ATCO LTD.

FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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2014 THIRD QUARTER FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (the Company) during the nine months ended September 30, 2014.

This MD&A was prepared as of October 28, 2014, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2014. Additional information, including the Company's prior MD&As, the Annual Information Form (2013 AIF) and the audited consolidated financial statements for the year ended December 31, 2013, is available on SEDAR at www.sedar.com. Information contained in the 2013 MD&A is not discussed if it remains substantially unchanged.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, R.D. Southern. The Company includes controlling positions in Canadian Utilities Limited (53.2 per cent ownership) and in ATCO Structures & Logistics Ltd. (75.5 per cent 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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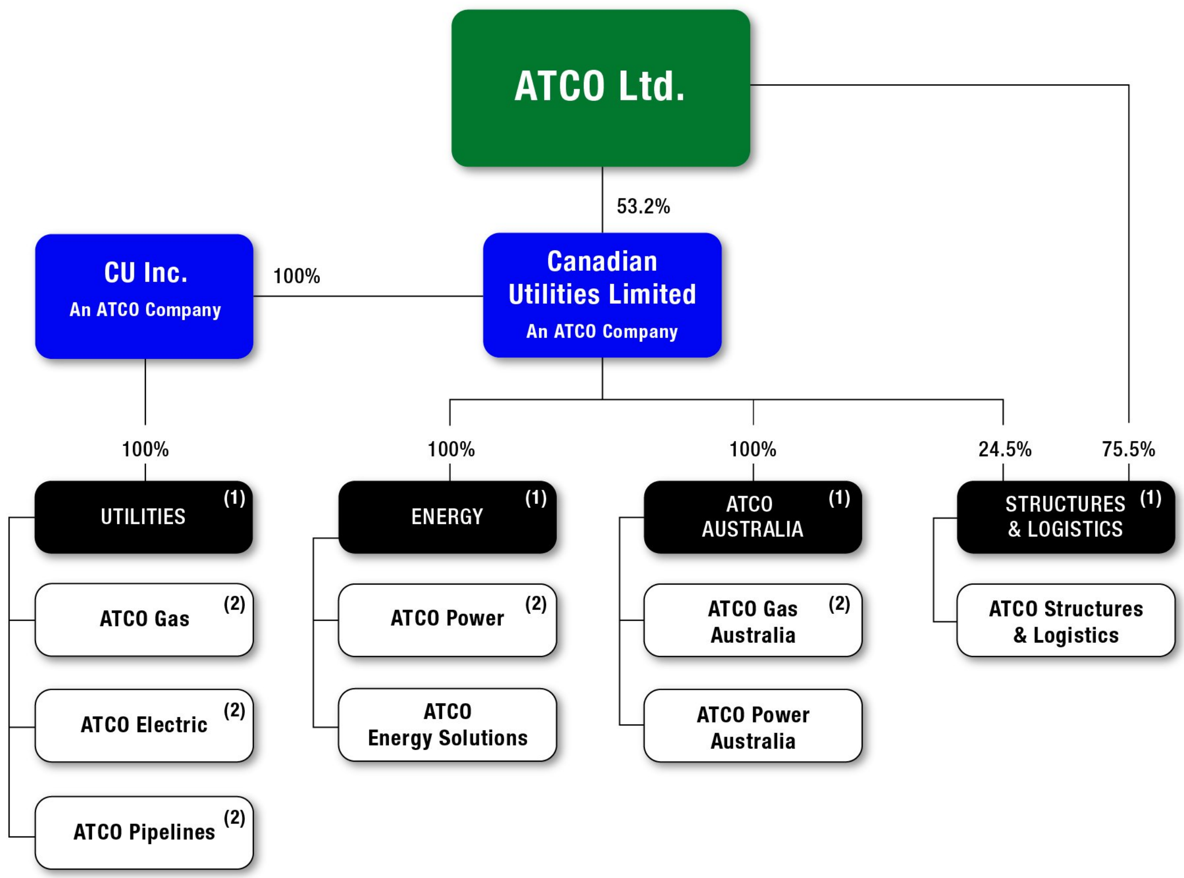
COMPANY OVERVIEW

With more than 9,000 employees and assets of approximately $18 billion, ATCO is a diversified global corporation delivering service excellence and innovative business solutions through leading companies engaged in Structures & Logistics (manufacturing, logistics and noise abatement), Utilities (pipelines, natural gas and electricity transmission and distribution) and Energy (power generation and sales, industrial water infrastructure, natural gas gathering, processing, storage and liquids extraction). More information can be found at www.atco.com.

The unaudited interim 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 53.2 per cent (39.2 per cent of the Class A non-voting shares and 88.2 per cent of the Class B common shares), and ATCO Structures & Logistics Ltd., of which ATCO Ltd. owns 75.5 per cent 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.

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 unit 5 and Sheerness generating plants of ATCO Power.

SIGNIFICANT DEVELOPMENTS IN THE THIRD QUARTER OF 2014

The following significant developments have occurred since the second quarter MD&A dated July 24, 2014. These events are discussed in more detail throughout this MD&A.

ATCO STRUCTURES & LOGISTICS

Alaska Radar System

ARCTEC Alaska, a joint venture between ATCO Structures & Logistics and ASRC Federal Primus, has been awarded a contract with the United States Department of the Air Force to continue providing operations and maintenance services to 15 strategic radar sites that form the Alaska Radar System. The 10-year contract, commencing in October 2016, continues a successful 19-year relationship and is valued at more than USD $340 million.

Oil Sands Lodge Management Contract

In October 2014, ATCO Structures & Logistics was awarded a contract to operate a 1,900-person lodge for a major exploration and production company in Canada. The lodge is scheduled to be fully operational in January 2015 and the value of the five-year contract is estimated at $150 million.

MEXICO

The Company has made a long-term commitment to Mexico, establishing an office in Mexico City in the third quarter of 2014 to pursue and evaluate business opportunities in Mexico's energy market. The Mexican government recently embarked on reform of its energy sector, thereby opening the door to foreign investment in power generation, electricity and natural gas transmission and distribution facilities. ATCO's growth strategy in Mexico is modeled after ATCO's existing Canadian and Australian operations, consisting of diverse yet complementary businesses. This investment in Mexico will be reported in the Corporate & Other Segment of the MD&A.

On October 9, 2014, the Company was awarded a long-term 25-year contract by the Comisión Federal De Electricidad (CFE) to design, build and operate a 16 kilometre natural gas pipeline near the town of Tula (located approximately 100 kilometres northwest of Mexico City) in the state of Hidalgo, Mexico. The project cost is estimated at USD $50 million and is expected to be in service in mid-2015.

On October 27, 2014, the Company and its partner Grupo Hermes S.A. de C.V. were selected by an affiliate of Mexico's state-owned petroleum company Pemex, PMX Cogeneracion S.A.P.I. de C.V., to commence the project development and approval process for a natural gas cogeneration plant at the Miguel Hidalgo refinery near the town of Tula in the state of Hidalgo, Mexico. Initial estimates value the capital investment of the proposed project at USD $820 million, of which the Company will be responsible for approximately half. Partnership approval is expected in 2015, with a commercial operation date in the second half of 2017.

ENERGY

Hydrocarbon Storage

ATCO Energy Solutions, in partnership with Petrogas Energy Corp., announced in September that it will develop four salt caverns for hydrocarbon storage. The total partnership investment is approximately $200 million. ATCO Energy Solutions has a 60 per cent partnership interest. The facility will be located at ATCO's Heartland Energy Centre near Fort Saskatchewan, Alberta, and will be built and operated by ATCO Energy Solutions. Commercial operation for two caverns is targeted for the second quarter of 2016, with two additional caverns to be completed by the second quarter of 2017. The majority of capacity has been secured under long-term arrangements.

INFORMATION TECHNOLOGY OUTSOURCING

In mid-August 2014, the Company completed the outsourcing of its information technology (IT) services to Wipro Ltd. (Wipro), a global information technology, consulting and business process services company. Wipro acquired all the shares of ATCO I-Tek, including current contracts and employees, as well as the assets of ATCO I-Tek Australia as part of the transaction. Proceeds of the sale were $204 million, resulting in a one-time after-tax gain of $74 million (after non-controlling interests). The sale is part of the Company's ongoing focus on the optimal allocation of capital across the ATCO Group. The proceeds from the sale are being redeployed to finance the Company's growth initiatives, including the significant capital expenditure program underway in the Utilities.

FINANCING

On September 5, 2014, CU Inc. a subsidiary of the Company, issued $1 billion of 4.085 per cent 30-year debentures, which represents the single largest issuance of debentures in the Company's history. In addition, on October 17, 2014, CU Inc. issued $200 million of 4.094 per cent 40-year debentures. Proceeds from these two issuances will be used to finance capital expenditures, to repay existing indebtedness, and for other general corporate purposes of the Utilities.

PERFORMANCE OVERVIEW

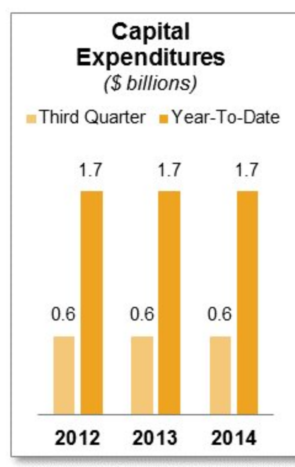
ADJUSTED EARNINGS

The Company's adjusted earnings for the third quarter of 2014 were $85 million compared to $84 million in the same period of 2013 - a $1 million increase. Primary drivers for these higher adjusted earnings were continued growth in rate base of the Utilities, partially offset by unfavourable market conditions in the Company's power generation business and lower earnings from the Structures & Logistics segment.

- **Utilities** - Adjusted earnings for the third quarter of 2014 were $49 million, a $17 million increase over the same period last year. The Company continues to make significant investment in utility infrastructure in Alberta, notably in electricity transmission facilities. The third quarter of 2014 included adjusted earnings from the impact of the Alberta Utilities Commission (AUC) 2014 Interim Rates Decisions, which approved increased interim Capital Tracker rates from 60 per cent to 90 per cent. The Decisions increased adjusted earnings of the distribution operations of ATCO Electric and ATCO Gas by $12 million for the period from the beginning of 2013 to the end of September 2014.
- **ATCO Power** - Adjusted earnings for the third quarter of 2014 were $11 million, a $9 million decrease compared to the same period last year. Alberta Power Pool prices and spark spreads were $64/MWh and $36/MWh, respectively, in the third quarter of 2014, compared to $84/MWh and $66/MWh, respectively, in the third quarter of 2013. These unfavourable market conditions, together with reduced price volatility, contributed to lower adjusted earnings.
- **ATCO Structures & Logistics** - Third quarter adjusted earnings were $17 million, $10 million lower than the same period a year ago. The earnings for this segment are significantly influenced by the cyclical nature of large natural resource project activity. Reduced year-over-year manufacturing activity and profit margins, combined with lower utilization of the workforce housing rental fleet, lower occupancy levels, and expiry of the Kandahar Airfield Logistics and Facility O&M Services contract in December 2013, resulted in lower quarter-on-quarter earnings. Results also reflect forgone earnings due to the sale of the Company's South American Modular Structures operations in September 2013.

CAPITAL EXPENDITURES

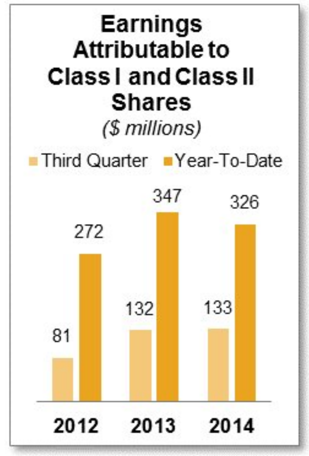
Total capital expenditures of $618 million in the third quarter and $1.7 billion in the first nine months of 2014 were comparable to the same periods of 2013. The Utilities accounted for $548 million of this quarter's capital spending, with the remaining $70 million spread across the Company's other business segments.



EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares increased by $1 million to $133 million in the third quarter of 2014.

A one-time gain of $74 million on the sale of the Company's IT services to Wipro was recorded in the third quarter of 2014. The third quarter of 2013 included a one-time gain of $56 million on the sale of ATCO's 50 per cent ownership interest in its South American joint venture, Tecno Fast ATCO S.A.



