Limited, where he was on the Audit Committee.
- C.W. Wilson **-** Mr. Wilson was President and Chief Executive Officer of Shell Canada from 1993 to 1999, through which he directly supervised a CFO for seven years, 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. Refining and Marketing of Shell Oil Company and held various positions in the domestic and international natural resource operations of Shell. Through his industry experience, Mr. Wilson has developed extensive risk management knowledge and financial expertise. 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.

PRE-APPROVAL POLICIES AND PROCEDURES

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

The engagement of the external auditor for a range of services defined in the policy has been pre-approved by the Audit 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 Committee has delegated the authority to grant such pre-approval to the Chairman of the Audit Committee.

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

EXTERNAL AUDITOR SERVICE FEES

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

($ Millions)	**2016**	**2015**
Audit Fees (1)	**3.6**	3.5
Tax fees (2)	**0.2**	0.3
Total	**3.8**	3.8

(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) 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.