ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2013

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key financial events that influenced the operations of ATCO Ltd. (the Company) during the past year.

The MD&A should be read with the Company's audited consolidated financial statements for the year ended December 31, 2013 (2013 Annual Financial Statements). This MD&A was prepared as of February 19, 2014. Additional information, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

The Company includes controlling positions in Canadian Utilities Limited (53.1% ownership) and in ATCO Structures & Logistics (75.5% ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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COMPANY OVERVIEW

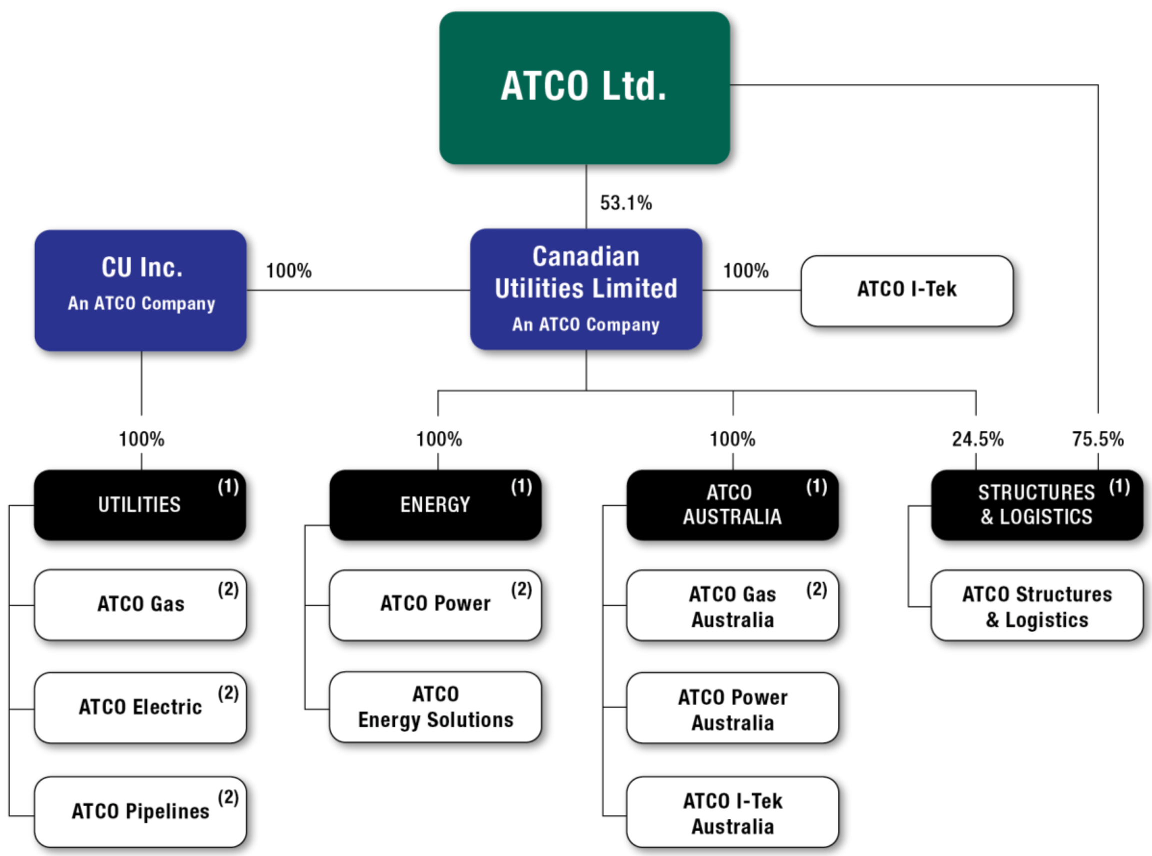
Alberta-based ATCO Ltd., with more than 9,800 employees and assets of approximately $16 billion, delivers service excellence and innovative business solutions worldwide with leading companies engaged in Structures & Logistics (manufacturing, logistics and noise abatement), Utilities (pipelines, natural gas and electricity transmission and distribution), Energy (power generation, natural gas gathering, processing, storage and liquids extraction), and Technologies (business systems solutions).

The consolidated financial statements include the accounts of ATCO Ltd., including a proportionate share of joint venture investments. Principal subsidiaries are Canadian Utilities Limited (Canadian Utilities), of which ATCO Ltd. owns 53.1% (39.0% of the Class A non-voting shares and 88.1% of the Class B common shares), and ATCO Structures & Logistics Ltd., of which ATCO Ltd. owns 75.5% of the Class A non-voting shares and Class B common shares.

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

Financial data for 2012 has been restated for changes resulting from the adoption of IFRS 11 Joint Arrangements and amendments to IAS 19 Employee Benefits. The effects of these changes on the Company's consolidated results are summarized in Appendix 1. Financial data for 2011 has not been restated.

SIMPLIFIED ORGANIZATIONAL STRUCTURE



(1) *Descriptions of segment business activities are provided in the Segmented Information section of the MD&A.*

(2) *Regulated operations include ATCO Gas, ATCO Electric, ATCO Pipelines, ATCO Gas Australia and the Battle River and Sheerness generating plants of ATCO Power.*

PERFORMANCE OVERVIEW

This performance overview was prepared to allow readers to review key events that occurred during 2013. These highlights are discussed in more detail throughout this MD&A.

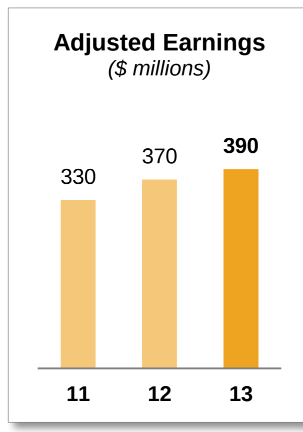
($ millions, except per share data and outstanding shares)		**Year Ended December 31**	
	2013	**2012**	**2011**
Key Financial Metrics			
Adjusted earnings	**390**	370	330
Earnings attributable to Class I and Class II Shares	**418**	370	327
Revenues	**4,359**	4,012	3,991
Total assets	**16,010**	14,055	12,453
Long-term debt	**6,395**	5,538	4,767
Class I and Class II Share owners' equity	**2,860**	2,370	2,163
Cash dividends declared per Class I and Class II Share *($)*	**0.75**	0.66	0.57
Funds generated by operations	**1,869**	1,636	1,514
Cash flow from operations	**1,939**	1,532	1,483
Capital expenditures (including capitalized interest)	**2,518**	2,487	1,528
Other Financial Metrics *(restated for two-for-one stock split)*			
Earnings per Class I and Class II Share *($):*			
Basic	**3.64**	3.21	2.83
Diluted	**3.62**	3.20	2.82
Class I and Class II Shares outstanding, year end *(thousands)*	**115,124**	115,017	115,459
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**114,801**	115,023	115,557
Diluted	**115,503**	115,596	115,855

An overview of the key financial metrics is provided below.

ADJUSTED EARNINGS

The Company achieved record adjusted earnings of $390 million in 2013, an increase of $20 million, or 5%, over the previous high of $370 million recorded in 2012. The growth in adjusted earnings was the result of two main drivers:

- First, the Company's Utilities segment continued to make significant investment in utility infrastructure in Alberta, particularly in electricity transmission facilities. Capital expenditures in the Utilities of $2.2 billion in 2013 were marginally higher than the $2.1 billion spent in 2012. Over the last three years, capital expenditures in the Utilities totaled $5.6 billion. This investment is translating into significant growth in the Utilities' adjusted earnings. Adjusted earnings of $179 million were $31 million, or 21%, higher than the $148 million achieved in 2012.
- Growth was also driven by the Company's power generation business in Canada, mainly as a result of higher realized power prices and plant availability in ATCO Power compared to the prior year. Adjusted earnings for the Energy segment were $80 million in 2013, $8 million, or 11%, more than 2012.



2013 adjusted earnings up 21% in Utilities and 11% in Energy

Earnings performance for the Company's other segments is discussed in the Segmented Information section.

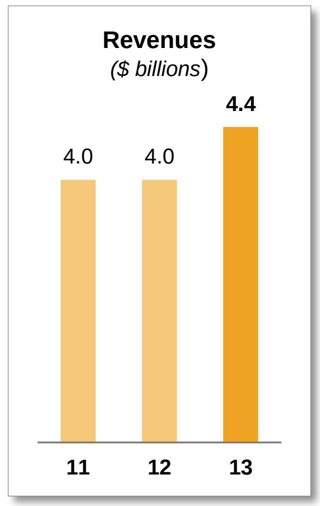
EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares in 2013 were $418 million, an increase of $48 million, or 13%, compared to 2012. This increase was $28 million higher than the growth in adjusted earnings.

Included in earnings attributable to Class I and Class II Shares are a number of gains and losses on asset sales and impairments of property, plant and equipment in 2013 that were not included in adjusted earnings. These items, described below, contributed a net $29 million of additional earnings.

- In September 2013, ATCO Structures & Logistics sold its 50% interest in Tecno Fast ATCO S.A. to its joint venture partner for cash proceeds of $124 million. This business, headquartered in Santiago, was active in Chile, Peru, Brazil and Colombia. The sale resulted in a gain of $88 million; the Company recognized earnings of $56 million after income taxes and non-controlling interests.
- During November 2013, ATCO Structures & Logistics sold its non-core U.K. assets for a marginal loss of $2 million.
- As a result of the Company's ongoing review of economic conditions and prospects, it recorded impairments on certain power generation assets in the U.K. and Australia and certain natural gas gathering, processing and liquids extraction assets in western Canada. In total, these impairments reduced earnings by $25 million.

REVENUES



Revenues in 2013 increased by $347 million, or 9%, over 2012. The main reasons for this increase were growth in the Utilities segment, higher realized power prices in power generation, and increased flow-through revenues in the Company's power generation and natural gas extraction operations. Flow-through revenues are operating costs passed on to customers by the Company.

Revenues in the Alberta-based Utilities segment rose by $196 million, or 11%, in 2013; revenues in the Energy segment grew by $135 million, or 15%, in the same period.

ASSETS, DEBT AND EQUITY

The Company's total assets, long-term debt and Class I and Class II Share owners' equity reflect the significant growth during 2013 and how that growth was financed.

Total assets grew from $14 billion at the beginning of 2013 to $16 billion at year end. That growth occurred mainly in the Utilities segment because of significant capital investment.

To finance this asset expansion, the Company added long-term debt of $900 million in 2013. The Company capitalized on the current low interest rate environment and the capital markets' acceptance of the Company's public debt offerings by issuing $600 million of 30-year debt, $225 million of 40-year debt and $75 million of 50-year debt, at attractive interest rates ranging from 4.558% to 4.855%.

ATCO Gas Australia also re-financed $450 million of Australian dollar facility in the fourth quarter of 2013. This re-financing extended the maturity period from 2014 to 2018 and reduced future interest expense through enhanced terms and conditions.

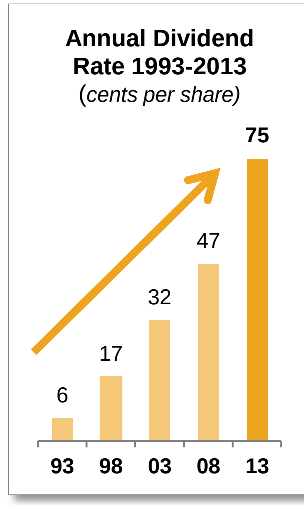
The Company maintained strong investment grade credit ratings, which allow access to capital markets at competitive rates. In 2013, Standard and Poor's Ratings Services and DBRS Limited re-affirmed their ratings of the Company as "A" with a stable outlook and "A" (low) with a stable trend, respectively. In addition, Standard and Poor's upgraded its rating from "BBB" (Positive) to "A-" (Stable) for ATCO Gas Australia.

Class I and Class II Share owners' equity rose mainly as a result of strong earnings in 2013, offset in part by higher dividends paid to share owners. In addition, during the first half of 2013, Canadian Utilities Limited issued $400 million of equity preferred shares with a preferred dividend rate of 4.50% to finance capital expenditures.

DIVIDENDS

The Board of Directors increased the quarterly dividends paid per Class I and Class II Share for the four quarters of 2013 from 16.375 cents per share to 18.75 cents per share, an increase of 15% over 2012. The Company has increased its common share dividends each year since 1993.

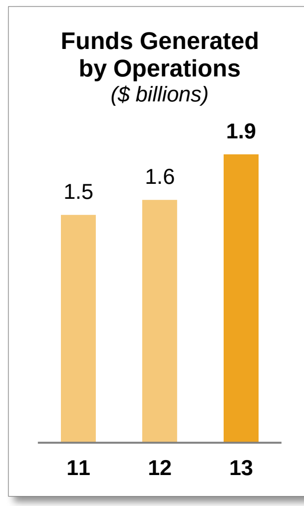
On January 9, 2014, the Board of Directors declared a first-quarter dividend of 21.5 cents per share. That amount represents a 15% increase over the quarterly dividends per share paid in 2013.



FUNDS GENERATED BY OPERATIONS AND CASH FLOW FROM OPERATIONS

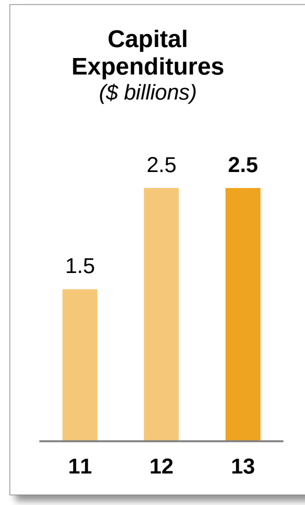
Funds generated by operations increased by $233 million, or 14%, in 2013 mainly as a result of higher earnings and increased contributions received from customers for utility capital expenditures. This measure is considered a significant indicator of the Company's ability to generate cash to fund its capital expenditures, pay future dividends and repay principal and interest on debt. Funds generated by operations are cash flow from operations excluding changes in non-cash working capital.

Cash flow from operations was $407 million higher in 2013 as a result of the $233 million increase in funds generated by operations and a further $174 million increase due to the timing of cash receipts from customers.



CAPITAL EXPENDITURES

Total capital expenditures of approximately $2.5 billion in 2013 were consistent with the high levels reported in the prior year. The Utilities spent $2.2 billion in 2013 compared to $2.1 billion in 2012. ATCO Structures & Logistics' expenditures decreased to $116 million from $199 million mainly because of reduced fleet additions; 2012 also included land purchases in Australia. The remaining $224 million of capital expenditures were spread across the Company's other business segments.



The majority of the Utilities' expenditure was in the transmission operations of ATCO Electric and was predominantly for Alberta Electric System Operator (AESO) direct-assigned projects. The Hanna Regional Transmission Development project was completed in July 2013 at a total cost of $650 million, approximately $196 million of which was incurred in 2013. The project was completed on time and $60 million under budget. Construction continues on the Eastern Alberta Transmission Line. The total cost of the project is $1.8 billion, of which $938 million had been spent to the end of 2013. The project is scheduled for completion at the end of 2014. Several other large transmission infrastructure projects are either underway or in the planning stages.