FINANCIAL METRICS

The following chart summarizes key financial metrics associated with the Company's financial performance. These highlights are discussed in more detail throughout this MD&A.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions, except per share data and outstanding shares)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Key Financial Metrics						
Adjusted earnings	**85**	84	1	**257**	293	(36)
Structures & Logistics	**17**	27	(10)	**41**	74	(33)
Utilities	**49**	32	17	**150**	129	21
Energy	**11**	20	(9)	**36**	65	(29)
ATCO Australia	**9**	5	4	**20**	15	5
Corporate & Other	**(1)**	–	(1)	**9**	10	(1)
Intersegment Eliminations	**–**	–	–	**1**	–	1
Earnings attributable to Class I and Class II Shares	**133**	132	1	**326**	347	(21)
Cash dividends declared per Class I and Class II Share ($)	**0.22**	0.19	0.03	**0.65**	0.56	0.09
Capital expenditures (including capitalized interest)	**618**	591	27	**1,723**	1,708	15
Other Financial Metrics *(restated for two-for-one share split)*						
Earnings per Class I and Class II Share ($):						
Basic	**1.16**	1.16	–	**2.84**	3.03	(0.19)
Diluted	**1.15**	1.15	–	**2.82**	3.01	(0.19)
Class I and Class II Shares outstanding *(thousands)*	**115,139**	115,179	(40)	**115,139**	115,179	(40)
Weighted average Class I and Class II shares outstanding *(thousands)*:						
Basic	**114,945**	114,829	116	**114,854**	114,799	55
Diluted	**115,542**	115,532	10	**115,479**	115,495	(16)

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 $239 million for the third quarter of 2014, which were $32 million lower than the same period in 2013. This decrease was mainly due to lower project activity, lower used fleet sales and the expiry of the Kandahar Airfield Logistics and Facility O&M Services contract in the fourth quarter of 2013, partly offset by revenues generated by the Wheatstone project in Western Australia.

For the nine months ended September 30, 2014, revenues were $712 million, which were $30 million lower than the same period in 2013. This decrease was mainly due to the expiry of the Kandahar Airfield Logistics and Facility O&M Services contract in the fourth quarter of 2013.

ADJUSTED EARNINGS

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Modular Structures	**19**	26	(7)	**53**	73	(20)
Logistics and Facility O&M Services	**3**	4	(1)	**9**	13	(4)
Lodging & Support Services	**4**	6	(2)	**8**	13	(5)
Other (1)	**(9)**	(9)	–	**(29)**	(25)	(4)
Total ATCO Structures & Logistics	**17**	27	(10)	**41**	74	(33)

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

Earnings for the three and nine months ended September 30, 2014, were lower than the same periods in 2013 due to reduced manufacturing activity and lower profit margins, reduced used fleet sales, lower workforce housing rental fleet utilization, lower occupancy levels, the expiry of the Kandahar Airfield Logistics and Facility O&M Services contract in the fourth quarter of 2013 and forgone earnings from the sale of the Company's interest in Tecno Fast ATCO S.A. in the third quarter of 2013.

More details on the business activities and financial results of the three largest divisions are provided in this segmented section.

MODULAR STRUCTURES

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 relocatable modular buildings. Space Rentals sells and leases mobile office trailers in various sizes and floor plans to suit customers' needs.

Modular Structures' adjusted earnings of $19 million and $53 million in the third quarter and nine months ended September 30, 2014, respectively, were $7 million and $20 million lower than the same periods in 2013.

The reduction in earnings quarter-over-quarter reflects lower manufacturing activity and lower profit margins earned in North America. In addition, the Company has forgone earnings from the South American Modular

Structures operations sold in September 2013. These decreases were partly offset by higher earnings in Australia from the Wheatstone project, which commenced late in the third quarter of 2013.

Lower adjusted earnings for the nine months ended September 30, 2014, reflect lower manufacturing activity, reduced profit margins and used fleet sales in North America, and forgone earnings from the sale of Tecno Fast ATCO S.A. in the third quarter of 2013.

The Company continues to monitor global business activity and invest in business development activities to pursue project opportunities.

Major Project Updates

Shell Carmon Creek Project

During the third quarter of 2014, ATCO Structures & Logistics continued to manufacture modular units for the $170 million contract to manufacture and install the 1,200-person workforce housing facility for the Shell Carmon Creek Project near the town of Peace River in northern Alberta. Manufacturing is progressing as planned and completion is scheduled for the second quarter of 2015.

Wheatstone Project

ATCO Structures & Logistics' $100 million Australian dollar contract to design, manufacture, transport and install 357 blast resistant modular units for the Wheatstone Project continues and is expected to be completed during the fourth quarter of 2014.

Jansen Potash Project

ATCO Structures & Logistics was contracted to design, manufacture, install and operate a 2,586-room workforce housing lodge at BHP Billiton's Jansen Potash Project, located 100 km north of Regina, Saskatchewan, valued at approximately $330 million. Construction continues on the second 2,086-room phase and is expected to be completed during the fourth quarter of 2014.

Rental Fleet Statistics

The following table compares ATCO Structures & Logistics' manufacturing hours and rental fleet for the third quarters of 2013 and 2014, restated for the 2013 divestiture of Tecno Fast ATCO S.A and the U.K. assets.

			Three Months Ended September 30			Nine Months Ended September 30
	2014	**2013**	**Change**	**2014**	**2013**	**Change**
North America						
Manufacturing hours *(thousands)*	**239**	297	(20%)	**736**	864	(15%)
Global Space Rentals						
Number of units	**13,130**	13,009	1%	**13,130**	13,009	1%
Utilization (%)	**76**	79	(3%)	**76**	78	(2%)
Average rental rate *($ per month)*	**609**	602	1%	**617**	623	(1%)
Global Workforce Housing						
Number of units	**3,105**	2,883	8%	**3,105**	2,883	8%
Utilization (%)	**77**	84	(7%)	**77**	84	(7%)
Average rental rate *($ per month)*	**2,432**	2,373	2%	**2,446**	2,399	2%

The decrease in manufacturing hours for the three and nine-month periods relates to lower project activity in North America. Utilization was lower in the third quarter of 2014 than the same period last year mainly due to a reduced demand for workforce housing primarily in Australia.

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.

Adjusted earnings were $1 million and $4 million lower in the third quarter and the first nine months of 2014, respectively, mainly as a result of the expiry in November 2013 of a contract to supply utilities support services at the Kandahar Airfield in Afghanistan.

Major Project Updates

Alaska Radar System

ARCTEC Alaska, a joint venture between ATCO Structures & Logistics and ASRC Federal Primus, has been awarded a contract with the United States Department of the Air Force to continue providing operations and maintenance services to 15 strategic radar sites that form the Alaska Radar System. The 10-year contract, commencing in October 2016, continues a successful 19-year relationship and is valued at more than USD $340 million.

10-year contract awarded with the United States Department of the Air Force

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 of $2 million and $5 million for the third quarter and first nine months of 2014, respectively. Lower occupancy levels and room rates at the Barge Landing Lodge and Creeburn Lake Lodge experienced towards the end of 2013 continued into 2014. This situation arose because of the increased supply of temporary lodging and camp facilities near Fort McMurray, Alberta.

Major Project Updates

Oil Sands Lodge Management Contract

In October 2014, ATCO Structures & Logistics was awarded a contract to operate a 1,900-person lodge for a major exploration and production company in Canada, located in Alberta's oil sands region. The lodge is scheduled to be fully operational in January 2015 and provide catering, housekeeping, janitorial and maintenance services for the accommodations facility which houses workers constructing a large oil sands project. The value of the five-year contract is estimated at $150 million.

Five-year Oil Sands Lodge Management contract awarded

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 $25 million higher in the third quarter and $177 million higher for the nine months ended September 30, 2014, compared to the prior year.

Increased revenues for the transmission operations of ATCO Electric are attributable to the significant ongoing capital investments in transmission infrastructure in Alberta.

The distribution operations of ATCO Gas and ATCO Electric recorded increased revenues, as the interim 2014 Performance Based Regulation (PBR) rates are higher than the interim 2013 PBR rates. In addition, revenues in the distribution operations of ATCO Gas increased as a result of higher transmission rates paid to the transmission services provider and higher franchise fees paid to municipalities, both of which are recovered from customers. Revenues also reflected increased capital investment in utility infrastructure, more customers and higher demand for energy largely resulting from colder weather.

ADJUSTED EARNINGS

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
ATCO Electric	**44**	35	9	**111**	94	17
ATCO Gas	**(1)**	(8)	7	**23**	21	2
ATCO Pipelines	**6**	5	1	**16**	14	2
Total Utilities	**49**	32	17	**150**	129	21

Adjusted earnings generated by the Utilities of $49 million in the third quarter of 2014 were $17 million higher than the $32 million achieved in the same period of 2013. For the nine months ended September 30, 2014, adjusted earnings were $21 million higher than the same period in 2013.

The distribution operations of ATCO Electric and ATCO Gas included incremental earnings from the AUC's 2014 Interim Rates Decisions. The Decisions approved recovery of increased interim rates from 60 per cent to 90 per cent of incremental Capital Tracker funding, pending final decisions expected in the first quarter of 2015. Adjusted earnings increased by $12 million in the third quarter of 2014 due to the AUC's 2014 Interim Rates Decisions.

An AUC decision for information technology and customer care and billing services (2010 Evergreen Decision), received in the second quarter of 2014, partially offset higher adjusted earnings for the nine months ended September 30, 2014. This decision covers the period 2010 to 2014, and earnings were reduced by $15 million for the period commencing January 2010 to the end of September 2014. Of this amount, only $1 million related to each of the three quarters of 2014 and $12 million related to prior periods. Without the prior-period amounts related to the 2010 Evergreen Decision, adjusted earnings were $162 million for the nine months ended September 30, 2014, an increase of $33 million over the prior period.

In addition, adjusted earnings in the third quarter of 2013 were higher by $7 million due to the impact of the 2013/2014 Transmission General Tariff Application (GTA) decision in ATCO Electric.

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, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), transmit and distribute electricity mainly in northern and central east Alberta, the Yukon and the 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 $44 million in the third quarter and $111 million in the first three quarters of 2014, an increase of $9 million and $17 million, respectively.

Strong year-over-year earnings are mainly from growth in rate base in transmission operations. The distribution operations benefited from more customers and higher demand for energy. Capital investment in ATCO Electric's distribution operations also generated higher earnings under the interim approved Capital Tracker rates. ATCO Electric received approval from the AUC to recover 90 per cent of its requested incremental capital funding on an interim basis for 2013 and 2014. The final decision on Capital Trackers is expected in the first quarter of 2015.

Adjusted earnings for the nine months ended September 30, 2014, included a $4 million reduction related to the prior-period impact of the 2010 Evergreen Decision. Furthermore, adjusted earnings for the three and nine months ended September 30, 2013, included $7 million to reflect the full impact of the 2013/2014 GTA.

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 ($1) million in the third quarter and $23 million in the first three quarters of 2014, an increase of $7 million and $2 million, respectively, over the prior periods. Increased earnings for the first three quarters of this year came from capital investment, more customers, higher demand and a reduction in pension plan contributions. ATCO Gas received approval from the AUC to recover 90 per cent of its requested incremental capital funding on an interim basis for 2013 and 2014; the final decision on Capital Trackers is expected in the first quarter of 2015.

Adjusted earnings for the nine months ended September 30, 2014, included a $7 million reduction related to the prior-period impact of the 2010 Evergreen Decision.

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 $6 million in the third quarter and $16 million in the first three quarters of 2014 resulting in an increase of $1 million and $2 million, respectively. These increases were mainly from growth in rate base.

Adjusted earnings for the nine months ended September 30, 2014, included a $1 million reduction related to the prior-period impact of the 2010 Evergreen Decision.

Urban Pipeline Replacement (UPR)

The capital investment to complete construction of ATCO Pipelines' AUC approved UPR project will re-commence in the fourth quarter of 2014. Construction will last approximately five years and 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 project will replace and relocate aging, high-pressure natural gas pipelines in densely populated areas of Calgary and Edmonton to address safety, reliability and future growth.

