ATCO GROUP

ATCO LTD.
ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2015

February 24, 2016

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CORPORATE STRUCTURE

ATCO Ltd. (the Company) is the successor to the business founded in 1947 by the late S.D. Southern and the late R.D. Southern. It was incorporated under The Companies Act (Alberta) by Certificate of Incorporation on August 31, 1962. The Company was continued under the Business Corporations Act (Alberta) on March 13, 1984. The address of the head office and the registered office of the Company is 700 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6.

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

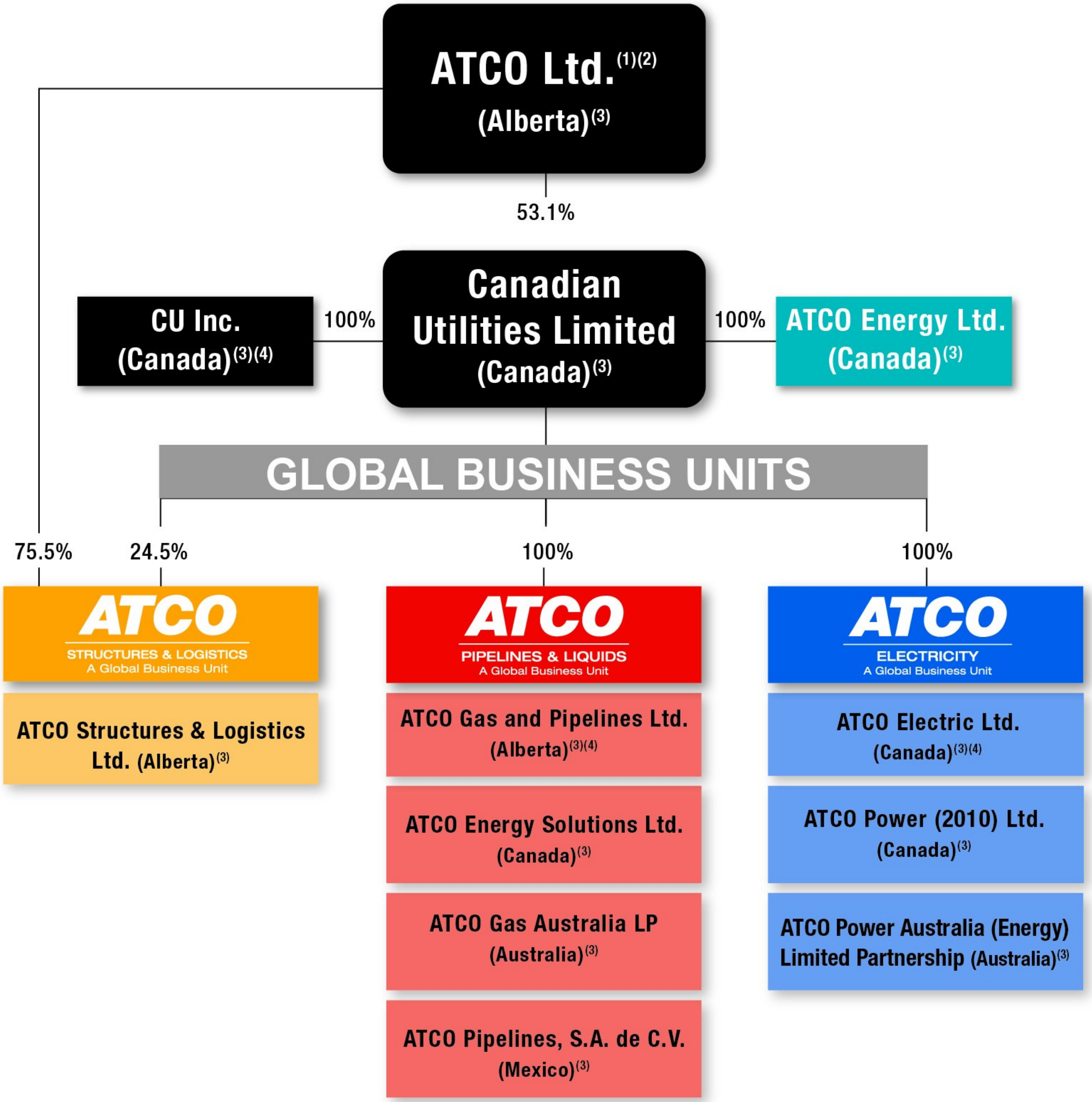
This reorganization was implemented by the transfer of the common shares and debt of the regulated subsidiaries from Canadian Utilities to CU Inc., in return for common shares of CU Inc. As a result of the reorganization, the Company's regulated subsidiaries, which had been financed by Canadian Utilities,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