$5.5 billion in planned Utility capital expenditures 2014-2016

A further $5.5 billion of capital expenditures is planned in the Utilities in the three-year period from 2014 to 2016. ATCO Electric alone is planning to spend $4 billion. Of this amount, $2.3 billion is related to projects directly assigned from the AESO to meet the needs it has identified to reinforce and expand Alberta's electricity transmission system to meet future demand.

CAPITAL REDEPLOYMENT

The Company has a portfolio of diverse businesses. It continuously reviews its holdings to evaluate opportunities to monetize non-core assets. The viability of such opportunities depends on the outlook of each business as well as general market conditions. Previous examples of this strategy that has realized significant value for share owners include the sale by ATCO Gas of the Viking-Kinsella natural gas producing property in 2002, the transfer by ATCO Electric and ATCO Gas of their retail energy supply businesses to Direct Energy in 2004, and the disposition by ATCO Energy Solutions of several natural gas processing plants beginning in 2011. This ongoing focus supports the optimal allocation of capital across the ATCO Group.

The sale of the ATCO Structures & Logistics' South American operations in 2013 is the most recent example of this capital redeployment strategy. The Company took the opportunity to monetize this asset at a time when activity in South America, particularly for the mining sector in Chile and Peru, began to slow. In 2013, the Company redeployed that capital by re-investing in Canadian Utilities' Dividend Reinvestment Plan (DRIP). This dividend re-investment further supports funding of the significant capital growth program underway in the Utilities.

SIGNIFICANT DEVELOPMENTS IN 2013

Contract awarded to ATCO Structures & Logistics for 1,200 person workforce housing facility in Peace River, Alberta, in fourth quarter 2013

ATCO STRUCTURES & LOGISTICS

In October 2013, the Company was awarded a 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. Manufacturing work started in the fourth quarter of 2013, with completion scheduled for the second quarter of 2015.

During the second quarter of 2013, the Company was awarded a contract to design, manufacture, transport and install 357 blast resistant modular units for the Chevron-operated Wheatstone project in Western Australia. These units are being manufactured at the Company's manufacturing facilities in Brisbane and Perth. The facility in Perth is the newest addition to the Company's manufacturing operations in Australia, completed during the third quarter of 2013.

In the third quarter, the Company commenced construction of the remaining 2,086 rooms of BHP Billiton's Jansen Potash Project in Saskatchewan. This workforce housing lodge is expected to be completed during the second quarter of 2015.

REGULATORY DEVELOPMENTS IN THE UTILITIES

Effective January 1, 2013, ATCO Gas and the distribution operations of ATCO Electric moved to a form of rate regulation referred to as Performance Based Regulation (PBR). As with the cost-of-service regulatory model, this form of regulation should continue to allow these Utilities a reasonable opportunity to recover prudently incurred operating costs of providing regulated services and earn a fair return on investment.

A number of Utility regulatory decisions were released by the Alberta Utilities Commission (AUC) since the third quarter MD&A dated October 29, 2013.

- ATCO Pipelines received a decision in January 2014 approving its Urban Pipeline Replacement (UPR) application. The AUC determined that the program presented by ATCO Pipelines was the best alternative to address the need to replace and relocate its aging, high-pressure natural gas pipelines in densely populated areas of Calgary and Edmonton into the Transportation Utility Corridors that surround both cities. The project addresses safety, reliability and future growth. The total cost of the UPR project, which includes the cost to integrate the new high-pressure network with ATCO Gas' low-pressure distribution system, is approximately $700 million. The Company plans to complete the construction of the UPR project over the next five years.
- The AUC approved interim rates in April 2013 for the Company's 2013 Capital Tracker applications. This decision approved the recovery of 60% of the incremental Capital Tracker related funding (K Factor) applied for by the Company. In December 2013, the AUC approved the continuing use of interim rates based on 60% of the estimated funding requirements for 2013 and 2014. This December decision also provided the Company with a better understanding of the assessment process the AUC intends to use in determining Capital Tracker funding. As a result, ATCO Gas and ATCO Electric will be re-filing their 2013 Capital Tracker Applications, as well as their 2014 and 2015 Capital Tracker Applications, by no later than May 2014 based on this clarified assessment process. A final decision is expected later in 2014.

ATCO ENERGY SOLUTIONS

The Company continues to explore development opportunities in Alberta's Industrial Heartland near Fort Saskatchewan, and expand its offering in the industrial water segment. During 2013, ATCO Energy Solutions announced it was awarded two industrial water contracts.

- In April 2013, an agreement was reached with North West Redwater Partnership (NWRP) to provide essential industrial water infrastructure services, through its Alberta Industrial Heartland Water System to NWRP's Sturgeon Refinery near Redwater, Alberta.
- During December 2013, the Company announced an agreement with Air Products Canada Ltd. to provide industrial water infrastructure services to Air Products' new hydrogen facility to be constructed in Strathcona County.

OTHER SIGNIFICANT DEVELOPMENTS

- The Company completed a two-for-one share split of the outstanding Class I Shares and Class II Shares by way of a share dividend on June 14, 2013. The Company undertook the share splits to make the Class I Shares and Class II Shares more readily accessible to individual share owners, increase and broaden its share owner base, and improve the liquidity of the market for the shares. The share splits did not change a share owner's proportionate ownership in the Company. Share and per share amounts have been restated to reflect the two-for-one share split throughout this MD&A.
- In April 2013, Direct Energy advised the Company that it intends to transition the billing and call centre services provided by ATCO I-Tek to a new service provider following the expiration of their contract on December 31, 2014.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended March 31, 2012, through December 31, 2013. Per share amounts have been restated to reflect the two-for-one share split that occurred in the second quarter of 2013.

($ millions except for per share data)	Q1	Q2	Q3	Q4
2013				
Revenues	**1,099**	**1,081**	**1,015**	**1,164**
Earnings attributable to Class I and Class II Shares	**117**	**98**	**132**	**71**
Earnings per Class I and Class II Share *($)*	**1.02**	**0.85**	**1.16**	**0.61**
Diluted earnings per Class I and Class II Share *($)*	**1.01**	**0.85**	**1.15**	**0.61**
Adjusted earnings				
Structures & Logistics	**26**	**21**	**27**	**22**
Utilities	**67**	**30**	**32**	**50**
Energy	**15**	**30**	**20**	**15**
ATCO Australia	**5**	**5**	**5**	**9**
Corporate & Other	**7**	**3**	**-**	**1**
Total adjusted earnings	**120**	**89**	**84**	**97**
2012				
Revenues	1,041	910	981	1,080
Earnings attributable to Class I and Class II Shares	119	72	81	98
Earnings per Class I and Class II Share *($)*	1.03	0.63	0.71	0.84
Diluted earnings per Class I and Class II Share *($)*	1.02	0.63	0.71	0.84
Adjusted earnings				
Structures & Logistics	26	25	27	36
Utilities	57	27	16	48
Energy	24	5	26	17
ATCO Australia	3	10	6	4
Corporate & Other	5	7	4	(3)
Total adjusted earnings	115	74	79	102

The financial results for the previous eight quarters have been significantly influenced by continued organic growth in the Company's utility operations and fluctuating commodity prices in the power generation and natural gas gathering, processing, storage and liquids extraction operations. In addition, interim results will vary due to the seasonal nature of demand for electricity and natural gas, the timing of utility regulatory decisions and the cyclical demand for workforce housing and space rental products and services.

In the third quarter of 2013, ATCO Structures & Logistics sold its South American operations for a large gain, which resulted in earnings attributable to Class I and Class II Shares being higher than adjusted earnings. This gain arose as a result of the Company's ongoing strategy to monetize non-core assets. In the fourth quarter of 2013, the Company recognized impairments of certain power generation assets in the U.K. and Australia and certain natural gas gathering, processing and liquids extraction assets in Canada. The Company also sold its non-core U.K. space rental assets for a marginal loss. These items were excluded from adjusted earnings, but are still reflected in the Company's quarterly earnings attributable to Class I and Class II Shares.

The previous eight quarters have seen a general increase in revenues, earnings attributable to Class I and Class II Shares and adjusted earnings primarily due to growth in the Utilities capital investment. This growth is most evident in ATCO Electric's transmission operations, where significant capital has been added because of the expansion and reinforcement of the transmission network in several regions of Alberta. These expenditures drive growth in earnings, on which the Utilities earn a regulated return on investment.

The power generation business has realized higher power pool prices and spark spreads in the first three quarters of 2013 compared to 2012. The final quarter of 2013 saw a reduction in power pool prices and spark spreads, which resulted in lower revenues and earnings. Natural gas storage differentials were lower in 2013 than 2012, but that reduction has been offset by stronger frac spreads and higher volumes of natural gas liquids extracted in the Company's plants.

Revenues and earnings in the Structures & Logistics segment were relatively flat over the eight quarters. The strong contributions in 2012 from three large LNG projects in Australia that were completed by the end of the first quarter of 2013 were offset by higher project activity and used fleet sales in North America during 2013. The fourth quarter of 2013 no longer had earnings from South America because of the sale of those operations in September 2013.

For ATCO Australia, its utility operation has continued to invest in utility infrastructure on which it earns a return. Revenues and earnings also reflect the favorable appeal decision received by ATCO Gas Australia. The adjusted earnings recorded upon receipt of the decision in the second quarter of 2012 included amounts for 2010 and 2011. Weather, which can significantly affect the financial results of the gas distribution business, was considerably warmer than normal over all eight quarters.

SEGMENTED INFORMATION

Structures & Logistics

ATCO Structures & Logistics has five divisions: Modular Structures, Logistics and Facility O&M Services, Lodging & Support Services, Emissions Management and Sustainable Communities.

REVENUES	Revenues in ATCO Structures & Logistics were $1 billion for the year and $262 million for the fourth quarter of 2013, which were comparable to the same periods in 2012.

ADJUSTED EARNINGS	Adjusted earnings for ATCO Structures & Logistics are shown in the table below.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	2013	2012	Change	2013	2012	Change
Modular Structures [(1)]	**25**	32	(7)	**98**	105	(7)
Logistics and Facility O&M Services	**5**	6	(1)	**18**	19	(1)
Lodging & Support Services	**(1)**	3	(4)	**12**	18	(6)
Other [(2)]	**(7)**	(5)	(2)	**(32)**	(28)	(4)
Total ATCO Structures & Logistics	**22**	36	(14)	**96**	114	(18)

(1) *Includes adjusted earnings from Tecno Fast ATCO S.A. prior to the sale in September 2013.*

(2) *Other includes Emissions Management, Sustainable Communities and ATCO Structures & Logistics' corporate office.*

ATCO Structures & Logistics had a record earnings year in 2012 as a result of significant project activity in the Modular Structures division with completion of three large LNG projects in Australia in late 2012 and early 2013. Adjusted earnings for 2013, reflecting the cyclical nature of the business, were $96 million, which was $18 million lower than 2012. Adjusted earnings in the fourth quarter of 2013 were $22 million, which was $14 million lower than 2012.

Demand for Modular Structures' products and services is directly related to the capital spending cycles of various natural resource sectors. Natural resource sector business activity in Australia and South America, particularly in the mining sector, slowed in 2013. Reduced Modular Structures project activity in Australia and forgone earnings from the sale of the Company's Modular Structures operations in South America, along with lower occupancy levels at its lodges in the Lodging & Support Services division were the main factors contributing to lower adjusted earnings in the fourth quarter of 2013. These lower earnings were partially offset by strong project activity in the North American Modular Structures division.

With respect to the two smaller divisions, Emissions Management contributed positive earnings. This division designs, supplies and constructs noise abatement products for industrial facilities and gas turbine auxiliary products. Sustainable Communities, which began operations in 2012, incurred a small loss for the year. This division provides pre-fabricated building solutions to Aboriginal and remote communities. In addition, ATCO Structures & Logistics' corporate office incurred higher business development costs in 2013.

More detailed information about the business activities and financial results of the three largest divisions is provided in this segmented section.

MODULAR STRUCTURES

High Modular Structures activity levels in North America are expected to continue in 2014

Modular Structures manufactures, sells and leases transportable workforce housing and space rental products. Workforce Housing delivers modular workforce housing worldwide, including short-term and permanent modular camps, pre-fabricated and re-locatable modular buildings. Space Rentals sells and leases mobile office trailers in various sizes and floor plans to suit customers' needs.

Modular Structures' adjusted earnings for the fourth quarter and the year of 2013 were lower than the same periods of 2012 by $7 million and $7 million, respectively. Lower project activity in Australia reduced year-over-year earnings, with two of the three major LNG projects in Australia completed in the fourth quarter of 2012. However, work began in late 2013 on the new Wheatstone project in Australia. The sale of the Company's South American operations in September 2013 also reduced adjusted earnings in the fourth quarter of 2013.

These lower earnings were partially offset by strong earnings in its North American operations during 2013 from increased project activity, improved fleet sales, and higher workforce housing rental rates. With construction starting on the second phase of BHP Billiton's Jansen Potash Project and the new Shell Carmon Creek Project, high activity levels in North American Modular Structures operations are expected to continue on the strength of on-going and planned projects.

Major Project Updates

Shell Carmon Creek Project

In the fourth quarter of 2013, ATCO Structures & Logistics was awarded a 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. Modular units for this project are being manufactured at the Company's facilities in Calgary, Alberta, and in Pocatello, Idaho. In addition, relaxation and recreation areas and a 200-person open-plan office complex will be constructed as part of the facility. To service the site, the Company will build and maintain a 1,500-person wastewater treatment plant. The contract to manufacture and install is valued at approximately $170 million. Manufacturing work began in the fourth quarter of 2013 and completion is scheduled for the second quarter of 2015.

Wheatstone Project

In the third quarter of 2013, ATCO Structures & Logistics was awarded a $100 million Australian dollar contract to design, manufacture, transport and install 357 blast resistant modular units for the Wheatstone Project, one of the largest energy projects in Australia. This facility is expected to be completed by the end of the third quarter of 2014. The modular units will be built at ATCO Structures & Logistics' Australian manufacturing facilities in Brisbane and Perth. They will be used to form a variety of office complexes and free standing modular buildings including training centres, information technology buildings, guardhouses and medical centres.

Jansen Potash Project

The first 500-room phase of the 2,586-room workforce housing lodge at BHP Billiton's Jansen Potash Project, located 100 km north of Regina, Saskatchewan, was completed in the third quarter of 2013. ATCO was contracted to design, manufacture, install and operate this lodge. Construction of the remaining 2,086 rooms started in the third quarter 2013 and is expected to be completed in the second quarter of 2015. The contract to design, manufacture and install is valued at approximately $330 million. Over 1,000 modular units are being constructed at the Company's facilities in Calgary, Alberta and Pocatello, Idaho. The facility also features a 20,000 sq. ft. sports complex, a 200 seat movie theatre, dining area, lounge, library, convenience store, medical centre and full laundry service.

Asset Sales

In September 2013, ATCO Structures & Logistics sold its 50% ownership interest in Tecno Fast ATCO S.A. to its joint venture partner. This joint venture, headquartered in Santiago, Chile, supplied the developing South American mining and resource sectors with workforce housing accommodation. The Company monetized its interest in this asset for cash proceeds of $124 million and a two-year non-compete. The sale included all operational assets, including rental fleet, manufacturing facilities, and offices in Chile, Peru, Brazil and Colombia. The sale resulted in a gain of $88 million; the Company recognized earnings of $56 million after income taxes and non-controlling interests.