MAJOR CAPITAL EXPENDITURE PROJECT UPDATES

The Utilities continued with their major capital expenditure programs, investing a further $548 million in the third quarter of 2014. Total capital expenditures during the first nine months of 2014 were $1.6 billion, comparable to the same period of 2013. The transmission operations of ATCO Electric invested $329 million in the quarter and $961 million year-to-date. The Eastern Alberta Transmission Line (EATL) is the largest single project under construction. The EATL project spend was $230 million in the third quarter, bringing the total spend to date to $1.5 billion. The in-service-date has shifted from December 2014 into 2015 due to delays related to the completion of the converter stations. A new date will be established once updated construction schedules have been finalized and the commissioning of the project has been coordinated and agreed with the AESO. While the impact on the project cost will be determined once the re-scheduling has been finalized, the costs at this time are not expected to be materially different from the $1.8 billion previously forecasted. Amounts for the EATL project exclude interest during construction. The estimated total capital spend for the Utilities in 2014 remains at approximately $2 billion. The Company plans to invest $5.5 billion in capital expenditures in the Utilities segment during the period 2014 to 2016.

REGULATORY DEVELOPMENTS

Performance Based Regulation (PBR) Capital Tracker (K Factor) Applications

The K Factor applications are mechanisms included in the PBR regulatory model to allow the Company to recover capital expenditures that are not recoverable through the base PBR formula that meet certain criteria. In December 2013, the AUC approved the continued collection, on an interim basis, of 60 per cent of the applied-for incremental Capital Trackers for 2013 and 2014 as requested by ATCO Gas and ATCO Electric.

ATCO Electric and ATCO Gas re-filed their 2013 Capital Tracker Applications in the second quarter of 2014 as requested by the AUC. These re-filings came about as a result of an earlier decision that clarified the assessment process the AUC would follow to determine Capital Tracker funding. ATCO Electric and ATCO Gas also filed 2014 and 2015 Capital Tracker Applications in the second quarter of 2014 as requested by the AUC. Decisions from the AUC on the 2013, 2014 and 2015 Capital Tracker Applications are not expected until the first quarter of 2015. Meanwhile, ATCO Electric and ATCO Gas filed applications in the second quarter of 2014 for 100 per cent of the applied-for Capital Tracker rates on an interim basis. On October 24, 2014, the AUC approved 90 per cent of the applied-for Capital Tracker rates on an interim basis.

2012 Deferral Account Application

On October 2, 2014, the AUC issued its Decision on ATCO Electric Transmission’s 2012 Deferral Account Application. The Application included $585 million of expenditures for the 22 direct-assigned AESO projects that went into service in 2012, including $230 million for the North Fort McMurray Transmission Development. One $25 million project was removed from the Application and will be tested as part of a future proceeding. The Decision fully approved all costs into rate base and confirmed ATCO Electric’s prudent management of its capital projects.

Alberta System Integration

ATCO Pipelines and Nova Gas Transmission Ltd. (NGTL) entered into an agreement with respect to natural gas transmission service that will allow ATCO Pipelines and NGTL to utilize their physical assets under a single rates and services structure with a single commercial interface for Alberta customers. This integration will end duplicate tolling and operational activities and result in more efficient regulatory processes.

The AUC issued a decision on May 27, 2010, approving the integration, subject to subsequent applications to address (i) the transition of ATCO Pipelines' customers to NGTL, and (ii) the swap of assets between ATCO Pipelines and NGTL in order to establish distinct operating areas.

Commercial integration and the transition of customers took place on October 1, 2011, following AUC approval. On November 22, 2012, the AUC issued a decision approving the asset swap between ATCO Pipelines and NGTL in order to establish distinct operating areas. On October 16, 2014, the National Energy Board issued an order approving the asset swap between ATCO Pipelines and NGTL. The asset transfers will commence in 2015 and are expected to be completed over a two-year period.

Energy

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

REVENUES

Energy segment revenues of $247 million for the third quarter and $772 million for the nine months ended September 30, 2014, were $21 million and $10 million higher, respectively, than the same periods of 2013. ATCO Energy Solutions' revenues for the third quarter and nine months ended September 30, 2014, increased mainly as a result of higher flow-through natural gas sales at one of its natural gas liquids (NGL) extraction facilities. Partly offsetting this increase were lower revenues in ATCO Power as a result of lower realized Alberta Power Pool prices.

ADJUSTED EARNINGS

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

	Three Months Ended September 30			Nine Months Ended September 30		
	2014	**2013**	**Change**	**2014**	**2013**	**Change**
ATCO Power						
Independent Power Plants	**7**	12	(5)	**14**	42	(28)
Regulated Power Plants	**4**	8	(4)	**16**	25	(9)
Total ATCO Power	**11**	20	(9)	**30**	67	(37)
ATCO Energy Solutions						
Storage Operations	**(1)**	–	(1)	**3**	2	1
NGL Extraction and Gas Gathering & Processing	**1**	5	(4)	**6**	5	1
Other Operations	**–**	(5)	5	**(3)**	(9)	6
Total ATCO Energy Solutions	**–**	–	–	**6**	(2)	8
Total Energy	**11**	20	(9)	**36**	65	(29)

Adjusted earnings generated by the Energy segment in the three and nine months ended September 30, 2014, were $11 million and $36 million, respectively. Adjusted earnings for the third quarter and the nine months ended September 30, 2014, in the power generation business were significantly lower than the prior year primarily as a result of lower realized Alberta Power Pool prices and spark spreads.

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 regulated and non-regulated supply of electricity from natural gas, coal-fired and hydroelectric generating plants in western Canada, Ontario and the U.K. Of the 1,806 MW of Company-owned natural gas and coal-fired plant capacity in Alberta, 734 MW is merchant capacity. Volatility in Alberta Power Pool prices and average spark spreads affects the results of this merchant capacity.

Adjusted earnings from both independent and regulated power plants were significantly lower in the three and nine months ended September 30, 2014, compared to the same periods of 2013.

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the three and nine months ended September 30, 2014 and 2013, are shown in the table below.

	Three Months Ended September 30			Nine Months Ended September 30		
	2014	**2013**	**Change**	**2014**	**2013**	**Change**
Average Alberta Power Pool electricity price *($/MWh)*	**64.33**	83.61	(23%)	**55.80**	90.66	(38%)
Average natural gas price *($/GJ)*	**3.81**	2.32	64%	**4.51**	2.90	56%
Average spark spread *($/MWh)*	**35.75**	66.19	(46%)	**21.97**	68.91	(68%)

In the third quarter of 2014, Alberta Power Pool prices were 23 per cent lower and volatility also decreased due to the increased availability of coal-fired generation in Alberta. The lower Alberta Power Pool prices, combined with natural gas prices that were 64 per cent higher, resulted in a 46 per cent reduction in spark spreads for the third quarter, which affected earnings from the Company's natural gas-fired generation.

Earnings from the regulated power plants, which are governed by Power Purchase Arrangements (PPA), were lower in the three and nine months ended September 30, 2014. The expiry of the PPA at the Battle River units 3 and 4 at the end of December 2013 resulted in the transfer of 295 MW of capacity to independent power plants at the beginning of this year.

Lower earnings from independent and regulated power plants also reflected continued investment in business development which supports a new commercial and industrial sales program as well as the pursuit of various project opportunities.

The availability of the generating plants by geographic region for the third quarter and first nine months are shown below. Generating plant availability was higher as compared to the same period last year, due to planned outages in the third quarter of 2013.

	Three Months Ended September 30			Nine Months Ended September 30		
	2014	**2013**	**Change**	**2014**	**2013**	**Change**
Independent Power Plants Canada and U.K.	**97%**	96%	1%	**96%**	94%	2%
Regulated Plants Canada	**97%**	87%	10%	**96%**	92%	4%

Environmental Matters

On October 8, 2014, ATCO Power received confirmation from the Alberta Government that the Company will not be required to decommission and reclaim the reservoir and dam at its Battle River power generating station at the end of its useful life. This confirmation has removed the risk of paying substantial reclamation costs; as such, the Company has decided to continue to operate Battle River units 3 and 4 after the end of 2014. However, due to the uncertainty of air emissions regulations and market conditions, the decision to continue operations will be assessed on an ongoing basis.

U.K. Operations

During the third quarter of 2014, the Company together with its partners continued to evaluate options for the Barking generating plant. On October 27, 2014, the Company was informed that Barking was not selected by the National Grid to supply capacity for the upcoming winter season through the Supplemental Balancing Reserve mechanism. As a result of this development, the plant will start the redundancy process for most of the existing employees and proceed with closure of the plant during the fourth quarter of 2014. The costs associated with this action will include decommissioning work and the wind-up of the pension plan. The extent and approach to both of these items is currently under review. The financial impact of this closure will be determined during the fourth quarter of 2014.

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 in the third quarter of 2014 were comparable to the same period in 2013. Adjusted earnings for the nine months ended September 30, 2014, were $6 million, an increase of $8 million over the first nine months of 2013. These increases were mainly the result of higher 2014 earnings from the Ikhil Joint Venture (Ikhil) and lower depreciation expense in Inuvik Gas Ltd. (IGL) resulting from assets being fully depreciated in the previous year. Ikhil and IGL's results are recorded in Other Operations. Also contributing to higher earnings in the first nine months of 2014 compared to the same period of 2013 were higher frac spreads in the NGL extraction operations and higher earnings from natural gas storage operations. In the first nine months of 2014, frac spreads were $10.23/GJ compared to $8.62/GJ in the prior period. Average industry frac spreads were higher due to strong natural gas and propane prices following a colder-than-normal winter.

ATCO Energy Solutions owns a one-third interest in IGL. The franchise agreement between IGL and the Town of Inuvik expired in the third quarter of 2014. IGL continues to operate the gas distribution system and expects to renew the franchise agreement with the Town of Inuvik and in due course obtain the required regulatory approval. IGL continues to serve the residential and commercial needs of its Inuvik customers.

The Company continues to review opportunities to optimize performance of its natural gas gathering, processing, and liquids extraction businesses.

Major Projects

ATCO Energy Solutions continues to focus on development in the Alberta Industrial Heartland area near Fort Saskatchewan, Alberta. In addition to two major industrial water capital projects previously announced, the Company plans to invest in the development of salt caverns for hydrocarbon storage.

Hydrocarbon Storage

ATCO Energy Solutions, in partnership with Petrogas Energy Corp., announced in September that it will develop four salt caverns for hydrocarbon storage. The total partnership investment is approximately $200 million. ATCO Energy Solutions has a 60 per cent partnership interest. The facility will be located at ATCO's Heartland Energy Centre near Fort Saskatchewan, Alberta, and will be built and operated by ATCO Energy Solutions. Commercial operation for two caverns is targeted for the second quarter of 2016, with two additional caverns to be completed by the second quarter of 2017.

The storage caverns will have capacity to store approximately 400,000 cubic metres of propane, butane and ethylene to provide additional hydrocarbon storage in western Canada. The majority of this capacity has been secured under long-term arrangements.

ATCO Australia

The ATCO Australia segment consists of two distinct business operations: ATCO Gas Australia and ATCO Power Australia.

REVENUES

Revenues of $70 million for the third quarter of 2014 were consistent with the same period in the prior year. Revenues for the nine months ended September 30, 2014 were $205 million, $6 million higher than the comparable period in 2013. Revenues in the first three quarters of 2014 increased mainly due to customer growth and higher customer rates from continuing capital investment in utility infrastructure.

ADJUSTED EARNINGS

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
ATCO Gas Australia	**8**	5	3	**14**	13	1
ATCO Power Australia	**3**	2	1	**9**	7	2
Other [(1)]	**(2)**	(2)	–	**(3)**	(5)	2
Total ATCO Australia	**9**	5	4	**20**	15	5

(1) Other includes ATCO I-Tek Australia to mid-August 2014 and ATCO Australia's corporate office.

Detailed information about the activities and financial results of ATCO Australia is provided below.

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.

For the third quarter of 2014, ATCO Gas Australia's adjusted earnings were $8 million, an increase of $3 million over the same period in the prior year. The earnings increase in the third quarter of 2014 was driven by continued growth in rate base from capital investment and interest savings related to the credit rating upgrade and refinancing in the fourth quarter of 2013. Earnings for the nine months ended September 30, 2014, were comparable to the same period last year.