INTERCORPORATE RELATIONSHIPS

With nearly 8,000 employees and assets of approximately $19 billion, ATCO is a diversified global corporation delivering service excellence and innovative business solutions in Structures & Logistics (workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management); Electricity (power generation, distributed generation, and electricity distribution, transmission and infrastructure development); Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, natural gas liquids storage and processing, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales). More information can be found at www.ATCO.com.

SIMPLIFIED ORGANIZATIONAL STRUCTURE

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



(1) At December 31, 2015, the Company owned 88.3 per cent of the Class B common shares, which are the only voting securities outstanding, and 39.4 per cent of the Class A non-voting shares of Canadian Utilities, for an aggregate ownership of 53.1 per cent.

(2) The organizational chart does not include all of the subsidiaries of the Company. The assets and revenues of excluded subsidiaries in the aggregate did not exceed 20 per cent of the total consolidated assets or total consolidated revenues of the Company as at December 31, 2015.

(3) Jurisdiction in which the company was incorporated.

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

ATCO CORE VALUES AND VISION

RONALD D. SOUTHERN

It was with great sadness that ATCO announced the passing on January 21, 2016 of its Founder, Ronald D. Southern. As the Founder of the Company, Mr. Southern was closely identified with ATCO by industry participants, the investment community and the Company's share owners.

As Founder of ATCO, Mr. Southern played a pivotal and visionary role in every major development in the evolution and growth of the Company. He was instrumental in leading ATCO from its very modest beginnings in 1947 through its initial public offering, its acquisition and repatriation of Canadian Utilities, to its vast present day global operations. Under Mr. Southern's leadership, the Company expanded its presence and operations well beyond its Alberta base to over 100 countries. Each of these achievements was executed with a long term focus and with fiscal prudence. Mr. Southern's wisdom, passion, resolve and vision will be greatly missed by the people and customers of ATCO. The lessons he instilled, however, will continue to guide the Company as will his own definition of "Excellence".

Ronald D. Southern C.C., C.B.E., A.O.E., B.Sc., LL.D
1930 – 2016

Excellence: The Heart & Mind of ATCO

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

R.D. Southern, Founder, ATCO.

CORE VALUES

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

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

- **Integrity**: We are honest, ethical and treat others with fairness, dignity and respect.
- **Transparency**: We are clear about our intentions and communicate openly.
- **Imaginative**: We are creative, innovative and committed to developing new opportunities that will deliver long-term value.
- **Accountability**: We take personal ownership of tasks, are responsible for our actions and deliver on our promises.
- **Collaboration**: We work together, share ideas and recognize the contribution of others.
- **Perseverance**: We persevere in the face of adversity with courage, pro-actively strengthening our financial position and demonstrating a fierce determination to succeed.
- **Caring**: We care about our customers, our employees, our owners, their families, our communities and the environment.

CORE VISION

ATCO's core vision is to improve the lives of our customers by providing sustainable, innovative and comprehensive solutions globally. The Company is building an organization that will fuel the imagination of its employees to generate strong, sustainable growth over the long-term. The Company believes in well-managed risk and has a disciplined approach to growth.