The Company sold its 50% interest in a South American joint venture for $124 million

In November 2013, ATCO Structures & Logistics sold its non-core rental assets in the U.K. The sale resulted in a marginal loss of $2 million.

Financial results from these operations were previously recorded in Modular Structures' adjusted earnings. The disposition gain and loss were not included adjusted earnings.

Rental Fleet Statistics

The following table compares ATCO Structures & Logistics' manufacturing hours and rental fleet for 2012 and 2013, restated for the divestiture of Tecno Fast ATCO S.A and the U.K. assets.

	Three Months Ended December 31			Year Ended December 31		
	2013	**2012**	**Change**	**2013**	**2012**	**Change**
North America						
Manufacturing hours *(thousands)*	**402**	265	52%	**1,154**	1,011	14%
Global Space Rentals						
Number of units	**12,959**	13,078	(1%)	**12,959**	13,078	(1%)
Utilization *(%)*	**76**	77	(1%)	**77**	81	(4%)
Average rental rate *($ per month)*	**610**	627	(3%)	**614**	610	1%
Global Workforce Housing						
Number of units	**3,047**	2,957	3%	**3,047**	2,957	3%
Utilization *(%)*	**78**	87	(9%)	**83**	86	(3%)
Average rental rate *($ per month)*	**2,399**	2,083	15%	**2,397**	2,024	18%

The increase in manufacturing hours on a quarter-over-quarter basis is due to higher activity related to the Jansen Potash Project and the Shell Carmon Creek Project in 2013. Utilization of the space rentals and workforce housing fleets in the fourth quarter and full year of 2013 decreased compared to the same periods in 2012 due to a slowdown in the Australian market as a result of lower mining investment activity. Rental rates for workforce housing remained high in 2013, particularly as a result of continued strong demand in the North American market.

LOGISTICS AND FACILITY O&M SERVICES

The Logistics and Facility O&M Services division delivers facilities operations and maintenance services, including end-to-end supply chain management, to clients in the resources, defense and telecommunications sectors. Earnings in this division are largely driven by major long-term contracts in the defense sector.

Logistics and Facility O&M Services' earnings were marginally lower in 2013. These reduced earnings were the result of the early termination of a customer contract in January 2013 in North America, but were partly offset by increased support services supplied to NATO (North Atlantic Treaty Organization) at the Kandahar Airfield in Afghanistan.

The principal active contracts in 2013 are shown below.

Contract	Customer	Start Date	Completion Date	Possible Extension [1]
Alaska Radar System [2]	U.S. Department of Defense	Oct 2004	Sep 2014	2017
North Warning System [2]	Departmental of National Defense	Sep 2001	Sep 2014	2019
Iqaluit Fuel Contract [2]	Government of Nunavut	Jun 2007	Nov 2017	-
Stablization Force Organization	NATO	Feb 2004	Sep 2014	-
NATO Flight Training	NATO	Jun 2000	May 2020	-
Kandahar Projects:				
First Responders	NATO	Jan 2011	Dec 2014	-
Utilities	NATO	Nov 2010	Nov 2013	-
Ontario Facilities:				
Management Contract	Department of National Defense	Apr 2013	Mar 2018	2023

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

(2) *Joint venture with Aboriginal partners.*

LODGING & SUPPORT SERVICES

Lodging & Support Services provides lodging, catering, waste management, and maintenance services to meet the demands of major, remote resources projects.

This division experienced lower earnings for the fourth quarter and full year of 2013 by $4 million and $6 million, respectively. During the first three quarters of 2013, the Barge Landing Lodge, Creeburn Lake Lodge and other smaller lodges and client-specific camps experienced strong demand. The fourth quarter, however, saw declining occupancy at the Barge Landing Lodge and Creeburn Lake Lodge because of the increased supply of temporary lodging and camp facilities in the oil sands area near Fort McMurray, northern Alberta. Earnings from this division were also slightly lower than the prior year as refurbishment at the Barge Landing Lodge reduced the number of rooms available. This refurbishment was completed in the first quarter of 2013.

STRUCTURES & LOGISTICS BUSINESS RISKS

Demand for ATCO Structures & Logistics' products and services are directly related to capital spending cycles and levels of development activity in various industries, primarily in the natural resources sector. Several key factors influence customers' decision-making on whether or not to invest in large-scale products and use the services the Company offers. These factors include expected commodity prices, global economic and political conditions, and access to debt financing and equity capital. The Company has no direct control over these factors. Any adverse impact on these key decision factors for a prolonged period could affect demand for the Company's products and services.

Modular Structures manufactures products under contracts that are largely based on performance and percentage-of-completion. As these contracts are completed, no assurances can be made that they will be replaced with new contracts. If these contracts are not replaced in a timely manner, the Company's financial results could be materially impacted.

ATCO Structures & Logistics' operations provide support to military agencies in foreign locations, which may be subject to war risk. ATCO Structures & Logistics maintains insurance, which covers war risks, to reduce the risk associated with the nature of these contracts. In areas where the risk of injury is considered to be severe, staff is confined to specific military compounds and all employees are given pre-deployment orientation and ongoing safety training.

Utilities

The Utilities' activities are conducted through three regulated businesses within western and northern Canada: ATCO Electric, ATCO Gas, and ATCO Pipelines.

REVENUES

Revenues in the Utilities were $2 billion in 2013, which were $196 million higher than 2012. For the fourth quarter of 2013, revenues were $572 million, which were $61 million more than the comparable quarter of 2012.

The distribution operations of ATCO Gas and ATCO Electric recorded increased revenues as 2013 PBR rates were higher than the rates in place in 2012. The distribution operations also received approval in 2013 to recover interim rates at 60% of the revenue applied for in their 2013 Capital Tracker (K Factor) Applications. Revenues in ATCO Gas also reflected higher franchise fees paid to municipalities that were recovered from customers. Certain franchise fees are based on the price of natural gas, which rose during 2013.

Revenues for the transmission operations of ATCO Electric recognized the higher 2013 transmission tariffs approved in the 2013/2014 Transmission General Tariff Application (GTA) decision.

ADJUSTED EARNINGS

Adjusted earnings for each of the Utilities are shown in the table below.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2013**	**2012**	**Change**	**2013**	**2012**	**Change**
ATCO Electric	**24**	23	1	**118**	89	29
ATCO Gas	**22**	20	2	**43**	40	3
ATCO Pipelines	**4**	5	(1)	**18**	19	(1)
Total Utilities	**50**	48	2	**179**	148	31

Adjusted earnings generated by the Utilities of $179 million in 2013 were $31 million, or 21%, higher than the $148 million achieved in 2012. For the fourth quarter, adjusted earnings of $50 million were $2 million higher than the $48 million recorded in the same quarter of 2012. The main reason for these increased earnings was the growth in rate base in ATCO Electric's transmission operations. The Utilities continued to make significant capital investments in Alberta in 2013 on which they can earn an AUC-approved regulated return.

Utilities adjusted earnings up 21% in 2013

More detailed information about the activities and financial results of the Utilities businesses is provided in the following sections.

ATCO ELECTRIC

ATCO Electric and its subsidiaries, The Yukon Electrical Company, Northland Utilities (NWT) and Northland Utilities (Yellowknife), transmit and distribute electricity mainly in northern and central east Alberta, the Yukon and Northwest Territories. Its service territory includes the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

ATCO Electric's adjusted earnings were $29 million higher year-over-year compared to 2012 from growth in rate base in its transmission operations and the impact of the 2013/2014 GTA decision received in the third quarter of 2013. Capital investment in ATCO Electric distribution operations also generated higher earnings in 2013 under the PBR formula. Certain matters related to the incremental capital funding available under PBR remain outstanding, and therefore, ATCO Electric only received 60% of its requested incremental capital funding on an interim basis in the 2013 Capital Tracker Application. Both the transmission and distribution operations realized operational efficiencies that reduced costs in 2013. These efficiencies were partly offset by the lower adjusted earnings recorded in 2013 to reflect the AUC's 2011 pension decision that limited the recovery of annual cost of living allowance (COLA) increases to 50% of the Consumer Price Index (CPI).

ATCO Electric's adjusted earnings for the fourth quarter of 2013 were $1 million higher than the same period in 2012, with growth in rate base in its transmission operations the main driver for the increase. This increase was partly offset by the timing of operating costs that resulted in higher expenses in the final quarter of 2013 compared to 2012. In addition, the impact of the AUC's 2011 pension COLA decision also reduced earnings in the fourth quarter of 2013.

ATCO GAS

ATCO Gas distributes natural gas throughout Alberta and in the Lloydminster area of Saskatchewan. It services municipal, residential, business and industrial customers.

Adjusted Earnings in ATCO Gas were $3 million higher for the year and $2 million more for the fourth quarter of 2013 compared to prior year. The main drivers for increased earnings were operating efficiencies that reduced costs, and capital investment. Certain matters related to the incremental capital funding available under PBR remain outstanding, and therefore, ATCO Gas only received 60% of its requested incremental capital funding on an interim basis in the 2013 Capital Tracker Application. These increases were partially offset by the lower adjusted earnings recorded in 2013 to reflect the AUC's 2011 pension decision that limited the recovery of annual COLA increases to 50% of the CPI .

ATCO PIPELINES

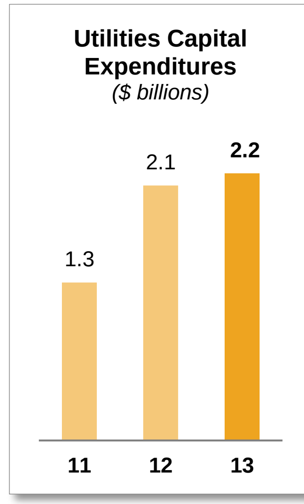
ATCO Pipelines transmits natural gas in Alberta. This business receives natural gas on its pipeline system at various gas processing plants as well as from other natural gas transmission systems and transports it to end users within the province or to other pipeline systems, primarily for export out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

Adjusted earnings in ATCO Pipelines were marginally lower by $1 million for the year and fourth quarter of 2013 compared to prior year. Earnings under the negotiated settlement in 2012 were higher than earnings determined by the 2013-2014 General Rate Application (GRA).

MAJOR CAPITAL EXPENDITURE PROJECT UPDATES

Total capital expended in the Utilities over the last three years 2011 to 2013 was $5.6 billion (see table below). The largest expenditures were in the transmission operations of ATCO Electric. The AESO has 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.

Capital expenditures for ATCO Gas, ATCO Electric Distribution and ATCO Pipelines over the three-year period are representative of expenditure levels required to provide safe and reliable service and meet the demands of a growing province.



($ millions)	2013	2012	2011
		Year Ended December 31	
Electric Transmission	**1,355**	1,345	594
Electric Distribution	**408**	387	322
Gas Distribution	**268**	323	288
Pipeline Transmission	**147**	87	112
Total	**2,178**	2,142	1,316

$5.5 billion in planned Utility capital expenditures in 2014-2016

Capital expenditures of $5.5 billion are planned in the Utilities for 2014 to 2016, of which approximately $4 billion is in ATCO Electric. Of this $4 billion, $2.3 billion is in transmission projects directly assigned by the AESO. The remaining $1.5 billion relates to ATCO Gas and ATCO Pipelines, and includes approximately $340 million related to the Urban Pipeline Replacement (UPR) project (total cost of the project is approximately $700 million). These planned expenditures are expected to be financed by a combination of funds generated by operations as well as debt and preferred share financings.

Planned capital expenditures for the Utilities are based on the following significant assumptions:

- Projects identified by the AESO will proceed as currently scheduled
- The remaining planned capital expenditures are required to maintain safe and reliable service and meet planned growth in the Utilities' service areas
- Regulatory approval for capital projects can be obtained in a timely manner
- Access to capital market financings can be maintained

The Company believes these assumptions are reasonable, but no assurance can be given that the assumptions will prove to be correct.

The Company is subject to the normal risks associated with major capital projects, including delays and cost increases. Although the Company attempts to reduce these risks by careful planning and entering into long-term contracts when possible, there can be no assurances against significant cost increases or delays.

A breakdown of the Utilities major capital expenditure projects at December 31, 2013, is given below (all figures in the table and related commentary exclude interest during construction).

Project *($ millions)*	**Total Cost**	**Year to date December 31 2013**	**Total to date December 31 2013**	**Costs to Complete**	**In Service Date**
Hanna Region Transmission Development [(1)]	**710**	**196**	**650**	-	2013
Eastern Alberta Transmission Line	**1,802**	**632**	**938**	864	2014
Northwest Fort McMurray Transmission Development	**370**	**13**	**16**	354	2016
Central East Transmission Development	**350**	**102**	**201**	149	2015
North East Region Transmission Development [(2)]	**800**	**37**	**53**	747	-
Urban Pipeline Replacement	**700**	**-**	**53**	647	2018
Total	**4,732**	**980**	**1,911**	2,761	

(1) *Project completed under budget in 2013 by $60 million.*

(2) *Project awaiting AESO approval.*

Hanna Region Transmission Development

This major transmission reinforcement project of the southeast region of Alberta was comprised of 335 km of transmission lines, six new substations and modifications to and expansion of a further 14 existing substations. The project was completed in July 2013 on schedule and under budget by approximately $60 million.

Eastern Alberta Transmission Line (EATL) Project

This 500 kV high voltage direct-current transmission line, with associated converter stations and facilities, extends approximately 485 km along a corridor on the east side of the province of Alberta between Edmonton and Calgary. The line adds capacity to Alberta's existing electricity transmission system in response to the need identified by the AESO to reinforce the transmission system between the two cities and to prepare the province for projected load growth. During the fourth quarter of 2013, ATCO Electric continued constructing foundations and assembling and erecting towers. Work also progressed on the two converter stations. The project is on-track to maintain the in-service date of late December 2014.

Northwest Fort McMurray Transmission Development Project

ATCO Electric received direction from the AESO to undertake a transmission development project northwest of Fort McMurray, Alberta. The project responds to several requests for transmission system access in the area, where significant load and generation requirements for oil sands developments are forecast. This project consists of two new substations and approximately 140 km of transmission lines, with total capital expenditures estimated at $370 million.

This project consists of two phases. The first is a substation with an estimated cost of $35 million. Final AUC approval was received in January 2014, with an expected in-service date of late 2014. The second phase is another substation and transmission lines, with an estimated cost of $335 million. AUC approval is not expected until late 2014, with an anticipated in-service date of 2016.

Central East Transmission Development Project

The Central East Transmission Development Project consists of a number of transmission line and substation upgrades to enhance the reliability and carrying capacity of the regional system in central east Alberta. Most of the transmission system upgrade work will be in the St. Paul, Cold Lake, and Bonnyville areas, approximately 300 km northeast of Edmonton, Alberta. The total estimated cost for the entire development is $350 million. All projects have received final approval from the AUC. Completion is expected to be in the first quarter of 2015.

North East Region Transmission Development Project

Transmission development in the northeast region of Alberta consists of a number of customer-driven enhancements and additional 240 kV transmission lines in the Fort McMurray area. The timing of this work has not yet been finalized by the AESO. Preliminary estimates for this transmission development are approximately $800 million.