REGULATORY DEVELOPMENTS

Access Arrangement Decision

On October 14, 2014, the Economic Regulatory Authority (ERA) published its Draft Decision in relation to ATCO Gas Australia's applied for Access Arrangement for the period July 1, 2014 to December 31, 2019. The Company will respond to the Draft Decision by November 25, 2014, at which time, other interested parties are invited to provide comment on the Draft Decision and the Company's response by December 23, 2014. Following conclusion of the consultation process, the ERA is expected to publish its Final Decision late in the first quarter of 2015. Once the ERA publishes its Final Decision, the Company must consider whether it can accept the required amendments and revise its Access Arrangement. If it cannot accept the required amendments, the ERA must put in place its own Access Arrangement within two months after the Final Decision is received. If this occurs, the Company then has fifteen days to file an application for leave to review the ERA's Access Arrangement to the Australian Competition Tribunal (ACT). If leave is granted, the ACT has a target period of three months in which to make a final determination.

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 co-generation steam.

Adjusted earnings for ATCO Power Australia were higher by $1 million in the third quarter and $2 million for the first nine months of 2014, compared to the same periods in 2013. These increases were mainly the result of settlement of an insurance matter in the third quarter of this year. Availability fluctuates with the timing and duration of outages of the plants and can affect ATCO Power Australia's earnings. Availability for the third quarter and first nine months of 2014 was 96 per cent and 97 per cent, respectively, and 84 per cent and 93 per cent, respectively, in the same periods of 2013.

Corporate & Other

The Corporate & Other segment includes the strategic investment in Mexico, commercial real estate owned by the Company in Alberta and included ATCO I-Tek until the close of the sale of the Company's IT services to Wipro in mid-August 2014. ATCO I-Tek developed, operated and supported the Company's information systems and technologies. The billing services, payment processing, credit, collection, and call centre services formerly provided by ATCO I-Tek were retained by the Company; the financial results of these activities will continue to be reported in the Corporate & Other segment.

Adjusted earnings for the Corporate & Other segment for the third quarter and nine months ended September 30, 2014, were consistent with the same periods in 2013.

MAJOR PROJECTS

Mexico

In the third quarter, the Company established an office in Mexico City to pursue and evaluate business opportunities in Mexico's energy market. The Mexican government recently embarked on reform of its energy sector, inviting foreign investment in energy infrastructure such as power generation, electricity and natural gas transmission and distribution facilities. The Company's growth strategy in Mexico is modeled after its existing Canadian and Australian operations, consisting of diverse yet complementary energy businesses based on a strong reputation of technical and operational capability.

On October 9, 2014, the Company was awarded a long-term 25-year contract by the Comisión Federal De Electricidad (CFE) to design, build and operate a 16 kilometre 30" natural gas pipeline near the town of Tula (located approximately 100 kilometres northwest of Mexico City) in the state of Hidalgo, Mexico. The project investment is estimated at USD $50 million and is expected to be in service in mid-2015.

Long-term contract awarded for a 16 kilometre natural gas pipeline in Mexico

On October 27, 2014, the Company and its partner Grupo Hermes S.A. de C.V. were selected by an affiliate of Mexico's state-owned petroleum company Pemex, PMX Cogeneracion S.A.P.I. de C.V. to commence the project development and approval process for a natural gas cogeneration plant at the Miguel Hidalgo refinery near the town of Tula in the state of Hidalgo, Mexico. Initial estimates value the capital investment for the proposed project at USD $820 million, of which, the Company will be responsible for approximately half. Partnership approval is expected in 2015, with a commercial operation date in the second half of 2017.

The Company was selected to develop a cogeneration power project in Mexico

OTHER EXPENSES

A financial summary of other consolidated expenses for the three and nine months ended September 30, 2014 and 2013, is given below.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Operating costs	**692**	637	55	**2,117**	1,940	177
Depreciation, amortization and impairment	**132**	128	4	**406**	373	33
Interest expense	**77**	71	6	**231**	206	25
Income taxes	**58**	71	(13)	**185**	196	(11)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by $55 million in the third quarter of 2014 and increased by $177 million in the first nine months of 2014. Higher expenses resulted from increased costs due to higher flow-through gas purchases for NGL extraction operations in ATCO Energy Solutions, and higher franchise fees paid to municipalities and higher transmission costs paid by ATCO Gas. Franchise and transmission fees are flowed through to customers, resulting in no material impact to adjusted earnings.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment expense for the third quarter and first nine months of 2014 rose by $4 million and $33 million, respectively, over the same periods in 2013. The increased expense was mainly the result of higher capital investments in the Utilities. An impairment of $6 million recorded in the second quarter of 2014 for ATCO Power Australia's Bulwer Island power station was also recorded in this account.

INTEREST EXPENSE

Interest expense increased by $6 million in the third quarter and $25 million in the first nine months of 2014. Higher expenses resulted from incremental debt financing undertaken in 2013 and the third quarter of 2014 to fund the Utilities' significant capital expenditure program.

INCOME TAXES

Income taxes decreased by $13 million in the third quarter and $11 million in the first nine months of 2014. This decrease was mainly due to a lower effective tax rate arising from the gain on the sale of the Company's information technology services in mid-August 2014.

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 Dividend Reinvestment Plan (DRIP). Two dispositions - the sale of the Company's IT services in 2014 and the sale of Tecno Fast ATCO S.A. in 2013 - also contributed to the Company's capital sources in the current and prior year.

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 September 30, 2014, the Company and its subsidiaries had the following lines of credit:

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,619**	634	1,985
Uncommitted	**73**	3	70
Total	**2,692**	637	2,055

Of the $2,692 million in total credit lines, $73 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,619 million in credit lines were committed, with $678 million maturing in 2015. The remaining lines of credit mature between 2016 and 2018 and may be extended at the option of the lenders.

Of the $637 million credit line usage, $60 million was related to issuances of commercial paper at the Company’s subsidiary, CU Inc., and back-stopped by the corporate credit facilities. The majority of the remaining credit line usage was associated with ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs.

CONSOLIDATED CASH FLOW

As at September 30, 2014, the Company’s cash position was $942 million, an increase of $201 million compared to the end of 2013. The main reason for the increase in cash was the proceeds from sale of the Company's information technology services of $204 million.

Funds generated by operations

Funds generated by operations were $77 million and $58 million lower in the third quarter and first nine months to September 2014, respectively, than the same periods of 2013. These decreases were mainly the result of lower earnings and lower contributions from utility customers, which are used by the Company to provide utility services to customers.

Capital expenditures

Capital expenditures in the third quarter and first nine months of 2014 were comparable to the same periods in the prior year.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions) [(1)]	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Structures & Logistics	**31**	28	3	**57**	90	(33)
Electric Transmission	**329**	308	21	**961**	976	(15)
Electric Distribution	**95**	86	9	**261**	231	30
Gas Distribution	**83**	74	9	**212**	194	18
Pipeline Transmission	**41**	46	(5)	**121**	87	34
Energy	**15**	21	(6)	**37**	42	(5)
ATCO Australia	**22**	22	–	**61**	64	(3)
Corporate & Other	**2**	6	(4)	**13**	24	(11)
Total	**618**	591	27	**1,723**	1,708	15

(1) Includes additions to property, plant and equipment and intangibles as well as $14 million and $55 million (2013 - $17 million and $51 million) of interest capitalized during construction for the three and nine months ended September 30, 2014.

Base Shelf Prospectuses

CU Inc. Debentures

On June 11, 2012, CU Inc. filed a base shelf prospectus that permitted it to issue up to an aggregate of $2.6 billion of debentures over the 25-month life of the prospectus. This prospectus expired on July 11, 2014, with aggregate issuances of debentures totaling $1.8 billion.

On July 24, 2014, CU Inc. filed a new 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 October 27, 2014, aggregate issuances of debentures were $1.2 billion.

Canadian Utilities Debt Securities and Preferred Shares

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

Dividends and Common Shares

ATCO Ltd. has increased its common share dividend paid each year since 1993. In each of the last three years, the Company has increased its quarterly dividend by 15 per cent .

Dividends paid to Class I and Class II Share owners for the third quarter of 2014 totaled $24 million and for the first nine months of 2014 totaled $74 million. On October 17, 2014, the Board of Directors declared a fourth-quarter dividend of 21.5 cents per share. 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.

On March 3, 2014, ATCO Ltd. commenced a normal course issuer bid for the purchase of up to 2,029,496 of the outstanding Class I Shares. The bid expires on February 27, 2015. From March 3, 2014 to October 27, 2014 130,000 shares were purchased, all of which were purchased in the third quarter.

Canadian Utilities Dividend Reinvestment Plan

In the third quarter of 2014, Canadian Utilities issued 561,316 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $21 million. ATCO Ltd. elected to receive 317,748 Class A non-voting shares in lieu of cash dividends of $12 million; ATCO Ltd.'s ownership interest in Canadian Utilities remained at 53.2 per cent.

In the nine months ended September 30, 2014, Canadian Utilities issued 2,136,144 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $82 million. ATCO Ltd. elected to receive 1,363,096 Class A non-voting shares in lieu of cash dividends of $52 million.

SHARE CAPITAL

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

At October 27, 2014, the Company had outstanding 101,503,823 Class I Shares, 13,635,205 Class II Shares, and options to purchase 766,350 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, 2,887,750 Class I Shares were available for issuance at September 30, 2014. 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.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended December 31, 2012, through September 30, 2014. Per share amounts have been retrospectively restated for all periods to reflect the two-for-one share split that occurred in the second quarter of 2013.

($ millions except for per share data)	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Revenues	1,164	1,226	1,114	**1,038**
Earnings attributable to Class I and Class II Shares	71	127	66	**133**
Earnings per Class I and Class II Share *($)*	0.61	1.11	0.57	**1.16**
Diluted earnings per Class I and Class II Share *($)*	0.61	1.10	0.57	**1.15**
Adjusted earnings				
Structures & Logistics	22	16	8	**17**
Utilities	50	74	27	**49**
Energy	15	18	7	**11**
ATCO Australia	9	4	7	**9**
Corporate & Other	1	3	8	**(1)**
Total adjusted earnings	97	115	57	**85**

($ millions except for per share data)	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Revenues	1,080	1,099	1,081	**1,015**
Earnings attributable to Class I and Class II Shares	98	117	98	**132**
Earnings per Class I and Class II Share *($)*	0.84	1.02	0.85	**1.16**
Diluted earnings per Class I and Class II Share *($)*	0.84	1.01	0.85	**1.15**
Adjusted earnings				
Structures & Logistics	36	26	21	**27**
Utilities	48	67	30	**32**
Energy	17	15	30	**20**
ATCO Australia	4	5	5	**5**
Corporate & Other	(3)	7	3	**–**
Total adjusted earnings	102	120	89	**84**

The financial results for the previous eight quarters reflect continued growth in the Company's utility operations and fluctuating commodity prices in the power generation and sales, 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.

Adjusted Earnings

Three large liquefied natural gas (LNG) projects in Australia made strong contributions to ATCO Structures & Logistics' earnings in the fourth quarter of 2012 and the first quarter of 2013. Higher project activity in North America, as well as used fleet sales to refresh the Company's rental assets, supported high earnings levels during 2013. The fourth quarter of 2013 and the first three quarters of 2014 experienced an expected reduction in earnings as a result of the sale of Modular Structures operations in South America in September 2013. This sale arose in the course of the Company's ongoing capital redeployment strategy. Finally, the cyclical nature of large natural resources project activity has influenced the financial results for the first three quarters of 2014. These quarters have seen reduced manufacturing activity and profit margins, project earnings that are not to the same scale as experienced in prior years, and contracts that have not been renewed.

The large capital investment made by the Utilities in the previous eight quarters has contributed to a general increase in adjusted earnings. 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, on which the Utilities earn a regulated return on investment, drive growth in earnings.

Utilities' adjusted earnings have also been affected by the timing of certain major regulatory decisions. Higher adjusted earnings in the third quarter of 2014 reflect the impact of the 2014 Interim Rates Decisions. Lower adjusted earnings in the second quarter of 2014 reflected the financial impact of the 2010 Evergreen Decision for the entire four-and-a-half year period covered by the decision. The third quarter of 2013 included the positive impact of ATCO Electric's 2013/2014 GTA Decision.

The Company's power generation business in the Energy segment is cyclical, with earnings rising significantly in the second and third quarters of 2013, then falling back beginning in the final quarter of 2013. The increased supply of electricity in the Alberta market and a sharp rise in natural gas prices produced these recent unfavourable market conditions.