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

BUSINESS DESCRIPTION

In 2015, ATCO undertook a transformational change that fundamentally shifted its global business strategy. The Company has restructured into three Global Business Units - Structures & Logistics, Electricity, and Pipelines & Liquids - that are vertically integrated and better able to efficiently and effectively respond to customers' needs. ATCO is now better positioned to deliver comprehensive solutions for modular structures and support services and energy infrastructure development, maintenance and ongoing operations to our customers worldwide. In addition to these Global Business Units, and as part of the Company's vertical integration strategy, ATCO Energy has been launched to provide retail electricity and natural gas services in Alberta.

Structures & Logistics Global Business Unit

OVERVIEW

Structures & Logistics Global Business Unit provides complete infrastructure solutions to customers worldwide, and is headquartered in Calgary, Alberta. The four core businesses include: Modular Structures, Lodging & Support Services, Logistics & Facility Operations and Maintenance (O&M) Services, and Sustainable Communities.

- Modular Structures comprises the design, manufacturing and installation of temporary and permanent modular buildings for use as office space, workforce housing and other facilities, and also includes modular fleet hire and sales.
- Lodging & Support Services provides lodge accommodations and related support services including catering, housekeeping, retail, maintenance and utility services.
- Logistics & Facility O&M Services delivers facilities operations and maintenance services, including equipment and building maintenance, telecommunications and radar operations and maintenance, remote fuel supply and distribution, remote airfield services, remote waste management, remote water and wastewater treatment and remote medical and fire response services.
- Sustainable Communities supplies pre-fabricated building solutions to Indigenous and remote communities.

The ATCO Emissions Management business line provided noise and air emissions control and waste heat recovery systems for power generation, oil and gas, petrochemical and other industrial sites. This division was sold effective December 31, 2015.

Locations of facilities and operations are shown in the map below. The locations relating to ATCO Emissions Management which was sold effective December 31, 2015 have been removed from the map.

ATCO STRUCTURES & LOGISTICS

MODULAR STRUCTURES

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

Workforce Housing

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

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

Space Rentals and Sales

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

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

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

The following table compares ATCO Structures & Logistics' rental fleet by geographic area for 2015 and 2014. In the second quarter of 2015, ATCO Structures & Logistics acquired the modular business of Morris Modular Space located in Sudbury, Ontario. This acquisition increased the Company's fleet assets in Canada for 2015.

Number of Units in Lease Fleet

	2015		2014	
	Workforce Housing	Space Rentals	Workforce Housing	Space Rentals
Canada	**2,106**	**4,858**	1,953	4,442
Australia	**914**	**8,354**	965	8,627
United States	**334**	**90**	312	105
Total	**3,354**	**13,302**	3,230	13,174

Manufacturing

The Modular Structures division manufactures products at global facilities in Canada, the U.S. and Australia. In Australia, ATCO Structures & Logistics also leases manufacturing facilities which are not included in the table below.

Location	Square Feet	Ownership
Canada		
Calgary (ATCO Commercial Centre)	275,000	100%
Edmonton (Spruce Grove)	90,000	100%
United States		
Pocatello, Idaho	200,000	100%
Wichita Falls, Texas	140,000	100%
Diboll, Texas	90,000	100%
Australia		
Perth, Western Australia	193,000	100%
Brisbane, Queensland	31,000	100%

LODGING & SUPPORT SERVICES

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

In 2015, ATCO Structures & Logistics managed a portfolio of open and closed lodges with a capacity to accommodate approximately 10,000 people across Alberta, Saskatchewan, and Newfoundland and Labrador through a combination of open and closed lodges. Open lodges are owned and operated by ATCO Structures & Logistics as a hotel that services surrounding industries and projects. Closed lodges are owned by clients and come in two types: i) turn-key which are built and operated by ATCO Structures & Logistics; and ii) services only lodges which are built by an external third party but operated by ATCO Structures & Logistics.