Urban Pipeline Replacement (UPR)

ATCO Pipelines received a decision in January 2014 approving its UPR application. The UPR project is intended to replace and relocate the aging, high-pressure natural gas pipelines in Calgary and Edmonton, to address safety, reliability, and future growth. In this decision, the AUC determined that the UPR proposal put forward by ATCO Pipelines was in the public interest, to provide a safe, reliable and efficient system. The total cost of the UPR project is approximately $700 million, which includes the cost to integrate the new high-pressure network with ATCO Gas' low-pressure distribution system. The Company plans to complete the construction of the UPR project over the next five years.

REGULATORY DEVELOPMENTS

Changes to Rate Regulation in Alberta

The Utilities in Alberta are regulated primarily by the AUC, which administers acts and regulations covering such matters as rates, financing and service area. In 2013, the AUC commenced PBR for distribution utilities in Alberta. Like the previous cost of service regulatory model, PBR should continue to allow distribution utilities the opportunity to:

(1) recover prudently incurred costs for providing regulated services, and

(2) generate a fair return on utility investment.

Before the introduction of PBR, the Company's 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 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. In this five-year period, the distribution utilities will be challenged to find operating efficiencies to overcome the effect of the X Factor mandated by the AUC in the PBR formula. Also, within the context of the cost recovery mechanisms provided under PBR, they will be challenged to fund prudent capital investments in distribution infrastructure at a time when Alberta's economy is performing well and there is significant in-migration to the province.

PBR Capital Tracker (K Factor) Applications

The AUC approved interim rates in its 2013 PBR Rate application decision, effective April 1, 2013, for the recovery of only 60% of the incremental 2013 Capital Tracker-related funding requested by ATCO Gas and ATCO Electric. A further decision, received on December 19, 2013, approved the continued collection, on an interim basis of 60% of the applied-for Capital Trackers for 2013 and 2014.

On December 6, 2013, the AUC issued a decision regarding the 2013 Capital Trackers for 2013 and 2014. This decision provided the Company with a better understanding of the assessment process the AUC intends to undertake in determining Capital Tracker funding. The AUC requested the Company to re-file its 2013 Capital Tracker Applications by no later than May 2014 based on this clarified assessment process. Leave to appeal this decision was filed in January 2014 and a final decision on the 2013 Capital Tracker Application is not expected until late 2014.

The Company will also file its 2014 and 2015 Capital Tracker applications by May 2014, as requested by the AUC.

2011 Pension Decision and 2013 Pension Application

In 2011, the AUC decided to limit recovery of annual COLA adjustments to 50% of the CPI, with a maximum COLA adjustment of 3%. As a result, the Utilities recorded a decrease in adjusted earnings of $2 million in the fourth quarter of 2013 and $8 million for the full year.

In September 2013, the Alberta Court of Appeal dismissed the Company's appeal of the AUC's 2011 pension decision. This decision had no impact on the Company's 2013 financial results because it had been already reflected in adjusted earnings. In response the Company filed an application on November 21, 2013, for leave to appeal to the Supreme Court of Canada. It is anticipated that a response to the leave to appeal application will be received by the end of March 2014.

The Company submitted a Pension Application to the AUC for 2013 that included a request for 100% recovery of the COLA adjustment. If this Pension Application is accepted as filed, the Company would be able to reverse the reduction in adjusted earnings of $8 million recorded in 2013. The reversal would be recognized in the period when the AUC decision is received. A decision on this application is expected during the third quarter of 2014.

Generic Cost of Capital (GCOC)

This proceeding will include a full review of cost of capital matters, including capital structure and return on common equity (ROE) for 2013 and 2014. The AUC is also considering whether or not to return to a formula approach to determine ROE for 2015 and beyond.

Evidentiary submissions for the GCOC proceeding were filed by the Utilities in January 2014. Hearings are scheduled to start during the second quarter of 2014.

The current AUC-approved interim rate of ROE is 8.75%. A change in the approved capital structure or ROE may impact the Utilities' adjusted earnings. If a decision approving a different capital structure or ROE is received before the end of 2014, the entire incremental earnings impact for 2013 and 2014 would be recorded when the decision is received.

Under the terms of PBR, changes to the approved capital structure and ROE of distribution utilities have less of an impact on earnings. For these distribution utilities, their rates are determined through the use of a formula during the PBR term. Changes to the approved capital structure and ROE are reflected in the determination of the funding for capital trackers, and are only applied more broadly if the AUC determines the changes are the result of the transitioning to PBR, or are related to certain generic proceedings.

ATCO Electric 2013 and 2014 Transmission General Tariff Application (GTA)

ATCO Electric received a decision from the AUC on the 2013/2014 Transmission GTA in September 2013. The rates approved in this decision were consistent with the previously approved interim rates. Final rates are expected to be approved by the AUC in the second quarter of 2014. The earnings impact of $7 million for this decision was reflected in the third quarter of 2013. In addition, the decision approved a placeholder for the Hanna Region Transmission Development Project, completed in July 2013. This project is subject to audit, with final approvals based on the audit results.

ATCO Electric 2012 Transmission Deferral Application

In June 2013, ATCO Electric filed an application proposing to dispose of its 2012 Transmission Deferral Account balances. As part of this proceeding, ATCO Electric will be demonstrating the prudence of $585 million of expenditures for the 22 direct-assigned AESO projects that went into service in 2012. A decision is expected in the third quarter of 2014.

Utility Asset Disposition (UAD) Proceeding

In November 2013, the AUC released its decision on the UAD proceeding. This decision confirms that no changes to existing regulations, rules and practices relative to the recovery of utility asset costs in the ordinary course of business are required. The decision does indicate that utilities will be responsible for the cost of extraordinary retirements of assets, although it is somewhat unclear as to how the AUC will choose to determine these types of events. The Company has filed an application for leave to appeal this decision. There is no current earnings impact to the Utilities.

ATCO Pipelines 2013-2014 General Rate Application (GRA)

In December 2013, the AUC released its decision on the 2013-2014 GRA. There was no material change to ATCO Pipelines' adjusted earnings as a result of this decision.

AESO COMPETITIVE TRANSMISSION PROCESS

Alberta's Provincial Energy Strategy directs the AESO to develop a process and model for competitively procuring new electricity transmission facilities without regard for service area.

On February 14, 2013, the AUC approved the AESO's Competitive Process Application with certain conditions. The competitive model is limited to those facilities designated as Critical Transmission Infrastructure (CTI). Currently, the Fort McMurray West and East Transmission Lines are the only projects designated as CTI subject to the competitive process.

The Fort McMurray West Transmission Project consists of a 500 kV transmission line from Edmonton to Fort McMurray with a $1.6 billion estimated cost and a 2019 in-service target date. In October 2013, the Company responded to the AESO's Request for Qualification. The Company was shortlisted by the AESO as one of the five proponents to move forward to the next stage in the competition. This decision was followed by the Request for Proposal (RFP), with the contract award expected in late 2014.

CENTRAL AND SOUTHERN ALBERTA FLOODING

In the month of June 2013, Alberta suffered flooding due to unprecedented rainfall and snowmelt. The flooding caused devastation to a number of homes, businesses and communities in the province. The Company repaired and replaced assets and restored services to those affected by the floods. This event did not have a significant impact on the Company's earnings in 2013.

UTILITIES RISKS

Cost of Service Rate Model

The Utilities segment is subject to the normal risks faced by regulated companies. These risks include the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on rate base.

These risks also include the regulator's potential disallowance of costs incurred. The ability to recover the actual costs of providing service and earn the approved rates of return depends on the Utilities achieving the forecasts established in the rate-setting process.

The determination of a fair rate of return on the common equity component of rate base is an earnings and cash flow risk. This model continues to apply to ATCO Electric's transmission operations and ATCO Pipelines.

PBR Model

The Company's electricity and natural gas distribution operations represented by ATCO Electric and ATCO Gas moved to the PBR model on January 1, 2013. Under PBR, utility revenues are formula driven, which raises the uncertainty of cost recovery. Furthermore, certain matters related to the 2013 Capital Tracker Applications for ATCO Gas and ATCO Electric remain outstanding, which causes additional uncertainty.

The Company has filed several leave to appeal applications with the Alberta Court of Appeal in order to preserve the Company's right to challenge the AUC's decisions in regard to PBR. The increased uncertainty with the adoption of PBR has heightened the earnings risk for the Company.

Pipeline Integrity

ATCO Pipelines and ATCO Gas have significant pipeline infrastructure. Although the probability of a pipeline rupture is very low, the consequences of a failure can be severe. Programs are in place to monitor the integrity of the pipeline infrastructure and replace pipelines as required. ATCO Pipelines' UPR project is intended to replace and relocate the aging, high-pressure natural gas pipelines in Calgary and Edmonton, to address safety, reliability, and future growth.

Measurement Inaccuracies in Metering Facilities

Measurement inaccuracies can occur from time to time in the Utilities' metering facilities. The Utilities' measurement adjustments are settled between parties, based on the requirements of the Electricity and Gas Inspections Act (Canada) and applicable regulations. There is a risk of disallowance of recovering a measurement adjustment. For Utilities, this disallowance can occur if controls and timely follow up are found to be inadequate by the AUC.

Transfer of the Retail Energy Supply Businesses

In 2004, ATCO Gas and ATCO Electric transferred their retail energy supply businesses to Direct Energy. The legal obligations of ATCO Gas and ATCO Electric for the retail functions transferred to Direct Energy, which include the supply of natural gas and electricity to customers as well as billing and customer care, remain if Direct Energy fails to perform. In certain circumstances, the functions will revert to ATCO Gas and/or ATCO Electric, with no refund of the transfer proceeds to Direct Energy.

Centrica plc., Direct Energy's parent company, provided a $300 million guarantee, supported by a $235 million letter of credit for Direct Energy's obligations to ATCO Gas, ATCO Electric, and ATCO I-Tek under the transaction agreements. However, there can be no assurance that the coverage under these agreements will be adequate to defray all costs that could arise if the obligations are not met.

Energy

Energy's activities are conducted through ATCO Power and ATCO Energy Solutions.

REVENUES

Energy segment revenues were $1 billion for 2013, which were $135 million higher than 2012. For the fourth quarter of 2013, revenues were $255 million or $11 million more than the comparable quarter of 2012.

ATCO Power's revenues in 2013 improved as a result of higher realized power pool prices in the first three quarters and increased plant availability in Alberta. Also, increased coal supply costs at the Battle River generating plant resulted in higher revenues as these costs are flowing through to the Power Purchase Arrangement (PPA) counterparties. ATCO Power's revenues declined in the fourth quarter of 2013 compared to the same quarter last year, mainly due to lower realized power pool prices in Alberta, as a result of higher coal plant availability in the province.

For the full year and fourth quarter of 2013, ATCO Energy Solutions revenues increased as a result of higher volumes and prices of natural gas sales as a result of more gas flowing through its NGL extraction facilities, partly offset by lower storage differentials.

ADJUSTED EARNINGS

Adjusted earnings for ATCO Power and ATCO Energy Solutions are shown in the table below.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2013**	**2012**	**Change**	**2013**	**2012**	**Change**
ATCO Power						
Independent Power Plants	**-**	5	(5)	**40**	41	(1)
Regulated Power Plants	**10**	10	-	**35**	24	11
Other	**-**	1	(1)	**2**	3	(1)
Total ATCO Power	**10**	16	(6)	**77**	68	9
ATCO Energy Solutions						
Storage Operations	**3**	6	(3)	**5**	10	(5)
NGL Extraction and Gas Gathering & Processing	**2**	(3)	5	**7**	3	4
Other Operations	**-**	(2)	2	**(9)**	(9)	-
Total ATCO Energy Solutions	**5**	1	4	**3**	4	(1)
Total Energy	**15**	17	(2)	**80**	72	8

Adjusted earnings generated by the Energy segment of $80 million in 2013 were $8 million, or 11% higher than the prior year. Higher realized power pool prices in Alberta and plant availability were the main contributing factors to the increase in earnings compared to 2012. Adjusted earnings for the fourth quarter were $15 million, which were $2 million lower than the comparable quarter of 2012. The decrease was due to lower realized power pool prices in Alberta in ATCO Power and lower storage differentials, offset by favourable contracting terms at one of its NGL extraction plants, in ATCO Energy Solutions.

Energy's adjusted earnings grew by 11% in 2013.

More detailed information about the activities and financial results of ATCO Power and ATCO Energy Solutions is provided in the following sections.

ATCO POWER

ATCO Power's businesses include the non-regulated supply of electricity from natural gas and hydroelectric generating plants in western Canada, Ontario and the U.K. ATCO Power's businesses also include the regulated supply of electricity from coal-fired generating plants in Alberta.

Adjusted earnings were $9 million higher in 2013 compared to 2012. Power pool prices realized by the Company were higher in 2013 than 2012, contributing to increased earnings. Power pool prices affect ATCO Power's merchant-owned capacity, which represents 426 MW out of a total Company-owned capacity in Alberta of 1,806 MW. The majority of this merchant capacity is fueled by natural gas. Natural gas prices also rose during the year, but the resulting average spark spread in 2013 was still 22% higher than 2012.

Generating plant availability was higher for both the independent and regulated power plants of ATCO Power in 2013 compared to the prior year, resulting in higher earnings. Furthermore the Company benefited from high plant availability during periods of high power prices; planned maintenance outages in 2013 generally occurred during periods of lower power prices.

Offsetting these increases were unfavourable PPA arbitration decisions received in the first quarter of 2013 and higher business development costs.

Adjusted earnings in the fourth quarter were lower than the same quarter in 2012 because of lower realized power pool prices and the timing of planned maintenance outages at the Battle River and Sheerness generating plants.

Generating Plant Capacity and Availability

At December 31, 2013, ATCO Power owned total generating capacity of 2,541 MW. Of that amount, 1,806 MW, or more than 70%, was in Alberta.

ATCO Power's generating capacity in Alberta at year end 2012 and 2013, is shown below.

	Year Ended December 31	
	2013	**2012**
Independent Power Plants		
Contract *(MW)*	**339**	353
Merchant *(MW)*	**388**	374
Total Independent Power Plants	**727**	727
Regulated Plants		
Contract *(MW)* (1)	**1,041**	1,050
Merchant *(MW)*	**38**	38
Total Regulated Plants	**1,079**	1,088
Total	**1,806**	1,815

(1) *With the expiry of the Battle River 3 and 4 PPAs at the end of 2013, 295 MW of regulated plant capacity will move from contracted to merchant capacity in 2014.*

The availability of the generating plants by geographic region is shown below.

	Three Months Ended December 31			Year Ended December 31		
	2013	**2012**	**Change**	**2013**	**2012**	**Change**
Independent Power Plants						
- Canada and U.K. (1)	**94%**	91%	3%	**96%**	91%	5%
Regulated Plants - Canada (1)(2)(3)	**90%**	96%	(6%)	**92%**	89%	3%

(1) *Generating plant availability fluctuates with the timing and duration of outages.*

(2) *The Battle River 5 and Sheerness 1 generating plants started and completed planned maintenance outages in the second quarter of 2012.*

(3) *In 2013, Sheerness 2 and Battle River 3 completed their major planned maintenance outages in early October; Battle River 4 completed its major planned maintenance outage in December.*

Merchant Operations

Average Alberta Power Pool electricity and natural gas prices and resulting spark spreads for the three months and year ended December 31, 2013 and 2012, are shown in the table below.