The second and third quarters of 2013 were marked by outages of several large coal-fired plants in the province and lower natural gas prices resulting in higher realized power pool prices, high spark spreads and greater price volatility. As a result of the high availability of the Company's generating plants during these quarters, the Company was able to capitalize on these favourable market conditions with record earnings.

ATCO Australia's gas distribution utility continued to invest in utility infrastructure on which it earns a regulated return. Earnings over the eight quarters reflect this growth in rate base. Starting in the last quarter of 2013, earnings also reflect reduced financing costs from the refinancing of debt and a credit rating upgrade. Fluctuations in quarterly earnings are also caused by the timing of plant outages, the variability in the actual inflation factor applied to the utility's rate base and the timing of business development expenditures. Weather, which can significantly affect the financial results of the gas distribution business, was warmer than normal over all eight quarters.

Earnings attributable to Class I and Class II Shares

Earnings attributable to Class I and Class II Shares include one-time gains and losses and significant impairments recorded at various times over the past eight quarters. These items are excluded from adjusted earnings. In the third quarter of 2014, the Company recognized a gain on sale of the Company's IT services of $74 million. In the third quarter of 2013, ATCO Structures & Logistics recognized a gain on sale of its South American operations of $56 million. Partially offsetting these gains were the following impairments of the Company's power generation and natural gas gathering, processing and extraction facilities; in the second quarter of 2014, the Company recognized an impairment for the Bulwer Island power station in Australia of $6 million; in the fourth quarter of 2013, the Company recognized impairments of certain power generation assets in the U.K. and Australia of $19 million and certain natural gas gathering, processing and liquids extraction assets in Canada of $6 million.

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 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 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 September 30
2014 2013	Structures & Logistics	Utilities	Energy	ATCO Australia	Corporate & Other	Intersegment Eliminations	Total
Revenues	**239**	**468**	**247**	**70**	**50**	**(36)**	**1,038**
	271	443	226	70	61	(56)	1,015
Adjusted earnings	**17**	**49**	**11**	**9**	**(1)**	**–**	**85**
	27	32	20	5	–	–	84
Gain (loss) on sale of information technology services and joint venture	**–**	**–**	**–**	**(2)**	**76**	**–**	**74**
	56	–	–	–	–	–	56
Adjustments for rate-regulated activities	**–**	**(24)**	**–**	**(1)**	**–**	**(1)**	**(26)**
	–	(6)	–	(1)	–	(1)	(8)
Earnings attributable to Class I and Class II Shares	**17**	**25**	**11**	**6**	**75**	**(1)**	**133**
	83	26	20	4	–	(1)	132

($ millions)							Nine Months Ended September 30
2014 2013	Structures & Logistics	Utilities	Energy	ATCO Australia	Corporate & Other	Intersegment Eliminations	Total
Revenues	**712**	**1,645**	**772**	**205**	**181**	**(137)**	**3,378**
	742	1,468	762	199	175	(151)	3,195
Adjusted earnings	**41**	**150**	**36**	**20**	**9**	**1**	**257**
	74	129	65	15	10	–	293
Gain (loss) on sale of information technology services and joint venture	**–**	**–**	**–**	**(2)**	**76**	**–**	**74**
	56	–	–	–	–	–	56
Impairments	**–**	**–**	**–**	**(6)**	**–**	**–**	**(6)**
	–	–	–	–	–	–	–
Adjustments for rate-regulated activities	**–**	**5**	**–**	**(2)**	**–**	**(2)**	**1**
	–	1	–	(1)	–	(2)	(2)
Earnings attributable to Class I and Class II Shares	**41**	**155**	**36**	**10**	**85**	**(1)**	**326**
	130	130	65	14	10	(2)	347

GAIN ON SALE OF INFORMATION TECHNOLOGY SERVICES AND JOINT VENTURE

In the three and nine months ended September 30, 2014, the Company adjusted for the $74 million gain on sale of its information technology services after non-controlling interests. The proceeds from the sale are being redeployed to finance the Company's growth initiatives, including the significant capital expenditure program underway in the Utilities. In the three and nine months ended September 30, 2013, the Company adjusted for the $56 million gain on sale of Tecno Fast ATCO S.A. after non-controlling interests.

IMPAIRMENTS

In the nine months ended September 30, 2014, the Company adjusted for a significant impairment relating to ATCO Power Australia's Bulwer Island power station (BIEP).

ADJUSTMENTS FOR RATE-REGULATED ACTIVITIES

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. Prior to adopting IFRS, the Company used standards for rate-regulated operations issued by the Financial Accounting Standards Board (FASB) in the United States as a source of generally accepted accounting principles. Therefore, the Company continues to use these FASB standards to fairly present the operating results of its 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.

Timing adjustments made in rate-regulated accounting are shown in the following table. The significant differences in the quarter and nine months ended September 30, 2014 between adjusted earnings and earnings attributable to equity owners of the Company relate to the 2014 Interim Rates Decisions, transmission access payments, the 2010 Evergreen Decision and settlement of transmission capital deferral accounts.

($ millions)	Three Months Ended September 30 2014	2013	Change	Nine Months Ended September 30 2014	2013	Change
Additional revenues billed in current period						
Future removal and site restoration costs	**4**	4	–	**19**	17	2
Retirement benefits	**–**	1	(1)	**–**	2	(2)
Finance costs on major transmission capital projects	**4**	4	–	**17**	15	2
Impact of colder temperatures on revenues	**–**	–	–	**5**	–	5
Other	**(2)**	2	(4)	**2**	5	(3)
Total	**6**	11	(5)	**43**	39	4
Revenues to be billed in future period						
Deferred income taxes	**(9)**	(10)	1	**(33)**	(28)	(5)
Transmission access payments [3]	**(6)**	(7)	1	**(7)**	(20)	13
Transmission capital deferral	**(1)**	(1)	–	**(2)**	(6)	4
Impact of warmer temperatures on revenues	**–**	(1)	1	**–**	(3)	3
Impact of inflation on rate base for ATCO Gas Australia	**(1)**	(1)	–	**(4)**	(4)	–
Other	**–**	–	–	**(2)**	(5)	3
Total	**(17)**	(20)	3	**(48)**	(66)	18
Regulatory decisions related to current and prior periods						
2010 Evergreen Decision [1]	**1**	–	1	**15**	–	15
2014 Interim Rates Decisions [2]	**(12)**	–	(12)	**(12)**	–	(12)
Transmission access payments and recoveries [3]	**–**	8	(8)	**10**	20	(10)
Transmission capital deferral refunds [4]	**–**	–	–	**(5)**	–	(5)
ATCO Gas Australia appeal decision	**–**	1	(1)	**2**	3	(1)
Weather recoveries	**–**	–	–	**–**	2	(2)
Other	**(3)**	(6)	3	**(2)**	4	(6)
Total	**(14)**	3	(17)	**8**	29	(21)
Elimination of intercompany profits related to the construction of property, plant and equipment and intangible assets	**(1)**	(2)	1	**(2)**	(4)	2
Total adjustments	**(26)**	(8)	(18)	**1**	(2)	3

The timing adjustments with greater variability are described below:

(1) 2010 Evergreen Decision

The Utilities recorded a reduction in adjusted earnings of $14 million in the second quarter of 2014 for an AUC decision which disallowed a portion of the information technology and customer care and billing costs incurred in the period January 1, 2010, to June 30, 2014. A further $1 million reduction in adjusted earnings was recorded in the third quarter of 2014. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings.

(2) 2014 Interim Rates Decisions

ATCO Gas and ATCO Electric recorded increased adjusted earnings of $12 million in the third quarter of 2014 for the AUC Decisions which approved 90 per cent of the applied-for Capital Tracker rates on an interim basis. Under IFRS, earnings will be adjusted when customer rates are revised and the amounts receivable from customers are collected through future billings.

(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. In the third quarter of 2014, actual transmission access payments paid by ATCO Electric exceeded forecast costs included in amounts billed to customers. In prior periods, ATCO Electric has recovered from customers higher than forecast transmission access payments.

(4) Transmission capital deferral refunds

For major transmission capital projects, ATCO Electric's billings to customers 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. In the second quarter of 2014, ATCO Electric refunded to customers amounts over-collected in 2011 for major transmission capital projects.

ACCOUNTING CHANGES NOT YET ADOPTED

Certain new or amended standards or interpretations have been issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) that are not required to be adopted in the current period. The Company has not early adopted these standards or interpretations. The standard which the Company anticipates will have a material effect on the consolidated financial statements or note disclosures is described below.

IFRS 15 Revenue from Contracts with Customers replaces the previous guidance on revenue recognition and provides a framework to determine when to recognize revenue and at what amount. The new standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the potential impact of the new standard.

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

CONTROLS AND PROCEDURES

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on July 1, 2014, and ended on September 30, 2014, 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 are defined as cash flow from operations before changes in non-cash working capital. In management's opinion, this measure is considered a significant performance indicator of the Company's ability to generate cash to fund capital expenditures. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies.

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 3 to the unaudited interim consolidated financial statements for the nine months ended September 30, 2014.

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 unaudited interim consolidated financial statements and its MD&A for the nine months ended September 30, 2014. 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.

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

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

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

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.

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

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

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

PBR means Performance Based Regulation.

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

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.

U.K. means United Kingdom.

U.S. means United States of America.

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

ATCO LTD.
CONSOLIDATED STATEMENT OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Revenues		**1,038**	1,015	**3,378**	3,195
Costs and expenses					
Salaries, wages and benefits		**(179)**	(190)	**(531)**	(524)
Energy transmission and transportation		**(42)**	(33)	**(126)**	(103)
Plant and equipment maintenance		**(76)**	(77)	**(179)**	(172)
Fuel costs		**(114)**	(54)	**(361)**	(241)
Purchased power		**(14)**	(17)	**(48)**	(55)
Materials and consumables		**(138)**	(157)	**(434)**	(429)
Depreciation, amortization and impairment		**(132)**	(128)	**(406)**	(373)
Franchise fees		**(35)**	(30)	**(164)**	(135)
Property and other taxes		**(20)**	(21)	**(73)**	(69)
Other		**(74)**	(58)	**(201)**	(212)
		(824)	(765)	**(2,523)**	(2,313)
		214	250	**855**	882
Gain on sale of information technology services	4	**160**	-	**160**	-
Gain on sale of Tecno Fast ATCO S.A.	4	**-**	88	**-**	88
Earnings from investment in joint ventures		**3**	6	**11**	21
Operating profit		**377**	344	**1,026**	991
Interest income		**4**	2	**8**	10
Interest expense		**(77)**	(71)	**(231)**	(206)
Net finance costs		**(73)**	(69)	**(223)**	(196)
Earnings before income taxes		**304**	275	**803**	795
Income taxes		**(58)**	(71)	**(185)**	(196)
Earnings for the period		**246**	204	**618**	599
Earnings attributable to:					
Class I and Class II Shares		**133**	132	**326**	347
Non-controlling interests		**113**	72	**292**	252
		246	204	**618**	599
Earnings per Class I and Class II Share	12	**$ 1.16**	$ 1.16	**$ 2.84**	$ 3.03
Diluted earnings per Class I and Class II Share	12	**$ 1.15**	$ 1.15	**$ 2.82**	$ 3.01

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**2014**	**2013**	**2014**	**2013**
Earnings for the period	**246**	204	**618**	599
Other comprehensive income (loss), net of income taxes:				
Items that will not be reclassified to earnings:				
Re-measurement of retirement benefits (1)	**15**	68	**(122)**	214
Share of other comprehensive income of joint ventures (2)	**(3)**	-	**(2)**	(2)
	12	68	**(124)**	212
Items that have been or may be reclassified subsequently to earnings:				
Cash flow hedges (3)	**4**	3	**13**	6
Cash flow hedges reclassified to earnings (4)	**-**	-	**(3)**	-
Foreign currency translation adjustment (5)	**(13)**	(4)	**23**	(42)
Share of other comprehensive income of joint ventures (5)	**-**	1	**-**	1
	(9)	-	**33**	(35)
	3	68	**(91)**	177
Comprehensive income for the period	**249**	272	**527**	776
Comprehensive income attributable to:				
Class I and Class II Shares	**135**	168	**280**	439
Non-controlling interests	**114**	104	**247**	337
	249	272	**527**	776

See accompanying Notes to Consolidated Financial Statements.