	Three Months Ended December 31			Year Ended December 31		
	2013	**2012**	**Change**	**2013**	**2012**	**Change**
Average Alberta Power Pool						
electricity price *($/MWh)*	**48.59**	78.71	(38%)	**80.19**	64.32	25%
Average natural gas price *($/GJ)*	**3.34**	3.05	10%	**3.01**	2.27	33%
Average spark spread *($/MWh)*	**23.56**	55.86	(58%)	**57.60**	47.30	22%

Changes in power pool prices and spark spreads affected the results of approximately 426 MW of plant capacity in Alberta out of ATCO Power's total owned capacity of 1,806 MW. As PPAs for the regulated generating plants expire, beginning with Battle River units 3 and 4 at the end of 2013, the amount of plant capacity exposed to Alberta power pool prices will increase.

ATCO Power is targeting a ratio of contracted power to total owned capacity in the 60% to 80% range. To achieve this goal, ATCO Power will continue to use financial and physical forward power contracts. It also plans to expand its direct sales of electricity to commercial and industrial customers in Alberta.

ATCO Power operates the 1,000 MW Barking generating plant in the U.K. in which it has a 25.5% ownership interest. Based primarily on independent market analysis, ongoing weaknesses in the U.K. energy market and an increase in competition from renewable energy resources, an impairment charge of $18 million was recorded in the fourth quarter of 2013. It reduced earnings attributable to Class I and Class II Shares in 2013, but was not included in adjusted earnings. The remaining carrying value of $8 million at December 31, 2013, is mainly comprised of land on which the plant is situated.

Regulated Generating Plants

The electricity generated by the Battle River 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. In return, ATCO Power is entitled to recover its forecast fixed and variable costs for that unit from the PPA purchaser.

The PPAs for Battle River 3 and 4 expired at the end of 2013. ATCO Power continues to operate these generating units. However, the decision for how long to operate depends on market conditions and federal and provincial air pollutant regulations still being developed. These regulations are not expected to be in effect until 2015.

Environmental Matters

The Energy segment is subject to extensive federal, provincial, and local environmental protection laws. These laws concern emissions to the air, discharges to surface and subsurface waters, land use activities, and the handling, manufacturing, processing, use, emission and disposal of materials and waste products. Existing and proposed environmental regulations could have a material impact on the future financial performance of ATCO Power's regulated coal-fired generating plants. The Company continues to monitor emissions output and the impact of complying with future regulations.

Future prospects for certain power generation assets in Alberta will be impacted by changing environmental regulations. The federal government of Canada has already released regulations for greenhouse gas emissions that will limit the life of the Company's coal-fired generating plants. Still uncertain are the federal and provincial environmental regulations for other air pollutants that are being developed. The risks for the Company around these actual and pending regulations are discussed in more detail below.

Federal Greenhouse Gas (GHG) Emissions

The Canadian government published its final Reduction of Carbon Dioxide Emissions from Coal-Fired Generation of Electricity Regulations on September 12, 2012. A "clean as gas" performance standard will be applied to coal-fired generation units that have reached a date referred to as "end of useful life." In most cases, this term is 50 years, effectively limiting the plants' operating lives.

The following table summarizes the impact of this regulation on ATCO Power's regulated coal-fired generation units.

Unit	Federal GHG End of Useful Life
Battle River unit 3	2019
Battle River unit 4	2025
Battle River unit 5	2029
Sheerness unit 1	2036
Sheerness unit 2	2040

Air Pollutants

In addition to the GHG regulations, federal and provincial environmental regulations are also being developed and or revised for other air pollutants. These pollutants include sulfur dioxide, nitrogen oxides, volatile organic carbons, and particulate matter. Such regulations could require significant expenditures for emissions control on the Company's coal fired generating plants once enacted.

The Clean Air Strategic Alliance (CASA) is a multi-stakeholder group of representatives from industry, government and non-government organizations. That group creates strategies to assess and improve air quality for Albertans and influences air emission regulations. CASA developed a framework to manage air emissions from the electricity sector in Alberta, and this is currently going through a review process. A primary issue under review is the current misalignment of federal greenhouse gas coal regulations with the Alberta air emission regulations. The risk from this misalignment is the early retirement of coal generating plants to avoid significant uneconomic capital expenditures with only a few years left to operate.

The CASA framework also created base line emissions standards, which allow existing units to create credits for future use. ATCO Power is currently operating below base line on some of its units and creating emissions credits that will satisfy Battle River 3 obligations until 2015. Battle River 4 must comply with this regulation starting in 2016. After these dates, Battle River 3 and Battle River 4 must either purchase emissions credits or invest in air quality control equipment to comply with CASA regulations. ATCO Power has identified emissions compliance abatement upgrades that will allow Battle River 3 and Battle River 4 to economically operate under the federal GHG end of useful life regulation. These emission abatement upgrades are scheduled for installation later in 2014.

ATCO Power estimates that the total capital costs relating to air quality control equipment over the period 2014 to 2017 will be approximately $16 million in order to create emissions credits and achieve compliance to the existing Alberta regulations for NO_x and SO_2 emissions. These costs will be systematically reassessed against the evolving regulatory framework and electricity market conditions. Further to these increased capital costs, operating costs will also be higher.

ATCO Power continues to advocate through various industry working groups and direct discussions with the federal and provincial regulators for a reasonable and timely resolution to these environmental regulations.

Battle River Decommissioning

There is also a risk that the government of Alberta chooses to require the removal of the Battle River dam and reservoir after Battle River Unit 5's end of life in 2029. In this case, ATCO Power would be required to pay up to an estimated $40 million of the reclamation costs attributable to Battle River Units 3 and 4. ATCO Power believes it is not responsible for the cost as the reservoir was never intended to be decommissioned and no funds have been collected for its reclamation. To mitigate this risk, ATCO Power has the option to retire both Units 3 and 4 at the end of 2014 (one year after the end of their PPAs) and to have the Balancing Pool fund the reclamation costs for both of these units. ATCO Power expects a decision from the government of Alberta prior to the end of the third quarter of 2014. Furthermore, ATCO Power believes that there are many recreational, water management and ecological benefits to maintaining the reservoir beyond 2029 and is working with the government of Alberta to separate the reservoir issue from the decision to operate Battle River Units 3 and 4 beyond 2014.

Cost Recovery

For ATCO Power's regulated power units, the PPAs should allow the Company to recover costs for compliance with both federal and Alberta regulations during the term of the PPA. If the costs are for operations after the PPA's term, the plant owner, not the PPA counterparty, bears the burden of these costs. An exception to this recovery is for emissions from output beyond the committed capacity in the PPAs. The emissions amount of this excess output should be minimal.

ATCO Power expects to recover the majority of compliance costs for its independent power plants from existing contractual arrangements or through the electricity market.

ATCO ENERGY SOLUTIONS

ATCO Energy Solutions' businesses include non-regulated natural gas gathering, processing, storage and transmission, natural gas liquids extraction, electricity transmission and industrial water services.

Adjusted earnings were $1 million lower in 2013 compared to 2012. ATCO Energy Solutions' financial results are affected by natural gas storage differentials, frac spreads and natural gas extraction and processing volumes and power prices to operate its plants. Storage differentials, as well as natural gas processing volumes were lower in 2013 compared to 2012. Offsetting these decreases were higher frac spreads, higher gas extraction volumes and favourable contracting terms at one of its NGL extraction facilities. Also, power prices paid to operate the Company's plants were higher in 2013.

Adjusted earnings in the fourth quarter of 2013 were $4 million higher than the same period in 2012. This increase was mainly due to higher frac spreads and NGL extraction volumes due to the availability of natural gas supply at its plants and favourable contracting terms at one its NGL extraction facilities.

As a result of the Company's ongoing review of economic conditions and prospects in ATCO Energy Solutions, impairments of certain natural gas gathering and processing assets in western Canada were recognized in the fourth quarter of 2013. Together, these impairments reduced earnings attributable to Class I and Class II Shares by $6 million. These impairment charges were not included in adjusted earnings.

In March 2013, ATCO Energy Solutions finalized an agreement with North West Redwater Partnership (NWRP) to provide water transportation services to NWRP's Sturgeon Refinery in Alberta's Industrial Heartland. Upgrades to the existing river intake were completed in 2012. A new pump station is currently under construction and anticipated to be completed in the fourth quarter of 2014. A water pipeline under the North Saskatchewan River is also under construction with completion anticipated in the third quarter of 2014. These upgrades ensure that NWRP has a secure source of water for construction and operation of the Sturgeon Refinery.

In October 2013, ATCO Energy Solutions finalized an agreement with Air Products Canada Ltd. to provide water transportation services to Air Product's new hydrogen facility in the Alberta Industrial Heartland. ATCO Energy Solutions will further expand its multi-user Heartland Industrial Water System with additional pipeline, pumping, and storage facilities to supply the Air Products facility. Construction on the expanded water system will begin in the third quarter of 2014 and is anticipated to be completed in the third quarter of 2015.

Storage Operations

ATCO Energy Solutions owns 43.5 PJs of natural gas storage capacity in Alberta. The Company has been reviewing the optimal delivery capabilities of the asset and has identified opportunities to increase storage capacity. The natural gas storage business is affected by volatility in the seasonal natural gas price spreads. These spreads are determined by the differential in natural gas prices between the traditional summer injection (April to October) and winter withdrawal (November to March) season.

Seasonal storage price differentials contracted in the 2013-2014 storage year, which started April 1, 2013, were lower than the 2012-2013 storage year. As a result, storage revenues for the fourth quarter and year of 2013 were lower than the same periods in 2012.

ATCO Energy Solutions contracts with a range of customers, including financial institutions, marketers, and utilities. It provides customers with services under long-term (greater than one year) as well as short-term (one year or less) contracts.

NGL Extraction and Gas Gathering and Processing Operations

ATCO Energy Solutions' revenues are derived from natural gas and liquids gathering, processing, extraction, and transportation. The revenues are generated under a combination of fixed fee, take-or-pay and cost-of-service contracts.

Operating statistics for the three months and year ended December 31, 2013 and 2012, are in the table below.

	Three Months Ended December 31			**Year Ended December 31**		
	2013	**2012**	**Change**	**2013**	**2012**	**Change**
NGL Extraction						
Plant capacity *(mmcf/d)*	**411**	411	-	**411**	411	-
Extraction inlet gas processed *(mmcf/d)* (1)	**354**	353	1	**340**	350	(10)
Extraction ethane volumes *(Bbls/d)* (1)	**9,057**	8,864	193	**8,480**	8,094	386
Extraction NGL volumes *(Bbls/d)* (1)	**5,007**	4,764	243	**4,703**	4,758	(55)
Total extraction volumes *(Bbls/d)* (1)	**14,064**	13,628	436	**13,183**	12,852	331
Average industry frac spreads *($/GJ Propane Plus)* (2)	**12.26**	8.64	3.62	**9.20**	8.98	0.22
Gas Gathering & Processing						
Plant capacity *(mmcf/d)* (1)	**111**	171	(60)	**111**	171	(60)
Processing throughput *(gross mmcf/d)* (1)	**30**	45	(15)	**36**	48	(12)

(1) *Daily average for the period.*

(2) *Frac spread is calculated by ATCO Energy Solutions and is representative of indices information.*

The majority of NGL extraction operations involve extracting natural gas liquids from natural gas and replacing the liquids (on a heat content equivalent basis) with shrinkage gas. For Propane Plus, the difference between the natural gas price and the value of the liquids extracted is commonly called the "frac spread." Frac spreads vary with fluctuations in the input price of natural gas and revenue derived from the applicable liquids extracted.

Average industry frac spreads for the fourth quarter of 2013 were higher than the same period in 2012 due to the recovery in propane prices. Average industry frac spreads for the full year of 2013 increased from 2012 on higher propane prices. Higher frac spreads translated into increased earnings for the Company.

Extraction inlet gas processed for the last three months and full year of 2013 did not change significantly from the corresponding periods in 2012. NGL and ethane extracted volumes increased marginally over the fourth quarter of 2013 compared to the same time last year and NGL extracted volumes were comparable for the full year of 2013 when compared to 2012. Ethane extracted volumes rose for the 2013 year as a significant customer did not receive ethane as a result of a seven-week planned shutdown of the customer's plant in the second quarter of 2012. The fourth quarter of 2013 experienced higher natural gas extraction volumes, due to the availability of gas supply at its plants.

Despite these increased volumes for the quarter, processing throughput in the natural gas gathering and processing operations continues to decline. The natural gas market continues to be challenged, with leaner natural gas liquids content, declining supply, and volatile commodity prices. The Company continually reviews and rationalizes those assets that are underperforming. In 2013, the decline in the Company's gas gathering and processing plant capacity by 60 mmcf/d was due to the disposition and shut-in of two plants in 2013. In the fourth quarter of 2013, the Company recorded impairments against certain natural gas gathering, processing and NGL extraction facilities as economic conditions in the region have deteriorated and future prospects were not considered favourable. These impairments reduced earnings attributable to Class I and Class II Shares by $6 million. These impairment charges were not included in adjusted earnings for 2013.

Other Operations

ATCO Energy Solutions owns one-third interests in Inuvik Gas Ltd. and the Ikhil Joint Venture entities, which in turn hold natural gas reserves and production assets near the Town of Inuvik in the Northwest Territories and distribution assets which provide heating fuel to the town. In 2011, these entities announced there were lower gas reserves to supply the town than expected. Steps were taken in 2012 to provide the town with synthetic natural gas produced from propane, displacing natural gas volumes from the one producing well. The Company, together with its partners, has given notice that it will not renew the franchise agreement to distribute gas to the town when it expires in August 2014, and has entered into negotiations to sell the distribution assets.

ENERGY BUSINESS RISKS

Energy Commodity Price Risk

Changes to the power reserve margin (power supply relative to demand) and natural gas prices can result in volatility in Alberta power pool prices and spark spreads.

Energy segment earnings are also affected by short-term price volatility. A number of key factors contribute to price volatility. These factors include electricity demand and electricity supply primarily from Alberta's coal and wind generation. The Company is constantly monitoring movements in the market price in order to capture value from this volatility.

Starting in January 2014, an additional 295 MW of capacity from the coal-fired Battle River Units 3 and 4 in ATCO Power became available on the merchant market. To the extent that this capacity is not contracted or hedged, spot power pool prices will have a greater effect on the earnings generated by these units.

ATCO Energy Solutions' NGL extraction operations are exposed to the following market forces: the difference between the selling price of NGL and the purchase price of shrinkage gas; the cost of transporting natural gas to its facilities; power costs; and the availability of natural gas supply for processing. ATCO Energy Solutions' natural gas storage facility in Carbon, Alberta is also exposed to storage price differentials.

Generation Equipment and Technology Risk

ATCO Power's generating plants are exposed to operational risks which can cause outages because of issues such as boiler, turbine, and generator failures. To reduce this risk, a proactive maintenance program is regularly carried out with scheduled outages for major overhauls and other maintenance. The Company also carries property and business interruption insurance for its power plants to protect against extended outages.

PPAs are designed to provide force majeure relief for regulated plant outages beyond 42 days. If a generating plant does not meet availability or production targets specified in the PPA or another long-term agreement, ATCO Power may need to compensate the purchaser for the loss of production availability. For merchant facilities, an outage may result in lost merchant opportunities. Therefore, an extended outage could negatively impact earnings and cash flows.

Coal Supply for Battle River and Sheerness Generating Plants

Fuel costs for the Battle River and Sheerness generating plants are mostly for coal. These plants have a coal supply agreement with Prairie Mines & Royalties Limited. To protect against coal price volatility, ATCO Power owns or has sufficient coal supplies under long-term contracts for the anticipated lives of its Battle River and Sheerness coal-fired generating plants. These contracts are at prices that are either fixed or indexed to inflation.

The Battle River coal supply agreement was extended from the beginning of 2013 until 2022. The agreement reflects the higher cost of mining deeper coal in a new mine area. ATCO Power is currently negotiating the final pricing for this extended term. The coal supply agreement for Sheerness extends to the earliest of 2026 or until the coal supply is exhausted, whichever comes earlier. For regulated units, coal costs are recovered under the terms of the PPAs.

Measurement Inaccuracies in Metering Facilities

Measurement inaccuracies can occur from time to time at ATCO Energy Solutions' metering facilities. Measurement adjustments are settled between parties based on the requirements of the provincial regulatory bodies within the jurisdictions in which ATCO Energy Solutions operates and the contract terms. There is a risk that measurement adjustments may not be recoverable if controls and timely follow up exceed contractual limitation periods.

Carbon Natural Gas Storage Facility

The Carbon facility is subject to drainage. To protect the facility from drainage, ATCO Energy Solutions monitors operating pressures and commissions studies to help protect the facility's integrity. When deemed necessary, ATCO Energy Solutions has undertaken an acreage protection program by acquiring the rights to surrounding properties to minimize or eliminate the effects of drainage.

ATCO Australia

ATCO Australia consists of three distinct business operations: ATCO Gas Australia, ATCO Power Australia and ATCO I-Tek Australia.

REVENUES

Revenues in ATCO Australia were $261 million for 2013, which were $10 million higher than 2012. For the year, the growth was driven by increased customer rates from ATCO Gas Australia's appeal decision received in June 2012, continued growth in rate base, and the flow-through recovery of carbon taxes instituted in July 2012. This growth was partially offset by lower foreign exchange rates over the course of the year.

Revenues in the fourth quarter were $62 million, which were $2 million lower than same quarter in 2012.This decrease reflects the impact of lower foreign exchange rates, partially offset by continued growth in rate base in ATCO Gas Australia.

ADJUSTED EARNINGS

Adjusted earnings for ATCO Australia are shown in the table below.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2013**	**2012**	**Change**	**2013**	**2012**	**Change**
ATCO Gas Australia	**6**	3	3	**19**	20	(1)
ATCO Power Australia	**4**	3	1	**11**	10	1
Other [(1)]	**(1)**	(2)	1	**(6)**	(7)	1
Total ATCO Australia	**9**	4	5	**24**	23	1

(1) *Other includes ATCO I-Tek Australia and ATCO Australia's corporate office.*

Adjusted earnings generated by ATCO Australia in 2013 were $24 million, which were $1 million, or 4%, higher than 2012. Continued growth in rate base in ATCO Gas Australia and higher power pool prices in ATCO Power Australia were the main contributors to this increase. For the fourth quarter, adjusted earnings were $9 million, which were $5 million higher than the same quarter of 2012, primarily due to growth in rate base in ATCO Gas Australia.

More detailed information about the activities and financial results of ATCO Australia is provided in the following sections.

ATCO GAS AUSTRALIA

ATCO Gas Australia is a regulated provider of natural gas distribution services in Western Australia. It serves metropolitan Perth and surrounding regions.

In 2013, ATCO Gas Australia realized lower adjusted earnings of $1 million. Adjusted earnings in 2012 included the results of the Access Arrangement appeal decision that included adjusted earnings of $4 million related to 2010 and 2011. Excluding this amount, adjusted earnings for 2013 would be $3 million higher than prior year, primarily the result of continued investment in utility infrastructure.

ATCO Gas Australia credit rating upgraded to "A-" (Stable) in 2013

For the fourth quarter of 2013, adjusted earnings were $3 million higher than the same period in 2012. Growth in rate base was the main driver for the increase.

Weather can significantly impact ATCO Gas Australia's earnings. Temperatures were warmer than normal for both 2012 and 2013. Actual Heating Degree Days (HDD) in 2013 were 534 compared to a historical normal of 649. In comparison, actual Heating Degree Days in 2012 were 555 compared to a historical normal of 649.

In November 2013, ATCO Gas Australia refinanced $450 million of Australian dollar facility at lower interest rates, extending its maturity from 2014 to 2018. The Company's ability to access capital markets at favourable rates was further enhanced in December 2013 when Standard and Poor's Ratings Services upgraded its credit rating for ATCO Gas Australia from “BBB” (Positive) to “A-” (Stable).

The combination of improved credit ratings and the re-financing of long-term debt at favourable rates will contribute to lower financing costs in future years.

ATCO POWER AUSTRALIA

ATCO Power Australia supplies electricity from three natural gas-fired generation plants in Adelaide, South Australia; Brisbane, Queensland; and Karratha, Western Australia. Additionally, the Bulwer Island plant in Brisbane provides cogeneration steam and the Osborne plant in Adelaide provides steam independent of the power plant through auxiliary boiler assets.

ATCO Power Australia increased adjusted earnings by $1 million for the year, compared to the same period of 2012. Higher power pool prices due to flooding in Queensland early in the year were the main reason for the increases. These improved earnings were partly offset by lower plant availability for a major planned maintenance outage at the Osborne plant in 2013. Adjusted earnings increased by $1 million for the fourth quarter, compared to the same period of 2012, primarily due to a favourable tax outcome.

Availability of the power generating plants can affect ATCO Power Australia's earnings. Availability fluctuates with the timing and duration of outages. Availability for all of 2013 was 94.5% compared to 98.2% in 2012, a decrease of 3.7%. The annual figures reflect the major planned outage at the Osborne plant in South Australia in the third quarter of 2013. For the fourth quarter of 2013, availability was 97.9% compared to 97.4% in the same quarter a year-ago, an increase of 0.5%.

ATCO Power Australia recorded an impairment of $1 million related to certain power generation assets in the fourth quarter of 2013. This impairment charge is related to deterioration in the financial position of a counter-party and is not included in adjusted earnings.

ATCO I-TEK AUSTRALIA

ATCO I-Tek Australia supplies information technology services mainly to ATCO Gas Australia and Dampier Bunbury Pipelines (DBP).

DBP has advised that the information technology services provided by ATCO I-Tek Australia will cease from March 10, 2014, and the services will transition to a new service provider under a handback plan, with full transition expected to be completed in late 2014.

ATCO AUSTRALIA BUSINESS RISKS

Weather Fluctuations

ATCO Gas Australia's financial results fluctuate with seasonal demand for natural gas and fluctuations in temperature. Temperature fluctuations are measured in HDD, which is defined as the difference between the average daily temperature and 18 degrees Celsius.

In a normal year, approximately 0% of HDD are experienced in January to March, 30% in April to June, 60% in July to September, and the remaining 10% in October to December. For every 10% that HDD are warmer or colder than normal, on an annual basis, the segment’s annual earnings are impacted by approximately $1 million.

Regulated Operations

ATCO Gas Australia is subject to the normal risks faced by regulated companies. These risks include the regulator's approval of customer rates that permit a reasonable and timely recovery of estimated service costs, including a fair return on rate base. These risks also include the potential for disallowance by the regulator of costs incurred. The ability to recover the actual costs of providing service and to earn the approved rates of return depends on achieving the forecasts established in the rate-setting process. The determination of a fair rate of return on the common equity component of rate base is an earnings and cash flow risk.

Measurement Inaccuracies in Metering Facilities

Measurement inaccuracies can occur from time to time in ATCO Gas Australia’s metering facilities. Measurement adjustments are settled between parties and costs are recovered via tariff, based on a predetermined adjustment threshold in the ERA’s Access Arrangement for the Mid-West and South-West Gas Distribution System. The Access Arrangement also contains a cost pass-through mechanism for recovering any increases in gas commodity prices associated with these measurement adjustments.

There is a risk of disallowance of recovering a measurement adjustment. This disallowance may occur if the measurement adjustment exceeds the predetermined threshold of adjustment; however, current levels are tracking below the threshold.

Pipeline Integrity

ATCO Gas Australia has significant pipeline infrastructure. Although the probability of a pipeline rupture is very low, the consequence of a failure can be severe. Programs are in place to monitor the integrity of the pipeline infrastructure and replace pipelines as required.

Generating Plant Operating Risk

ATCO Power Australia’s generating plants are exposed to operational risks which may cause outages due to issues such as boiler, turbine, and generator failures. To reduce this risk, a proactive maintenance program is regularly carried out with scheduled outages for major overhauls and other maintenance. ATCO Power Australia also carries property and business interruption insurance to protect against the risk of extended outages.

Environmental Matters

In July 2012, federal legislation came into effect to regulate carbon emissions. The legislation introduced a carbon tax for approximately 500 of the largest emitters in Australia. ATCO Power Australia’s generating plants are regulated by this new legislation. All of its generating plants have long-term contractual PPAs allowing full recovery of the direct costs of complying with this new legislation. ATCO Power Australia reviewed these contractual provisions with its customers and has come to agreement on the method and timing of recovering these costs.

ATCO Gas Australia’s gas distribution system is also regulated by the new carbon emissions regulations since its unaccounted for gas is classified as fugitive emissions. A provision in the Access Arrangement allows ATCO Gas Australia to pass on any cost associated with this legislation to end-use customers. ATCO Gas Australia is collecting the tax as a component of customer tariffs.

Corporate & Other

The Corporate & Other segment includes ATCO I-Tek and commercial real estate the Company owns in Alberta. ATCO I-Tek develops, operates and supports information systems and technologies, and also provides billing services, payment processing, credit, collection, and call centre services.

Adjusted earnings for the Corporate & Other segment for the full year of 2013 decreased by $2 million, compared to the 2012 period.

ATCO I-TEK

ATCO I-Tek has a contract with Direct Energy to provide billing and call centre services for its regulated retail and competitive energy supply businesses in Alberta. Direct Energy has advised it intends to move these services to a new service provider when the contract expires on December 31, 2014. Earnings from the existing contract with Direct Energy will continue to the end of 2014.

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Adjusted earnings are earnings attributable to Class I and Class II Share owners 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 day-to-day operations.

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

The following table reconciles adjusted earnings to earnings attributable to Class I and Class II Shares.

($ millions) — **Three Months Ended December 31**

2013 / 2012	Structures & Logistics	Utilities	Energy	ATCO Australia	Corporate & Other	Intersegment Eliminations	Total
Revenues	**262**	**572**	**255**	**62**	**66**	**(53)**	**1,164**
	265	511	244	64	60	(64)	1,080
Adjusted earnings	**22**	**50**	**15**	**9**	**-**	**1**	**97**
	36	48	17	4	(3)	-	102
Gain and loss on asset sales	**(2)**	**-**	**-**	**-**	**-**	**-**	**(2)**
	-	-	-	-	-	-	-
Impairments	**-**	**-**	**(24)**	**(1)**	**-**	**-**	**(25)**
	-	-	-	-	-	-	-
Adjustments for rate-regulated activities	**-**	**6**	**-**	**(3)**	**-**	**(2)**	**1**
	-	(1)	-	(1)	-	(2)	(4)
Earnings attributable to Class I and Class II Shares	**20**	**56**	**(9)**	**5**	**-**	**(1)**	**71**
	36	47	17	3	(3)	(2)	98

($ millions) — **Year Ended December 31**

2013 / 2012	Structures & Logistics	Utilities	Energy	ATCO Australia	Corporate & Other	Intersegment Eliminations	Total
Revenues	**1,004**	**2,040**	**1,017**	**261**	**241**	**(204)**	**4,359**
	1,004	1,844	882	251	237	(206)	4,012
Adjusted earnings	**96**	**179**	**80**	**24**	**10**	**1**	**390**
	114	148	72	23	12	1	370
Gain and loss on asset sales	**54**	**-**	**-**	**-**	**-**	**-**	**54**
	-	-	-	-	-	-	-
Impairments	**-**	**-**	**(24)**	**(1)**	**-**	**-**	**(25)**
	-	-	-	-	-	-	-
Adjustments for rate-regulated activities	**-**	**7**	**-**	**(4)**	**-**	**(4)**	**(1)**
	-	14	-	(9)	-	(5)	-
Earnings attributable to Class I and Class II Shares	**150**	**186**	**56**	**19**	**10**	**(3)**	**418**
	114	162	72	14	12	(4)	370

GAIN AND LOSS ON ASSET SALES

In September 2013, ATCO Structures & Logistics sold its 50% interest in Tecno Fast ATCO, S.A. to its joint venture partner for cash proceeds of $124 million. The sale resulted in a gain of $88 million; the Company recognized earnings of $56 million after income taxes and non-controlling interests.

In November 2013, ATCO Structures & Logistics sold its non-core U.K. rental fleet assets for proceeds of $5 million cash, resulting in a loss of $2 million.

IMPAIRMENTS

The Company adjusted for impairments of its power generation assets in the U.K. and in Australia and natural gas gathering, processing and liquids extraction assets in Canada. In total, these impairments reduced earnings by $25 million.

ADJUSTMENTS FOR RATE-REGULATED ACTIVITIES

Rate-regulated accounting reduces earnings volatility because the Company defers the recognition of revenue when cash is received in advance of future expenditures and it recognizes revenue for recoverable costs incurred in advance of future billings to customers. Under IFRS, the Company records revenues when amounts are billed to customers and recognizes costs when they are incurred. The Company does not recognize their recovery until changes to customer rates are reflected in future customer billings.

Under rate-regulated accounting, the Company recognizes revenues from regulatory decisions that relate to current and prior periods when the decisions are received. Under IFRS, the Company recognizes those revenues when customer rates are changed and customers are billed.

Finally, under rate-regulated accounting, amounts relating to intercompany profits recognized in rate base by a regulator are not eliminated on consolidation. Under IFRS, however, intercompany profits are eliminated on consolidation. The Company then recognizes those profits in earnings when amounts are billed to customers over the life of the asset.

The adjustments made in rate-regulated accounting are shown in the following table.