(1) Net of income taxes of $(4) million and $41 million for the three and nine months ended September 30, 2014, respectively (2013 – $(24) million and $(72) million).

(2) Net of income taxes of nil for the three and nine months ended September 30, 2014, respectively (2013 – nil and $1 million).

(3) Net of income taxes of $(1) million and $(5) million for the three and nine months ended September 30, 2014, respectively (2013 – $(2) million and $(3) million).

(4) Net of income taxes of nil and $1 million for the three and nine months ended September 30, 2014, respectively (2013 – nil).

(5) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
CONSOLIDATED BALANCE SHEET

(millions of Canadian Dollars)	Note	September 30 2014	December 31 2013
ASSETS			
Current assets			
Cash and cash equivalents		**944**	743
Accounts receivable		**644**	713
Finance lease receivables	5	**21**	8
Inventories		**132**	131
Prepaid expenses and other current assets		**88**	57
		1,829	1,652
Non-current assets			
Property, plant and equipment	6	**14,665**	13,381
Intangibles		**402**	387
Goodwill		**71**	71
Investment in joint ventures	7	**154**	127
Finance lease receivables	5	**296**	319
Other assets		**95**	73
Total assets		**17,512**	16,010
LIABILITIES			
Current liabilities			
Bank indebtedness		**2**	2
Accounts payable and accrued liabilities		**976**	921
Asset retirement obligations and other provisions		**45**	71
Other current liabilities		**18**	22
Short-term debt	8	**60**	-
Long-term debt		**431**	138
Non-recourse long-term debt		**27**	39
		1,559	1,193
Non-current liabilities			
Deferred income tax liabilities		**748**	684
Asset retirement obligations and other provisions		**155**	140
Retirement benefit obligations	15	**450**	302
Deferred revenues		**1,477**	1,386
Other liabilities		**73**	74
Long-term debt	9, 16	**6,751**	6,092
Non-recourse long-term debt		**115**	126
Total liabilities		**11,328**	9,997
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II Shares	12	**161**	159
Contributed surplus		**10**	12
Retained earnings		**2,929**	2,717
Accumulated other comprehensive income		**(6)**	(28)
		3,094	2,860
Non-controlling interests	11	**3,090**	3,153
Total equity		**6,184**	6,013
Total liabilities and equity		**17,512**	16,010

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Equity Owners of the Company						
(millions of Canadian Dollars)	**Note**	**Class I and Class II Shares**	**Contributed Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total**	**Non-Controlling Interests**	**Total Equity**
December 31, 2012		156	12	2,210	(8)	2,370	2,551	4,921
Earnings for the period		-	-	347	-	347	252	599
Equity preferred shares issued by subsidiary company, net of issue costs		-	-	-	-	-	392	392
Shares issued		-	-	-	-	-	24	24
Dividends	13	-	-	(65)	-	(65)	(135)	(200)
Share-based compensation		1	1	-	-	2	1	3
Other comprehensive income		-	-	-	92	92	85	177
Gains on retirement benefits transferred to retained earnings		-	-	115	(115)	-	-	-
Changes in ownership interest in subsidiary company [(1)]		-	-	40	-	40	(40)	-
September 30, 2013		157	13	2,647	(31)	2,786	3,130	5,916
December 31, 2013		159	12	2,717	(28)	2,860	3,153	6,013
Earnings for the period		**-**	**-**	**326**	**-**	**326**	**292**	**618**
Equity preferred shares redeemed by subsidiary company	11	**-**	**-**	**(2)**	**-**	**(2)**	**(158)**	**(160)**
Shares issued, purchased and cancelled		**-**	**-**	**(6)**	**-**	**(6)**	**30**	**24**
Dividends	13	**-**	**-**	**(74)**	**-**	**(74)**	**(147)**	**(221)**
Share-based compensation		**2**	**(2)**	**2**	**-**	**2**	**(1)**	**1**
Other comprehensive loss		**-**	**-**	**-**	**(46)**	**(46)**	**(45)**	**(91)**
Losses on retirement benefits transferred to retained earnings		**-**	**-**	**(68)**	**68**	**-**	**-**	**-**
Changes in ownership interest in subsidiary company [(1)]		**-**	**-**	**34**	**-**	**34**	**(34)**	**-**
Other		**-**	**-**	**-**	**-**	**-**	**-**	**-**
September 30, 2014		**161**	**10**	**2,929**	**(6)**	**3,094**	**3,090**	**6,184**

(1) The changes in ownership interest in subsidiary company are due to Canadian Utilities Limited's dividend reinvestment plan and share-based compensation plans.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of Canadian Dollars)	Note	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Operating activities					
Earnings for the period		**246**	204	**618**	599
Adjustments for:					
Depreciation, amortization and impairment		**132**	128	**406**	373
Gain on sale of information technology services	4	**(160)**	-	**(160)**	-
Gain on sale of Tecno Fast ATCO S.A.	4	**-**	(88)	**-**	(88)
Earnings from investment in joint ventures, net of dividends and distributions received		**4**	(2)	**10**	5
Income taxes		**58**	71	**185**	196
Unearned availability incentives		**2**	(18)	**1**	(8)
Contributions by customers for extensions to plant		**21**	104	**130**	197
Amortization of customer contributions		**(11)**	(12)	**(35)**	(37)
Net finance costs		**73**	69	**223**	196
Income taxes paid		**(12)**	(22)	**(66)**	(82)
Other		**20**	16	**12**	31
		373	450	**1,324**	1,382
Changes in non-cash working capital		**62**	45	**17**	70
Cash flow from operations		**435**	495	**1,341**	1,452
Investing activities					
Additions to property, plant and equipment		**(584)**	(558)	**(1,596)**	(1,602)
Proceeds on disposal of property, plant and equipment		**12**	-	**17**	3
Additions to intangibles		**(20)**	(16)	**(72)**	(55)
Proceeds on sale of information technology services	4	**204**	-	**204**	-
Proceeds on sale of Tecno Fast ATCO S.A., net of income taxes paid	4	**-**	124	**(24)**	124
Investment in joint venture	7	**(35)**	-	**(35)**	-
Changes in non-cash working capital		**17**	(33)	**4**	(42)
Other		**(8)**	1	**(20)**	(3)
		(414)	(482)	**(1,522)**	(1,575)
Financing activities					
Net issue (repayment) of short-term debt	8	**(525)**	(30)	**60**	-
Issue of long-term debt	9	**1,020**	716	**1,127**	767
Repayment of long-term debt		**(36)**	(41)	**(195)**	(75)
Repayment of non-recourse long-term debt		**(8)**	(8)	**(23)**	(23)
Issue of equity preferred shares by subsidiary company		**-**	-	**-**	400
Redemption of equity preferred shares by subsidiary company	11	**-**	-	**(160)**	-
Issue of Class A shares by subsidiary company		**-**	-	**3**	3
Issue (purchase) of Class I Shares		**(6)**	-	**(4)**	3
Dividends paid to Class I and Class II Share owners		**(24)**	(22)	**(74)**	(65)
Dividends paid to non-controlling interests in subsidiary company		**(39)**	(39)	**(117)**	(111)
Interest paid		**(65)**	(56)	**(240)**	(210)
Other		**(6)**	(3)	**(6)**	(14)
		311	517	**371**	675
Foreign currency translation		**8**	(9)	**11**	(6)
Cash position (1)					
Increase		**340**	521	**201**	546
Beginning of period		**602**	495	**741**	470
End of period		**942**	1,016	**942**	1,016

(1) Cash position consists of cash and cash equivalents less current bank indebtedness and includes $54 million (2013 - $64 million) which is not available for general use by the Company.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

SEPTEMBER 30, 2014

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

1. CORPORATE INFORMATION

Alberta-based ATCO Ltd. is engaged in Structures & Logistics (manufacturing, logistics and noise abatement), Utilities (pipelines, natural gas and electricity transmission and distribution) and Energy (power generation and sales, industrial water infrastructure, natural gas gathering, processing, storage and liquids extraction). ATCO Ltd. was incorporated under the laws of the province of Alberta and is listed on the Toronto Stock Exchange. Its head office and registered office is at 700, 909 – 11^{th} Avenue SW, Calgary, Alberta, T2R 1N6. The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, R.D. Southern.

These unaudited interim consolidated financial statements include the accounts of ATCO Ltd. and its subsidiaries, including a proportionate share of its investments in joint operations and its equity accounted investments in joint ventures (the Company). Principal subsidiaries are ATCO Structures & Logistics (75.5 per cent owned) and its subsidiaries, and Canadian Utilities Limited (53.2 per cent owned), its subsidiaries and its 24.5 per cent investment in ATCO Structures & Logistics. On a consolidated basis, the Company owns 88.5 per cent of ATCO Structures & Logistics.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013, prepared in accordance with IFRS.

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

These unaudited interim consolidated financial statements were authorized for issue by the Audit Committee, on behalf of the Board of Directors, on October 28, 2014.

BASIS OF MEASUREMENT

These unaudited interim consolidated financial statements have been prepared on a historic cost basis, except for derivative financial instruments, defined benefit pension and other employee retirement benefit liabilities and cash-settled share-based compensation liabilities.

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

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

ACCOUNTING CHANGES NOT YET ADOPTED

Certain new or amended standards or interpretations have been issued by the IASB or the International Financial Reporting Interpretations Committee that are not required to be adopted in the current period. The Company has not early adopted these standards or interpretations. The standard which the Company anticipates will have a material effect on the consolidated financial statements or note disclosures is described below:

IFRS 15 *Revenue from Contracts with Customers* replaces the previous guidance on revenue recognition and provides a framework to determine when to recognize revenue and at what amount. The new standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of the new standard.

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

3. SEGMENTED INFORMATION

SEGMENTED RESULTS
THREE MONTHS ENDED SEPTEMBER 30

2014 **2013**	**Structures & Logistics**	**Utilities**	**Energy**	**ATCO Australia**	**Corporate and Other**	**Intersegment Eliminations**	**Consolidated**
Revenues – external	**238**	**466**	**245**	**70**	**19**	**–**	**1,038**
	263	441	224	70	17	–	1,015
Revenues – intersegment	**1**	**2**	**2**	**–**	**31**	**(36)**	**–**
	8	2	2	–	44	(56)	–
Revenues	**239**	**468**	**247**	**70**	**50**	**(36)**	**1,038**
	271	443	226	70	61	(56)	1,015
Operating expenses [1]	**(201)**	**(257)**	**(193)**	**(31)**	**(45)**	**35**	**(692)**
	(221)	(246)	(145)	(33)	(46)	54	(637)
Depreciation, amortization and impairment	**(13)**	**(89)**	**(18)**	**(10)**	**(4)**	**2**	**(132)**
	(13)	(81)	(21)	(9)	(5)	1	(128)
Gain (loss) on sale of information technology services	**–**	**–**	**–**	**(3)**	**163**	**–**	**160**
	–	–	–	–	–	–	–
Gain on sale of Tecno Fast ATCO S.A.	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	88	–	–	–	–	–	88
Earnings from investment in joint ventures	**2**	**–**	**–**	**1**	**–**	**–**	**3**
	4	–	2	–	–	–	6
Net finance costs	**1**	**(59)**	**(6)**	**(10)**	**2**	**(1)**	**(73)**
	(1)	(44)	(11)	(16)	3	–	(69)
Earnings before income taxes	**28**	**63**	**30**	**17**	**166**	**–**	**304**
	128	72	51	12	13	(1)	275
Income taxes	**(8)**	**(16)**	**(9)**	**(5)**	**(20)**	**–**	**(58)**
	(34)	(18)	(13)	(4)	(2)	–	(71)
Earnings for the period	**20**	**47**	**21**	**12**	**146**	**–**	**246**
	94	54	38	8	11	(1)	204
Adjusted earnings	**17**	**49**	**11**	**9**	**(1)**	**–**	**85**
	27	32	20	5	–	–	84
Capital expenditures [4]	**31**	**548**	**15**	**22**	**2**	**–**	**618**
	28	514	21	22	6	–	591

SEGMENTED RESULTS
NINE MONTHS ENDED SEPTEMBER 30

2014 / 2013	Structures & Logistics	Utilities	Energy	ATCO Australia	Corporate and Other	Intersegment Eliminations	Consolidated
Revenues – external	**711**	**1,641**	**767**	**205**	**54**	**–**	**3,378**
	727	1,464	758	199	47	–	3,195
Revenues – intersegment	**1**	**4**	**5**	**–**	**127**	**(137)**	**–**
	15	4	4	–	128	(151)	–
Revenues	**712**	**1,645**	**772**	**205**	**181**	**(137)**	**3,378**
	742	1,468	762	199	175	(151)	3,195
Operating expenses (1)	**(612)**	**(824)**	**(602)**	**(82)**	**(131)**	**134**	**(2,117)**
	(607)	(758)	(508)	(95)	(122)	150	(1,940)
Depreciation, amortization and impairment	**(36)**	**(260)**	**(57)**	**(43)**	**(14)**	**4**	**(406)**
	(36)	(235)	(64)	(28)	(13)	3	(373)
Gain (loss) on sale of information technology services	**–**	**–**	**–**	**(3)**	**163**	**–**	**160**
	–	–	–	–	–	–	–
Gain on sale of Tecno Fast ATCO S.A.	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	88	–	–	–	–	–	88
Earnings from investment in joint ventures	**3**	**–**	**3**	**5**	**–**	**–**	**11**
	14	–	3	4	–	–	21
Net finance costs	**–**	**(156)**	**(22)**	**(50)**	**7**	**(2)**	**(223)**
	(2)	(124)	(26)	(46)	6	(4)	(196)
Earnings before income taxes	**67**	**405**	**94**	**32**	**206**	**(1)**	**803**
	199	351	167	34	46	(2)	795
Income taxes	**(20)**	**(102)**	**(26)**	**(12)**	**(25)**	**–**	**(185)**
	(52)	(89)	(44)	(7)	(4)	–	(196)
Earnings for the period	**47**	**303**	**68**	**20**	**181**	**(1)**	**618**
	147	262	123	27	42	(2)	599
Adjusted earnings	**41**	**150**	**36**	**20**	**9**	**1**	**257**
	74	129	65	15	10	–	293
Total assets (2,3)	**925**	**13,083**	**1,613**	**1,350**	**571**	**(30)**	**17,512**
	960	11,611	1,619	1,296	542	(18)	16,010
Capital expenditures (4)	**57**	**1,555**	**37**	**61**	**13**	**–**	**1,723**
	90	1,488	42	64	24	–	1,708

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

(2) Total assets do not reflect adjustments for rate-regulated activities included in adjusted earnings.

(3) 2013 comparative total assets are at December 31, 2013.

(4) Includes additions to property, plant and equipment and intangibles and $14 million and $55 million (2013 – $17 million and $51 million) of interest capitalized during construction for the three and nine months ended September 30, 2014.

ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses for rate-regulated activities. Adjusted earnings also exclude one-time gains and losses, significant impairments and items that are not in the normal course of business or a result of day-to-day operations. Adjusted earnings are a key measure of segment earnings used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended September 30 is below.

2014 2013	Structures & Logistics	Utilities	Energy	ATCO Australia	Corporate and Other	Intersegment Eliminations	Consolidated
Adjusted earnings	**17**	**49**	**11**	**9**	**(1)**	**–**	**85**
	27	32	20	5	–	–	84
Gain (loss) on sales of information technology services and joint venture	**–**	**–**	**–**	**(2)**	**76**	**–**	**74**
	56	–	–	–	–	–	56
Adjustments for rate-regulated activities	**–**	**(24)**	**–**	**(1)**	**–**	**(1)**	**(26)**
	–	(6)	–	(1)	–	(1)	(8)
Earnings attributable to Class I and Class II Shares	**17**	**25**	**11**	**6**	**75**	**(1)**	**133**
	83	26	20	4	–	(1)	132
Earnings attributable to non-controlling interests							**113**
							72
Earnings for the period							**246**
							204

The reconciliation of adjusted earnings and earnings for the nine months ended September 30 is below.

2014 2013	Structures & Logistics	Utilities	Energy	ATCO Australia	Corporate and Other	Intersegment Eliminations	Consolidated
Adjusted earnings	**41**	**150**	**36**	**20**	**9**	**1**	**257**
	74	129	65	15	10	–	293
Gain (loss) on sales of information technology services and joint venture	**–**	**–**	**–**	**(2)**	**76**	**–**	**74**
	56	–	–	–	–	–	56
Impairment	**–**	**–**	**–**	**(6)**	**–**	**–**	**(6)**
	–	–	–	–	–	–	–
Adjustments for rate-regulated activities	**–**	**5**	**–**	**(2)**	**–**	**(2)**	**1**
	–	1	–	(1)	–	(2)	(2)
Earnings attributable to Class I and Class II Shares	**41**	**155**	**36**	**10**	**85**	**(1)**	**326**
	130	130	65	14	10	(2)	347
Earnings attributable to non-controlling interests							**292**
							252
Earnings for the period							**618**
							599

Gain (loss) on sales of information technology services and joint venture

In the three and nine months ended September 30, 2014, the Company adjusted for the realized gain on sale of its information technology services (see Note 4). The gain, after-tax and after non-controlling interests, was $74 million.

In the three and nine months ended September 30, 2013, the Company adjusted for the realized gain on sale of Tecno Fast ATCO S.A. (see Note 4). The gain, after-tax and after non-controlling interests, was $56 million.

Impairment

In the nine months ended September 30, 2014, the Company adjusted for a significant impairment relating to ATCO Power Australia's Bulwer Island power station (BIEP). The impairment was included in depreciation, amortization and impairment expense (see Note 5).

Adjustments for rate-regulated activities

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. Consequently, the Company does not recognize assets and liabilities arising from rate-regulated activities under IFRS.

Prior to adopting IFRS, the Company used standards for rate-regulated operations issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles. The CODM continues to believe that these FASB standards fairly present the operating results of its rate-regulated activities. Therefore, the Company adjusts earnings for the period according to these FASB standards and presents adjusted earnings in its segment disclosures.

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

	Rate-Regulated Accounting Treatment	IFRS Treatment
1.	The Company defers the recognition of revenues when cash is received from customers in advance of expenditures to be incurred in the future.	The Company records revenues when amounts are billed to customers and recognizes costs when they are incurred.
2.	The Company recognizes revenues in the current period when recoverable costs are incurred even though customers will not be billed until a future period.	The Company records costs when incurred, but does not recognize their recovery until changes to customer rates are reflected in future customer billings.
3.	The Company recognizes the earnings from a regulatory decision that relates to current and prior periods when the decision is received.	The Company recognizes earnings when changes to customer rates are reflected in future customer billings.
4.	Intercompany profits on the manufacture or construction of facilities for a regulated public utility in the consolidated group are deemed to have been realized to the extent that the transfer price on such facilities is recognized for rate-making purposes by a regulator.	Intercompany profits are eliminated on consolidation. The Company then recognizes those profits in earnings as amounts are billed to customers over the life of the related asset.

Timing adjustments for rate-regulated activities are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Additional revenues billed in current period:				
Future removal and site restoration costs (1)	**4**	4	**19**	17
Retirement benefits (2)	**–**	1	**–**	2
Finance costs on major transmission capital projects (3)	**4**	4	**17**	15
Impact of colder temperatures on revenues (7)	**–**	–	**5**	–
Other	**(2)**	2	**2**	5
	6	11	**43**	39
Revenues to be billed in future period:				
Deferred income taxes (4)	**(9)**	(10)	**(33)**	(28)
Transmission access payments (5)	**(6)**	(7)	**(7)**	(20)
Transmission capital deferral (6)	**(1)**	(1)	**(2)**	(6)
Impact of warmer temperatures on revenues (7)	**–**	(1)	**–**	(3)
Impact of inflation on rate base for ATCO Gas Australia (8)	**(1)**	(1)	**(4)**	(4)
Other	**–**	–	**(2)**	(5)
	(17)	(20)	**(48)**	(66)
Regulatory decisions related to current and prior periods:				
Interim rates decisions (9)	**(12)**	–	**(12)**	–
Information technology and customer care and billing services (9)	**1**	–	**15**	–
Transmission access payment recoveries (9)	**–**	8	**10**	20
Transmission capital deferral refunds (9)	**–**	–	**(5)**	–
ATCO Gas Australia appeal decision (9)	**–**	1	**2**	3
Weather recoveries (7)	**–**	–	**–**	2
Other	**(3)**	(6)	**(2)**	4
	(14)	3	**8**	29
Intercompany profits:				
Intercompany profits related to construction of property, plant and equipment and intangibles (10)	**(1)**	(2)	**(2)**	(4)
	(26)	(8)	**1**	(2)

Descriptions of the adjustments, and the timing of recovery or refund for each, are as follows:

	Description	Timing of Recovery or Refund
1.	The removal and site restoration costs billed to customers are the costs forecasted to be incurred in future periods. Customers fund these expected costs over the estimated useful life of the related assets. Under rate-regulated accounting, billings to customers in excess of costs incurred in the current period are deferred.	The deferred revenues will be recognized in adjusted earnings when removal and site restoration costs are incurred.

	Description	Timing of Recovery or Refund
2.	Contributions to defined benefit pension plans and other post-employment benefit plans are billed to customers when paid by the Company, whereas the costs of retirement benefits are accrued over the service life of the employees. Under rate-regulated accounting, contributions paid and billed to customers in excess of costs accrued in the current period are deferred.	The deferred revenues will be recognized in adjusted earnings as the variances between contributions and costs reverse over the life of the plans.
3.	Finance costs incurred by ATCO Electric during construction of major transmission capital projects are billed to customers when incurred. Under rate-regulated accounting, the finance costs billed to customers are deferred.	The deferred revenues will be recognized in adjusted earnings over the service life of the related assets.
4.	Deferred income taxes are a non-cash expense resulting from temporary differences between the book value and the tax value of assets and liabilities. Income taxes are billed to customers when paid by the Company. Deferred income taxes are not billed to customers unless directed to do so by the regulator. Under rate-regulated accounting, revenues are recognized in the current period for the deferred income taxes that are expected to be billed to customers in future periods.	The revenues will reverse when the temporary differences that gave rise to the deferred income taxes reverse in future periods.
5.	The transmission access payments billed to customers by ATCO Electric are the forecasted payments to be incurred. Under rate-regulated accounting, differences between actual costs incurred and forecast costs billed to customers in the current period are deferred for collection from or refund to customers in future periods.	Recoveries from or refunds to customers of the differences between transmission access payments billed to customers and paid by ATCO Electric are expected to occur in the next 6 to 12 months.
6.	For major transmission capital projects, ATCO Electric's billings to customers 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 Alberta Electric System Operator (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.	Recoveries from or refunds to the AESO of variances between forecast and actual returns on rate base are expected to occur in the following year.
7.	ATCO Gas' customer rates are based on forecasted normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Under rate-regulated accounting, revenues realized above or below the norm in the current period are deferred and refunded to or recovered from customers in future periods.	ATCO Gas may apply to the Alberta Utilities Commission (AUC) for recoveries from or refunds to customers when the net revenue variances exceed $7 million at April 30th of any year for either of its North or South systems.

	Description	Timing of Recovery or Refund
8.	ATCO Gas Australia earns a return on rate base that excludes inflation. Inflation is accounted for by adjusting the rate base in subsequent periods by the actual rate of inflation; the impact of inflation is billed to customers through recovery of depreciation. Under rate-regulated accounting, an adjustment is made to recognize the inflation component of rate base when it is earned in the current period. Differences between the amounts earned and the amounts billed to customers are deferred.	The inflation-indexed portion of rate base will be recovered from customers over the life of the assets comprising rate base through the recovery of depreciation.
9.	The Canadian and Australian utilities recognize revenues from regulatory decisions when customer rates are changed and amounts are billed to customers. Under rate-regulated accounting, revenues from regulatory decisions that affect current and prior periods are recognized when the decision is received.	The Utilities recorded a reduction in adjusted earnings of $14 million in the second quarter of 2014 for an AUC decision which disallowed a portion of the information technology and customer care and billing costs incurred in the period January 1, 2010 to June 30, 2014. An additional reduction of $1 million was recorded in the third quarter of 2014. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings. In the third quarter of 2014, ATCO Gas and the distribution operations of ATCO Electric recorded adjusted earnings of $12 million for the period January 1, 2013 to September 30, 2014, resulting from interim rates decisions issued by the AUC. Under IFRS, earnings will be recognized when the AUC approves revised customer rates and the amount receivable from customers is collected through future billings. ATCO Electric recovered from customers higher than forecast transmission access payments incurred in the current and prior periods. In the second quarter of 2014, ATCO Electric refunded to customers amounts over-collected in 2011 for major transmission capital projects. 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, following the successful appeal of an Economic Regulation Authority decision. These earnings were recognized under IFRS over 24 months from July 2012 to June 2014 as customers were billed.
10.	Under rate-regulated accounting, intercompany profits from transactions with related parties and approved by the regulator for inclusion in rate base are not eliminated on consolidation; they are recognized as earnings in the current period.	Intercompany profits will be recognized as earnings under IFRS as rate base is depreciated and the depreciation is billed to customers over the life of the assets.