($ millions)	Three Months Ended December 31 2013	2012	Change	Year Ended December 31 2013	2012	Change
Additional revenues billed in current period						
Future removal and site restoration costs	**4**	5	(1)	**21**	18	3
Retirement benefits	**-**	2	(2)	**2**	7	(5)
Finance costs on major transmission capital projects	**6**	3	3	**21**	14	7
Transmission capital deferral (1)	**-**	3	(3)	**-**	14	(14)
Other	**(4)**	1	(5)	**1**	2	(1)
Total	**6**	14	(8)	**45**	55	(10)
Revenues to be billed in future period						
Deferred income taxes (2)	**(11)**	(13)	2	**(39)**	(27)	(12)
Transmission access payments (3)	**(5)**	(3)	(2)	**(25)**	(11)	(14)
Transmission capital deferral (1)	**(1)**	-	(1)	**(7)**	-	(7)
Impact of warmer temperatures on revenues	**3**	5	(2)	**-**	(1)	1
Impact of inflation on rate base for ATCO Gas Australia	**(4)**	(2)	(2)	**(8)**	(7)	(1)
Other	**(2)**	(5)	3	**(7)**	(9)	2
Total	**(20)**	(18)	(2)	**(86)**	(55)	(31)
Regulatory decisions related to current and prior periods						
Transmission access payments recoveries (3)	**16**	5	11	**35**	21	14
ATCO Gas Australia appeal decision (4)	**3**	3	-	**5**	(2)	7
Weather recoveries (refunds) (5)	**-**	2	(2)	**2**	(4)	6
Other	**(2)**	(8)	6	**4**	(8)	12
Total	**17**	2	15	**46**	7	39
Elimination of intercompany profits related to the construction of property, plant and equipment and intangible assets	**(2)**	(2)	-	**(6)**	(7)	1
Total adjustments	**1**	(4)	5	**(1)**	-	(1)

Notes:

(1) Transmission capital deferral

For major transmission capital projects, ATCO Electric's billings to the AESO include a return on forecast rate base. When actual capital costs vary from forecast capital costs, the return on rate base, and the resulting billings to the AESO, will be higher or lower than expected. Under rate-regulated accounting, differences between billings to the AESO and the return on actual rate base are deferred for future recovery or refund. Recoveries from or refunds to the AESO of variances between forecast and actual returns on rate base are expected to occur in subsequent years.

On September 24, 2013, the AUC issued ATCO Electric's 2013/2014 Transmission GTA Decision. The transmission capital deferrals reflect the outcome of this decision. The interim rates approved in this decision are consistent with the final rates, which are expected to be approved by the AUC in the second quarter of 2014. However, the decision reduced 2013's forecast capital expenditures for AESO direct-assigned projects by approximately $385 million; true-ups of these project expenditures will occur in future periods through ATCO Electric's annual deferral account applications.

(2) Deferred income taxes

Deferred income taxes are a non-cash expense incurred by the Company for temporary differences between the book value and tax value of assets and liabilities. Unless directed by the regulator, deferred income taxes are not billed to customers until income taxes are paid by the Company. The change in deferred income taxes for the year ended December 31, 2013, relates to the timing of settling deferred tax balances as well as higher temporary timing differences that are deductible for income tax purposes.

(3) Transmission access payments and recoveries from customers

Transmission access payments are billed to customers by ATCO Electric on a forecast basis; payments are expensed when incurred. Under rate-regulated accounting, differences between actual costs incurred and forecast costs billed to customers are deferred for collection from or refund to customers in future periods. In 2013 and 2012, actual payments for transmission access paid by ATCO Electric exceeded forecast costs included in billings to customers. These excess costs are subsequently recovered from customers.

(4) ATCO Gas Australia's appeal decision

In June 2012, the Australian Competition Tribunal (ACT) issued a decision on ATCO Gas Australia's appeal of an earlier Economic Regulation Authority (ERA) decision for the 2010 to 2014 Access Arrangement. The ERA subsequently amended its decision. As a result, ATCO Gas Australia recorded adjusted earnings of $5 million in the second quarter of 2012 for the period from January 1, 2010, to June 30, 2012. The remaining $4 million will be recognized in adjusted earnings over the remaining period of the Access Arrangement to June 30, 2014. These earnings are recognized under IFRS when customers are billed over the remaining 24 months of the Access Arrangement starting in July 2012.

(5) Weather

ATCO Gas' customer rates are based on a forecast of normal temperatures. Temperature fluctuations may result in more or less revenue being recovered from customers than forecast. Under rate-regulated accounting, revenues above or below the norm are deferred and refunded to or recovered from customers in future periods. In 2013, amounts were recovered from customers as revenues in 2012 were lower than forecast due to warmer weather. In 2012, amounts were refunded to customers as revenues in 2011 were higher than forecast due to colder weather.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the three months and year ended December 31, 2013 and 2012 is given below.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2013**	**2012**	**Change**	**2013**	**2012**	**Change**
Operating costs	**709**	670	39	**2,649**	2,442	207
Earnings from investment in joint ventures	**(30)**	7	(37)	**(9)**	28	(37)
Depreciation, amortization and impairment	**157**	125	32	**530**	471	59
Interest expense	**79**	72	7	**285**	272	13
Income taxes	**55**	50	5	**251**	202	49

OPERATING COSTS

Operating costs increased by $39 million, or 6%, in the fourth quarter of 2013 and by $207 million, or 8%, for the full year. Higher expenses resulted from increased coal supply costs in the Company's power generation operations of ATCO Power, higher costs for shrinkage gas purchased in the Company's NGL extraction operations in ATCO Energy Solutions and higher franchise fees paid to municipalities in ATCO Gas. These costs are flowed through to customers resulting in no material impact to adjusted earnings.

In addition, there were increased labour and materials costs in ATCO Structures & Logistics as a result of increased modular structures activity in North America, and higher labour costs in ATCO Electric primarily due to an increase in the number of employees to support higher business activity. Costs relating to a PPA arbitration decision in ATCO Power were recorded in the first quarter of 2013.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

The company recorded an impairment of its power generation assets in the U.K. in the fourth quarter of 2013. Because this joint arrangement in the U.K. is equity accounted, the impairment was recognized as a reduction in earnings from investment in joint ventures.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment expense for the last three months of 2013 rose by $32 million, or 26%, and for the year by $59 million, or 13%. The increased expense was mainly the result of higher capital investments in the Utilities. In addition, the Company recorded impairments of natural gas gathering processing and NGL extraction assets in Canada and power generation assets in Australia in the fourth quarter of 2013.

INTEREST EXPENSE

Interest expense increased by $7 million, or 10%, in the fourth quarter of 2013 and by $13 million, or 5%, for the full year. Higher expenses resulted from incremental debt financing undertaken in 2012 and 2013 to fund the Utilities' significant capital expenditure program.

INCOME TAXES

Income taxes rose by $5 million, or 10%, in the fourth quarter of 2013 and $49 million, or 24%, for the full year of 2013. Higher earnings before income taxes and income taxes associated with the gain on sale of Tecno Fast ATCO S.A. in the third quarter of 2013 were the main contributors to the increased expense.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position is supported by regulated utility and long-term contracted operations. Its business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and the debt and preferred share capital markets. An additional source of capital is the Class A non-voting shares Canadian Utilities issues under its DRIP.

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

LINES OF CREDIT

At December 31, 2013, the Company and its subsidiaries had the following lines of credit:

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,603**	597	2,006
Uncommitted	**73**	3	70
Total	**2,676**	600	2,076

Of the $2,676 million in total credit lines, $73 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,603 million in credit lines were committed, with $676 million maturing in 2015. The remainder matures between 2016 and 2018. These credit lines may be extended at the option of the lenders.

The majority of the $600 million of credit line usage was associated with ATCO Gas Australia. Credit lines for ATCO Gas Australia are provided by Australian banks. The majority of all other credit lines are provided by Canadian banks.

CONSOLIDATED CASH FLOW

At December 31, 2013, the Company's cash position was $741 million, an increase of $271 million compared to 2012. Major movements are outlined in the following table:

		Three Months Ended December 31			**Year Ended December 31**	
($ millions)	**2013**	**2012**	**Change**	**2013**	**2012**	**Change**
Proceeds from funds generated by operations	**487**	463	24	**1,869**	1,636	233
Cash used for capital expenditures	**(810)**	(750)	(60)	**(2,518)**	(2,487)	(31)
Proceeds from issuance of long-term debt	**225**	265	(40)	**900**	965	(65)
Proceeds from issuance of equity preferred shares	**-**	-	-	**400**	-	400
Dividends to Class I and Class II Share owners	**(21)**	(18)	(3)	**(86)**	(75)	(11)
Proceeds from sale of Tecno Fast ATCO S.A, net of income taxes paid	**(15)**	-	(15)	**109**	-	109
Other	**(141)**	(9)	(132)	**(403)**	(301)	(102)
Increase/(decrease) in cash	**(275)**	(49)	(226)	**271**	(262)	533

Funds generated by operations

Funds generated by operations for the 2013 fourth quarter and full year were $24 million and $233 million higher, respectively, than the 2012 periods. The gains reflected stronger earnings from continued growth in utility capital investment, as well as increased contributions from ATCO Electric customers for capital expenditures and higher realized power pool prices, for the first three quarters of 2013, in ATCO Power.

Capital expenditures

Capital expenditures for the three months and year ended December 31, 2013 and 2012, are shown in the following table.

($ millions) [1]	Three Months Ended December 31 2013	2012	Change	Year Ended December 31 2013	2012	Change
Structures & Logistics	**26**	35	(9)	**116**	199	(83)
Electric Transmission	**379**	416	(37)	**1,355**	1,345	10
Electric Distribution	**177**	124	53	**408**	387	21
Gas Distribution	**74**	83	(9)	**268**	323	(55)
Pipeline Transmission	**60**	25	35	**147**	87	60
Energy	**26**	21	5	**68**	42	26
ATCO Australia	**25**	28	(3)	**89**	74	15
Corporate & Other	**43**	18	25	**67**	30	37
Total	**810**	750	60	**2,518**	2,487	31

(1) *Includes additions to property, plant and equipment and intangibles as well as $14 million and $65 million (2012 - $13 million and $50 million) of interest capitalized during construction for the three months and year ended December 31, 2013, respectively.*

Cash used for capital expenditures increased by $31 million in the year and by $60 million for the fourth quarter of 2013 compared to the same prior year periods. The Utilities spent $2.2 billion in 2013 compared to $2.1 billion in 2012, primarily in the transmission operations of ATCO Electric. ATCO Structures & Logistics expenditures decreased from $199 million in 2012 to $116 million in 2013 because of reduced fleet additions as well as land purchases in Australia in 2012.

Debt and preferred shares issuances

In order to take advantage of favourable market conditions and fund significant capital investments in 2013, the Company's subsidiaries issued $900 million of long term debt and $400 million of Cumulative Redeemable Second Preferred Shares.

The Company's subsidiary, CU Inc. issued the following long-term debt:

Issuance	Date	Amount ($ millions)	Coupon Rate (%)	Maturity
Issuance [1]	September 9, 2013	**600**	4.722%	September 9, 2043
Issuance [1]	September 18, 2013	**75**	4.855%	September 18, 2063
Issuance [1]	November 7, 2013	**225**	4.558%	November 7, 2053
Total		**900**		

(1) *Issuance under the CU Inc. base shelf prospectus.*

The Company's subsidiary, Canadian Utilities issued the following Cumulative Redeemable Second Preferred Shares.

Issuance	Date	Series	Amount ($ millions)	Dividend Rate
Issuance [1]	March 19, 2013	CC	**175**	4.50%
Issuance [1]	May 15, 2013	DD	**225**	4.50%
Total			**400**	

(1) *Issuance under the Canadian Utilities Limited base shelf prospectus.*

Base Shelf Prospectuses

CU Inc. Debentures

On June 11, 2012, the Company's subsidiary, CU Inc., filed a base shelf prospectus that permits it to issue up to an aggregate of $2.6 billion of debentures over the 25-month life of the prospectus. As of February 19, 2014, aggregate issuances of debentures were $1.8 billion.

Canadian Utilities Debt Securities and Preferred Shares

On September 12, 2011, the Company's subsidiary, Canadian Utilities, filed a base shelf prospectus that permitted it to issue up to an aggregate of $2 billion of debt securities and preferred shares over the 25-month life of the prospectus. The prospectus expired on November 11, 2013, with aggregate issuances of debentures and preferred shares totaling $1.2 billion.

On December 4, 2013, Canadian Utilities filed a new base shelf prospectus that permits it to issue up to an aggregate of $2 billion of debt securities and preferred shares over the 25-month life of the prospectus. No debt securities or preferred shares have been issued to date under this base shelf prospectus.

Dividends and Common Shares

Dividends to Class I and Class II Share owners in 2013 totaled $86 million, an increase of $11 million over 2012. In 2013, the quarterly dividend on the Class I and Class II Shares was raised by 2.375 cents to 18.75 cents per share. On January 9, 2014, the Board of Directors declared a first-quarter dividend of 21.5 cents per share, a 15% increase over the 18.75 cents per share paid in each of the previous four quarters. ATCO Ltd. has increased its common share dividend paid each year since 1993. The payment of any dividend is at the discretion of the Board of Directors and depends on the Company's financial condition and other factors.

15% increase in quarterly dividend for third consecutive year

On March 1, 2012, ATCO Ltd. commenced a normal course issuer bid for the purchase of up to 3,053,554 of the outstanding Class I Shares. The bid expired on February 28, 2013. From March 1, 2012, to February 28, 2013, 521,800 shares were purchased, all of which were purchased in 2012.

On March 1, 2013, ATCO Ltd. commenced a new normal course issuer bid for the purchase of up to 2,027,314 of the outstanding Class I Shares. The bid expires on February 28, 2014. From March 1, 2013, to December 31, 2013, 62,000 shares were purchased.

Canadian Utilities Dividend Reinvestment Plan

In the fourth quarter of 2013, Canadian Utilities issued 975,081 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $35 million. ATCO Ltd. elected to receive 701,132 Class A non-voting shares in lieu of cash dividends of $25 million, thereby maintaining its 53.1% ownership interest in Canadian Utilities.

During the year, Canadian Utilities issued 3,726,965 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $134 million. ATCO Ltd. elected to receive 2,789,988 Class A non-voting shares in lieu of cash dividends of $100 million.

SHARE CAPITAL

ATCO Ltd.'s equity securities consist of Class I Shares and Class II Shares.

At February 18, 2014, the Company had outstanding 101,474,832 Class I Shares, 13,648,896 Class II Shares, and options to purchase 844,500 Class I Shares.

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 Ltd.'s stock option plan, 2,954,900 Class I Shares were available for issuance at December 31, 2013. 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.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Board of Directors (Board) is responsible for understanding the principal risks of the business in which the Company is engaged. The Board also must achieve a prudent balance between risks incurred and the potential return to share owners. It must confirm controls are in place that effectively monitor and manage those risks for the Company's long-term viability.

The Board has established a Risk Review Committee, which reviews significant risks associated with future performance and growth. The committee also reviews lost opportunities identified by management that could materially affect the Company's ability to achieve its strategic or operational targets. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

The Company is exposed to changes in interest rates, commodity prices, and foreign currency exchange rates. The Energy segment is affected by the cost of natural gas, the price of natural gas liquids and the price of electricity in Alberta. In conducting its business, the Company may use various instruments, including forward contracts, swaps, and options, to manage the risks arising from fluctuations in exchange rates, interest rates, and commodity prices. All such instruments are used only to manage risk and not for trading purposes.

At December 31, 2013, the following derivative instruments were outstanding: interest rate swaps that hedge interest rate risk on the variable future cash flows associated with a portion of long-term debt and non-recourse long-term debt, forward power sales and forward gas purchases.

INTEREST RATE RISK

The interest rate risk faced by the Company is largely a result of its recourse and non-recourse long-term debt at variable rates as well as cash and cash equivalents. The Company has converted certain variable rate long-term debt and non-recourse long-term debt to fixed rate debt through interest rate swap agreements. At December 31, 2013, the Company had fixed interest rates, either directly or through interest rate swap agreements, on 97% (2012 – 98%) of total long-term debt and non-recourse long-term debt. Consequently, the exposure to fluctuations in future cash flows, with respect to debt, from changes in market interest rates was limited.