4. SALES OF INFORMATION TECHNOLOGY SERVICES AND JOINT VENTURE

SALE OF INFORMATION TECHNOLOGY SERVICES

On August 15, 2014, Canadian Utilities Limited sold its 100 per cent ownership interest in ATCO I-Tek's information technology services as well as the assets of ATCO I-Tek Australia for proceeds of $204 million cash, resulting in an after-tax gain of $138 million. The gain, after-tax and after non-controlling interests, was $74 million. This sale included current contracts and operational assets consisting of computer hardware and most software licenses. The Company retained the customer care and billing functions formerly provided by ATCO I-Tek as well as certain key enterprise-wide software licenses. Commencing August 15, 2014, the Company no longer recognizes ATCO I-Tek and ATCO I-Tek Australia's information technology services in its financial position, results of operations and cash flows in the consolidated financial statements. ATCO I-Tek was previously reported in the Corporate and Other segment; ATCO I-Tek Australia was previously reported in the ATCO Australia segment.

SALE OF TECNO FAST ATCO S.A.

On September 13, 2013, ATCO Structures & Logistics sold its 50 per cent ownership interest in Tecno Fast ATCO S.A. (TFA) for proceeds of $124 million cash, resulting in an after-tax gain of $64 million. The gain, after-tax and after non-controlling interests, was $56 million. This sale included all operational assets consisting of space rental and workforce housing fleet assets, manufacturing facilities and offices in Chile, Peru, Columbia and Brazil. Commencing September 13, 2013, the Company no longer recognizes TFA in its financial position, results of operations and cash flows in the consolidated financial statements. TFA was previously accounted for as a joint venture and was reported in the Structures & Logistics segment.

5. IMPAIRMENT

The Company recognized a pre-tax impairment of $13 million in the nine months ended September 30, 2014 relating to ATCO Power Australia's 33 MW Bulwer Island power station (BIEP) (ATCO Australia segment), which was included in depreciation, amortization and impairment expense. On April 2, 2014, BP announced it will cease refining operations at its oil refinery in Brisbane by mid-2015 and convert to an import terminal. BP is BIEP's only customer and no suitable economic replacement has been identified at this time.

BIEP is jointly owned with Origin Energy and the plant is accounted for as a finance lease. As a result, BIEP's lease receivable was impaired. The impairment calculation was based on pre-tax cash flow projections of the separation payments due from BP, salvage value of the plant and the expected remaining lease payments assuming a plant closure date of December 31, 2014. This date reflects the Company's best estimate of the timing based on current commercial discussions. The expected future cash flows were discounted at a pre-tax rate of 12.4 per cent, which was the original effective interest rate of the lease receivable. The remaining lease receivable of $15 million is classified in current assets as at September 30, 2014.

6. PROPERTY, PLANT AND EQUIPMENT

The Company's Utilities segment continues to make significant investment in utility infrastructure in Alberta, particularly in electricity transmission facilities. There were significant disposals due to the sale of ATCO I-Tek's information technology services as well as the assets of ATCO I-Tek Australia. A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Utility Transmission & Distribution	Power Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost:						
December 31, 2013	12,384	1,968	700	1,645	1,541	18,238
Additions	**705**	**1**	**36**	**765**	**149**	**1,656**
Disposals	**(42)**	**(2)**	**(1)**	**(12)**	**(125)**	**(182)**
Changes to asset retirement costs	**–**	**6**	**–**	**–**	**15**	**21**
Foreign exchange rate adjustment	**29**	**–**	**2**	**–**	**6**	**37**
September 30, 2014	**13,076**	**1,973**	**737**	**2,398**	**1,586**	**19,770**
Accumulated depreciation:						
December 31, 2013	2,894	1,153	150	–	660	4,857
Depreciation and impairment	**233**	**48**	**15**	**–**	**80**	**376**
Disposals	**(38)**	**(2)**	**(1)**	**–**	**(89)**	**(130)**
Foreign exchange rate adjustment	**1**	**–**	**–**	**–**	**1**	**2**
September 30, 2014	**3,090**	**1,199**	**164**	**–**	**652**	**5,105**
Net book value:						
December 31, 2013	9,490	815	550	1,645	881	13,381
September 30, 2014	**9,986**	**774**	**573**	**2,398**	**934**	**14,665**

Included in the additions to property, plant and equipment is $55 million (September 30, 2013 – $51 million) of interest capitalized during construction.

7. INVESTMENT IN JOINT VENTURE

On September 19, 2014, ATCO Energy Solutions Ltd. (AES), a wholly owned subsidiary of Canadian Utilities Limited, entered into a partnership with Petrogas Energy Corp. to develop four salt caverns for hydrocarbon storage. AES made an initial investment of $35 million for a 60 per cent partnership interest. The total combined partnership investment is expected to be approximately $200 million. The partnership is accounted for as a joint venture.

8. SHORT TERM DEBT

At September 30, 2014, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, had $60 million (2013 – nil) of commercial paper outstanding with a weighted average interest rate of 1.19 per cent, maturing on October 2, 2014. The commercial paper is back-stopped by the Company's long-term committed credit facilities.

9. LONG TERM DEBT

On September 5, 2014, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $1 billion of 4.085 per cent debentures maturing on September 2, 2044.

10. FAIR VALUE MEASUREMENTS

Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. Fair value is based on quoted market prices when available; models using observable market data and transaction specific factors are also used to estimate fair value.

Fair value measurements are categorized into levels within a fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

Due to their short-term nature, the fair value of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and short-term debt approximates carrying value.

The classification, carrying amount and fair values of the Company's other non-derivative financial instruments are as follows:

		September 30, 2014		December 31, 2013	
Recurring Measurements	Fair Value Hierarchy Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets					
Loans and Receivables:					
Lease receivables (1)	n/a	**317**	**492**	327	499
Financial Liabilities					
Amortized Cost:					
Long-term debt (2)	Level 2	**7,182**	**7,958**	6,230	6,597
Non-recourse long-term debt (2)	Level 2	**142**	**170**	165	191

(1) Fair values have been estimated using a risk-adjusted, pre-tax interest rate to discount future cash receipts.

(2) Fair values have been estimated using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements.

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

		September 30, 2014		December 31, 2013	
Recurring Measurements	Fair Value Hierarchy Level	Notional Principal or Volume (1)	Fair Value Receivable (Payable) (2)	Notional Principal or Volume (1)	Fair Value Receivable (Payable) (2)
Interest rate swaps	Level 2	**759**	**(2)**	681	(11)
Natural gas purchase contracts	Level 2	**3,512,000 GJ**	**–**	1,610,548 GJ	–
Forward power sales contracts	Level 2	**550,394 MWh**	**2**	182,400 MWh	–
Foreign currency forward contracts	Level 2	**54**	**–**	61	1

(1) The notional principal is not recorded in the consolidated financial statements as it does not represent amounts that are exchanged by the counterparties. The notional amount for the natural gas purchase contracts is the maximum volumes that can be purchased over the terms of the contracts. The notional amount for the forward sale and purchase contracts are the commodity volumes committed in the contracts.

(2) Fair values have been estimated using readily observable market data including interest rate yield curves, future prices, foreign exchange rates, counterparty risk, credit risk and volatility. These fair values approximate the amount the Company would either pay or receive to settle the contracts at September 30, 2014, and December 31, 2013.

11. NON-CONTROLLING INTERESTS

On June 1, 2014, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, redeemed all outstanding 6.70 per cent Cumulative Redeemable Preferred Shares Series 2 totaling $160 million. The redemption was financed with available cash reserves and the issuance of commercial paper.

12. CLASS I AND CLASS II SHARES AND EARNINGS PER SHARE

There were 101,501,623 (2013 – 101,528,132) Class I Non-Voting Shares and 13,637,405 (2013 – 13,650,796) Class II Voting Shares outstanding on September 30, 2014. In addition, there were 766,350 options to purchase Class I Non-Voting Shares outstanding at September 30, 2014, under the Company's stock option plan. From October 1, 2014, to October 27, 2014, no stock options were granted, cancelled or exercised, 2,200 Class II Voting Shares were converted to Class I Non-Voting Shares and no Class I Non-Voting Shares were purchased under the Company's normal course issuer bid.

EARNINGS PER SHARE

The earnings and average number of shares used to calculate earnings per share are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Average shares:				
Weighted average shares outstanding	**114,944,507**	114,828,513	**114,854,318**	114,799,098
Effect of dilutive stock options	**286,858**	355,471	**304,357**	355,740
Effect of dilutive mid-term incentive plan	**310,459**	348,404	**320,382**	340,439
Weighted average dilutive shares outstanding	**115,541,824**	115,532,388	**115,479,057**	115,495,277
Earnings for earnings per share calculation:				
Earnings for the period	**246**	204	**618**	599
Non-controlling interests	**(113)**	(72)	**(292)**	(252)
	133	132	**326**	347
Earnings and diluted earnings per Class I and Class II Share:				
Earnings per Class I and Class II Share	**$1.16**	$1.16	**$2.84**	$3.03
Diluted earnings per Class I and Class II Share	**$1.15**	$1.15	**$2.82**	$3.01

NORMAL COURSE ISSUER BID

On March 1, 2013, ATCO Ltd. commenced a normal course issuer bid for the purchase of up to 2,027,314 of the outstanding Class I Non-Voting Shares. The bid expired on February 28, 2014. From March 1, 2013, to February 28, 2014, 62,000 shares were purchased, all of which were purchased in 2013 for $3 million.

On March 3, 2014, ATCO Ltd. commenced a normal course issuer bid for the purchase of up to 2,029,496 of the outstanding Class I Non-Voting Shares. The bid will expire on February 27, 2015. From March 3, 2014, to October 27, 2014, 130,000 shares were purchased for $6 million.

13. DIVIDENDS

Cash dividends declared and paid per share are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(dollars per share)	**2014**	**2013**	**2014**	**2013**
Class I and Class II Shares	**0.2150**	0.1875	**0.6450**	0.5625

The Company's policy is to pay dividends quarterly on its Class I and Class II Shares. Increases in the quarterly dividend are addressed by the Board of Directors in the first quarter of each year. The payment of any dividend is at the discretion of the Board of Directors and depends on the financial condition of the Company and other factors.

14. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2014, Canadian Utilities Limited issued 561,316 Class A non-voting shares under its dividend reinvestment plan (DRIP) (2013 – 993,790), using re-invested dividends of $21 million (2013 – $33 million). The Company participated in the DRIP by acquiring 317,748 Class A non-voting shares using re-invested dividends of $12 million (2013 – 754,943 shares using re-invested dividends of $25 million).

During the nine months ended September 30, 2014, Canadian Utilities Limited issued 2,136,144 Class A non-voting shares under its dividend reinvestment plan (DRIP) (2013 – 2,751,884), using re-invested dividends of $82 million (2013 – $99 million). The Company participated in the DRIP by acquiring 1,363,096 Class A non-voting shares using re-invested dividends of $52 million (2013 – 2,082,855 shares using re-invested dividends of $75 million).

15. RETIREMENT BENEFITS

In June 2014, an actuarial valuation for funding purposes was completed for certain registered group defined benefit pension plans. Based on this valuation, employer contributions for 2014 will be $41 million, a decrease of $27 million from 2013.

16. SUBSEQUENT EVENT

On October 17, 2014, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $200 million of 4.094 per cent debentures maturing on October 19, 2054.

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