The Company's cash and cash equivalents include fixed rate instruments with maturities of generally 90 days or less that are reinvested as they mature. The Company has exposure to interest rate movements that occur beyond the term of maturity of the fixed-rate investments.

FOREIGN CURRENCY EXCHANGE RATE RISK

The Company's earnings from, and carrying values of, its foreign operations are exposed to fluctuations in exchange rates. This foreign exchange impact is partially offset by foreign-denominated financing and by hedging activities. Revenues and expenses in functional currencies other than Canadian dollars are translated at the average monthly rates of exchange during the period. Gains or losses on translation of the assets and liabilities of foreign operations are included in the foreign currency translation adjustment account in accumulated other comprehensive income in the 2013 Annual Financial Statements.

The Company is also exposed to transactional foreign exchange risk through transactions denominated in a foreign currency. The Company manages this risk through its policy of matching revenues and expenses in the same currency. When matching is not possible, the Company utilizes foreign currency forward contracts to manage the risk.

ENERGY COMMODITY PRICE RISK

The Company is exposed to energy commodity price risk in its power generation, NGL extraction, and natural gas storage operations. (Refer to the "Segmented Information – Energy" section for a description of this price risk).

CREDIT RISK

For cash and cash equivalents and accounts receivable, credit risk represents the carrying amount on the consolidated balance sheet. Cash and cash equivalents credit risk is reduced by investing in instruments issued by credit-worthy financial institutions and in federal government issued short-term instruments. Approximately 76% of the cash equivalents at December 31, 2013, was invested in Government of Canada treasury bills and certificates of deposit issued by Canadian financial institutions.

Derivative and lease receivable credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. The Company minimizes these risks by dealing with large, credit-worthy counterparties with established credit-approval policies.

The maximum exposure to credit risk is the carrying value of loans and receivables and derivative financial instruments. The Company does not have a concentration of credit risk with any counterparties, except for the lease receivables, which by their nature are with single counterparties. A significant portion of loans and receivables are from the Company's operations in Alberta, except for the lease receivable for the Karratha plant in Australia.

Accounts receivable credit risk is reduced by a large and diversified customer base and credit security such as letters of credit. The Utilities are also able to recover an estimate for doubtful accounts through approved customer rates and to request recovery through customer rates for any losses from retailers beyond the retailer security mandated by provincial regulations.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances and externally through bank borrowings and the issuance of long-term debt, non-recourse long-term debt and preferred shares. Commercial paper borrowings and short-term bank loans are used under available credit lines to provide flexibility in the timing and amounts of long-term financing. The Company has a policy not to invest any of its cash balances in asset-backed securities. At December 31, 2013, the Company's cash position was $741 million and there were available committed and uncommitted lines of credit of approximately $2.1 billion which can be utilized for general corporate purposes.

Contractual obligations for the next five years and thereafter are shown below.

		Payments Due by Period			
($ millions)	**Total**	**1 Year or Less**	**2-3 Years**	**4-5 Years**	**After 5 Years**
Accounts payable and accrued liabilities	921	921	-	-	-
Long-term debt	6,263	138	429	546	5,150
Non-recourse long-term debt	167	39	29	30	69
Interest expense	6,377	344	650	608	4,775
Operating leases (1)	193	46	69	42	36
Purchase obligations:					
Coal purchase contracts (2)	798	99	200	207	292
Operating and maintenance agreements (3)	976	180	301	291	204
Capital expenditures (4)	151	150	1	-	-
Derivatives (5)	11	10	1	-	-
Other	34	14	14	2	4
Total	15,891	1,941	1,694	1,726	10,530

(1) *Operating leases are comprised primarily of long-term leases for office premises and equipment.*

(2) *ATCO Power has long-term fixed price contracts to purchase coal for its coal-fired generating plants.*

(3) *ATCO Power has long-term service agreements with suppliers to provide operating and maintenance services at certain generating plants. ATCO Gas receives all required transmission service from NOVA Gas Transmission Ltd.*

(4) *Various contracts to purchase goods and services with respect to capital expenditures.*

(5) *Payments on outstanding derivatives have been estimated using rates in effect at December 31, 2013.*

FINANCING RISK

The Company's financing risk relates to the price volatility and availability of external financing to fund the capital expenditure program and refinance existing debt maturities. Financing risk is directly influenced by market factors. As financial market conditions change, these risk factors can affect the availability of capital and also the relevant financing costs.

To address this risk, the Company manages its capital structure to maintain strong credit ratings which allow continued ease of access to the capital markets. The Company also considers it prudent to maintain sufficient liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. This liquidity is generated by cash flow from operations, and supported by appropriate levels of cash and available committed credit facilities.

OTHER FINANCIAL INFORMATION

TRANSACTIONS WITH RELATED PARTIES

Effective July 1, 2012, ATCO Pipelines transferred ownership of its non-regulated Muskeg River Pipeline and certain land and water system assets to ATCO Energy Solutions. This transfer was a related party transaction by entities under common control and was accounted for at the carrying amount of $45 million. The Muskeg River Pipeline and land and water system assets were previously recognized in the Utilities segment and, from July 1, 2012, are recognized in the Energy segment.

OFF-BALANCE SHEET ARRANGEMENTS

ATCO Ltd. does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including, without limitation, the Company's liquidity and capital resources.

CONTINGENCIES

The Company can be party to a number of disputes and lawsuits in the normal course of business. The Company believes the ultimate liability arising from these matters will have no material impact on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The Company’s significant accounting estimates are described in Note 4 of the 2013 Annual Financial Statements, which are prepared in accordance with IFRS. The timely preparation of consolidated financial statements requires management to make judgments, estimates, and assumptions. These judgments may affect the application of policies on the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses.

Key variables used in the calculations, or changes to estimates, could cause actual results to differ from those estimates. The judgments could have a material impact on the Company’s financial position or performance. Management uses current economic conditions to develop these assumptions and these assumptions are reviewed on an on-going basis.

ACCOUNTING CHANGES NOT YET ADOPTED

Certain new or amended standards or interpretations issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) do not have to be adopted in the current period. The Company has not early adopted these standards or interpretations, except for IAS 36 Impairment of Assets. The standards which the Company anticipates will have a material effect on the consolidated financial statements or note disclosures are described below:

IFRS 9 Financial Instruments addresses, in its two finalized phases, the classification and measurement of financial assets and financial liabilities and hedge accounting, replacing the parts currently found in IAS 39 Financial Instruments: Recognition and Measurement. In the third and final outstanding phase of this standard, the IASB will address impairment of financial assets. The Company will quantify the effect when the final standard, including all phases, is issued.

There are no other standards or interpretations issued, but not yet effective, that the Company anticipates will have a material effect on the consolidated financial statements once adopted.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2013, the Company's management evaluated the effectiveness of the Company's disclosure controls and procedures as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis. The controls also seek to assure this information is accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions on required disclosure.

Management, including the CEO and the CFO, does not expect the Company's disclosure controls and procedures will prevent or detect all errors. The inherent limitations in all control systems are that they can provide only reasonable, not absolute, assurance that all control issues and instances of error, if any, within the Company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures were effective at December 31, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As of December 31, 2013, management evaluated the effectiveness of the Company's internal control over financial reporting as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable assurance regarding the reliability of financial statement preparation and may not prevent or detect all misstatements.

Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting was effective at December 31, 2013.

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on October 1, 2013, and ended on December 31, 2013, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital. In management's opinion, funds generated by operations is a significant performance indicator of the Company's ability to generate cash during a period to fund capital expenditures without changes in non-cash working capital. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies.

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 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 this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 6 to the 2013 Annual Financial Statements.

FORWARD-LOOKING INFORMATION

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

ADDITIONAL INFORMATION

Canadian Utilities has published its audited consolidated financial statements and its MD&A for the year ended December 31, 2013. Copies of these documents may be obtained upon request from Investor Relations at 1500, 909 -11th Avenue S.W., Calgary, Alberta T2R 1N6, telephone 403-292-7500 or fax 403-292-7532.

GLOSSARY

Adjusted earnings means 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 day-to-day operations. Refer to the "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" section for a description of these items.

AESO means the Alberta Electric System Operator.

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

AUC means the Alberta Utilities Commission.

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

Carbon facility means ATCO Energy Solutions' natural gas storage facility located at Carbon, Alberta.

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

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

COLA means cost of living allowance.

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

CPI means Consumer Price Index.

DRIP means the dividend reinvestment plan (refer to the "Canadian Utilities Dividend Reinvestment Plan" section).

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

GAAP means Canadian generally accepted accounting principles.

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

Heating Degree Day is the difference between the average daily temperature and 18 degrees Celsius.

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

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

Mmcf/day means million cubic feet per day.

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

PBR means Performance Based Regulation.

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. PPAs are legislatively mandated and approved by the AUC.

Propane Plus means propane, butane, pentane and other hydrocarbons other than methane and ethane.

Shrinkage gas means the natural gas which is used to replace, on a heat equivalent basis, the NGL extracted during NGL extraction operations.

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.

Storage price differentials means seasonal differences (summer/winter) in the prices of natural gas.

U.K. means United Kingdom.

U.S. means United States of America.

APPENDIX 1
SUMMARY OF ACCOUNTING CHANGES

The effects on the Company's consolidated results of adopting IFRS 11 Joint Arrangements and amendments to IAS 19 Employee Benefits are described in detail in Note 5 to the 2013 Annual Financial Statements. The effects of these changes on the Company's segmented results are summarized in the tables below.

2012 CONSOLIDATED REVENUES AND EARNINGS RESTATED

($ millions)							**Three Months Ended December 31**
2012 Restated 2012 Previously Reported	**Structures & Logistics**	**Utilities**	**Energy**	**ATCO Australia**	**Corporate & Other**	**Intersegment Eliminations**	**Total**
Revenues	**265**	**511**	**244**	**64**	**60**	**(64)**	**1,080**
	344	511	254	80	60	(64)	1,185
Adjusted earnings	**36**	**48**	**17**	**4**	**(3)**	**-**	**102**
	36	48	17	4	(3)	-	102
Adjustments for rate-	**-**	**(1)**	**-**	**(1)**	**-**	**(2)**	**(4)**
regulated activities	-	(1)	-	(1)	-	(1)	(3)
Earnings attributable to	**36**	**47**	**17**	**3**	**(3)**	**(2)**	**98**
Class I and Class II Shares	36	47	17	3	(3)	(1)	99

($ millions)							**Year Ended December 31**
2012 Restated 2012 Previously Reported	**Structures & Logistics**	**Utilities**	**Energy**	**ATCO Australia**	**Corporate & Other**	**Intersegment Eliminations**	**Total**
Revenues	**1,004**	**1,844**	**882**	**251**	**237**	**(206)**	**4,012**
	1,257	1,844	928	305	237	(209)	4,362
Adjusted earnings	**114**	**148**	**72**	**23**	**12**	**1**	**370**
	115	148	72	23	12	2	372
Adjustments for rate-	**-**	**14**	**-**	**(9)**	**-**	**(5)**	**-**
regulated activities	-	14	-	(9)	-	(2)	3
Earnings attributable to	**114**	**162**	**72**	**14**	**12**	**(4)**	**370**
Class I and Class II Shares	115	162	72	14	12	-	375

2012 CONSOLIDATED CASH FLOW RESTATED

	Three Months Ended December 31, 2012			Year Ended December 31, 2012		
($ millions)	**Restated**	**Previously Reported**	**Change**	**Restated**	**Previously Reported**	**Change**
Cash position, beginning of period	**519**	547	(28)	**732**	755	(23)
Cash provided by						
Operating activities						
Funds generated by operations	**463**	479	(16)	**1,636**	1,689	(53)
Changes in non-cash working capital	**(31)**	(25)	(6)	**(104)**	(105)	1
Cash flow from operations	**432**	454	(22)	**1,532**	1,584	(52)
Investing activities	**(589)**	(594)	5	**(2,207)**	(2,223)	16
Financing activities	**105**	97	8	**414**	394	20
Foreign currency impact on cash balances	**3**	4	(1)	**(1)**	(2)	1
Cash position, end of period	**470**	508	(38)	**470**	508	(38)

APPENDIX 2
FOURTH QUARTER FINANCIAL INFORMATION

Financial information for the three months ended December 31, 2013 and 2012 are shown below.

CONSOLIDATED STATEMENT OF EARNINGS

	Three Months Ended December 31	
($ millions of Canadian Dollars except per share data)	**2013**	**2012**
Revenues	**1,164**	1,080
Costs and expenses		
Salaries, wages and benefits	**(181)**	(193)
Energy transmission and transportation	**(36)**	(31)
Plant and equipment maintenance	**(73)**	(66)
Fuel costs	**(90)**	(78)
Purchased power	**(20)**	(19)
Materials and consumables	**(160)**	(142)
Depreciation, amortization and impairment	**(157)**	(125)
Franchise fees	**(51)**	(48)
Property and other taxes	**(22)**	(23)
Other	**(76)**	(70)
	(866)	(795)
	298	285
Earnings from investment in joint ventures	**(30)**	7
Operating profit	**268**	292
Interest income	**3**	3
Interest expense	**(79)**	(72)
Net finance costs	**(76)**	(69)
Earnings before income taxes	**192**	223
Income taxes	**(55)**	(50)
Earnings for the period	**137**	173
Earnings attributable to:		
Class I and Class II Shares	**71**	98
Non-controlling interests	**66**	75
	137	173
Earnings per Class I and Class II Share	**$ 0.61**	$ 0.84
Diluted earnings per Class I and Class II Share	**$ 0.61**	$ 0.84

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended December 31	
($ millions of Canadian Dollars)	**2013**	**2012**
Operating activities		
Earnings for the period	**137**	173
Adjustments for:		
Depreciation, amortization and impairment	**157**	125
Earnings from investment in joint ventures	**30**	(7)
Dividends and distributions from joint ventures	**6**	9
Income taxes	**55**	50
Unearned availability incentives	**(14)**	16
Contributions by customers for extensions to plant	**69**	39
Amortization of customer contributions	**(13)**	(13)
Net finance costs	**76**	69
Income taxes paid	**(27)**	(19)
Other	**11**	21
	487	463
Changes in non-cash working capital	**-**	(31)
Cash flow from operations	**487**	432
Investing activities		
Additions to property, plant and equipment	**(759)**	(707)
Proceeds on disposal of property, plant and equipment	**8**	-
Additions to intangibles	**(37)**	(30)
Income taxes paid on sale of Tecno Fast ATCO S.A.	**(15)**	-
Changes in non-cash working capital	**(37)**	144
Other	**(7)**	4
	(847)	(589)
Financing activities		
Issue of long-term debt	**739**	407
Repayment of long-term debt	**(481)**	(143)
Repayment of non-recourse long-term debt	**(7)**	(6)
Issue (purchase) of Class I Shares	**(3)**	2
Dividends paid to Class I and Class II Share owners	**(21)**	(18)
Dividends paid to non-controlling interests in subsidiary company	**(37)**	(32)
Interest paid	**(102)**	(101)
Other	**(6)**	(4)
	82	105
Foreign currency translation	**3**	3
Cash position		
Decrease	**(275)**	(49)
Beginning of period	**1,016**	519
End of period	**741**	470