Open Lodges

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

Closed Lodges

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

- **Turn-key Lodges:** These lodges are part of ATCO Structures & Logistics' bundled services solution, which combines the design, manufacturing and installation of an accommodation complex along with operations, including food services, housekeeping, retail, maintenance and utility services. Examples of turn-key lodges operated by ATCO Structures & Logistics in 2015 are:
  - 2,586-person BHP Billiton Jansen Discovery Lodge in Saskatchewan; and
  - 1,200-person Shell Blue Sky Lodge in Alberta.
- **Services only Contracts:** ATCO Structures & Logistics operates a number of services only contracts, providing the food, housekeeping, retail, recreation, maintenance and utility management services at client owned facilities. Examples of services only contracts in 2015 are:
  - 1,900-person lodge for CNRL in Alberta;
  - 1,470-person K+S Potash Canada Legacy Lodge in Saskatchewan; and
  - Two lodges (350-person) for Valard Construction in Newfoundland and Labrador in support of its Muskrat Falls hydroelectric project.

LOGISTICS & FACILITY O&M SERVICES

The core business of the newly re-formed ATCO Frontec is the provision of Logistics & Facility O&M services in Canada and internationally. Operations in Canada are generally medium-term, lower risk with lower margins; as compared with international operations which tend to be shorter-term, higher risk with higher margins.

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

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

ATCO SUSTAINABLE COMMUNITIES

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

Electricity Global Business Unit

OVERVIEW

Electricity's Global Business Unit activities are conducted through two regulated businesses, ATCO Electric Distribution and ATCO Electric Transmission, and two non-regulated businesses, ATCO Power and ATCO Power Australia. Together these four business operations provide: (i) regulated electricity distribution, transmission and distributed generation by ATCO Electric and its subsidiaries, Northland Utilities (NWT) Limited (NWT), Northland Utilities (Yellowknife) Limited (NUY), and ATCO Electric Yukon (AEY); (ii) supply of electricity and cogeneration steam by ATCO Power from natural gas, coal-fired and hydroelectric generating plants; and iii) supply of electricity and steam by ATCO Power Australia.

ATCO ELECTRIC

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

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

ATCO Electric is headquartered in Edmonton and has 38 offices throughout its service area. Electric utility service is also provided to one community in British Columbia and two in Saskatchewan. AEY serves 19 communities in the Yukon Territory, including the capital city of Whitehorse. NUY and NWT serve nine communities in the Northwest Territories, including the capital city of Yellowknife.

Approximately 570,000 people live in the principal markets for electric utility service by ATCO Electric and its subsidiaries NUY, NWT and AEY. Service is provided to approximately 256,000 customers. ATCO Electric has been assigned about 65 per cent of the designated service area within Alberta. This service area contains approximately 14 per cent of the provincial electrical load and 13 per cent of the population.

The number of customers served by ATCO Electric, NUY, NWT and AEY at the end of each of the last two years was as follows.

	2015		2014	
	Number	**%**	**Number**	**%**
Industrial	**10,919**	**5**	11,314	5
Commercial	**33,955**	**13**	33,338	13
Residential	**179,388**	**70**	175,934	70
Rural, REA and other	**31,477**	**12**	31,169	12
Total	**255,739**	**100**	251,755	100

Electricity distributed to the various classes of customers for each of the last two years was as follows.

	2015		2014	
	GWh	**%**	**GWh**	**%**
Industrial	**7,506**	**63**	7,198	62
Commercial	**2,465**	**21**	2,496	21
Residential	**1,341**	**11**	1,375	12
Rural, REA and other	**520**	**5**	531	5
Total	**11,832**	**100**	11,600	100

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

ATCO Electric, NUY, NWT and AEY own and operate 26 diesel, natural gas turbine and hydro-generating plants, with an aggregate nameplate capacity of 60 MW in Alberta, the Yukon and Northwest Territories. The maximum peak load demand for these plants during 2015 was 30 MW.

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

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

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

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

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

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

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

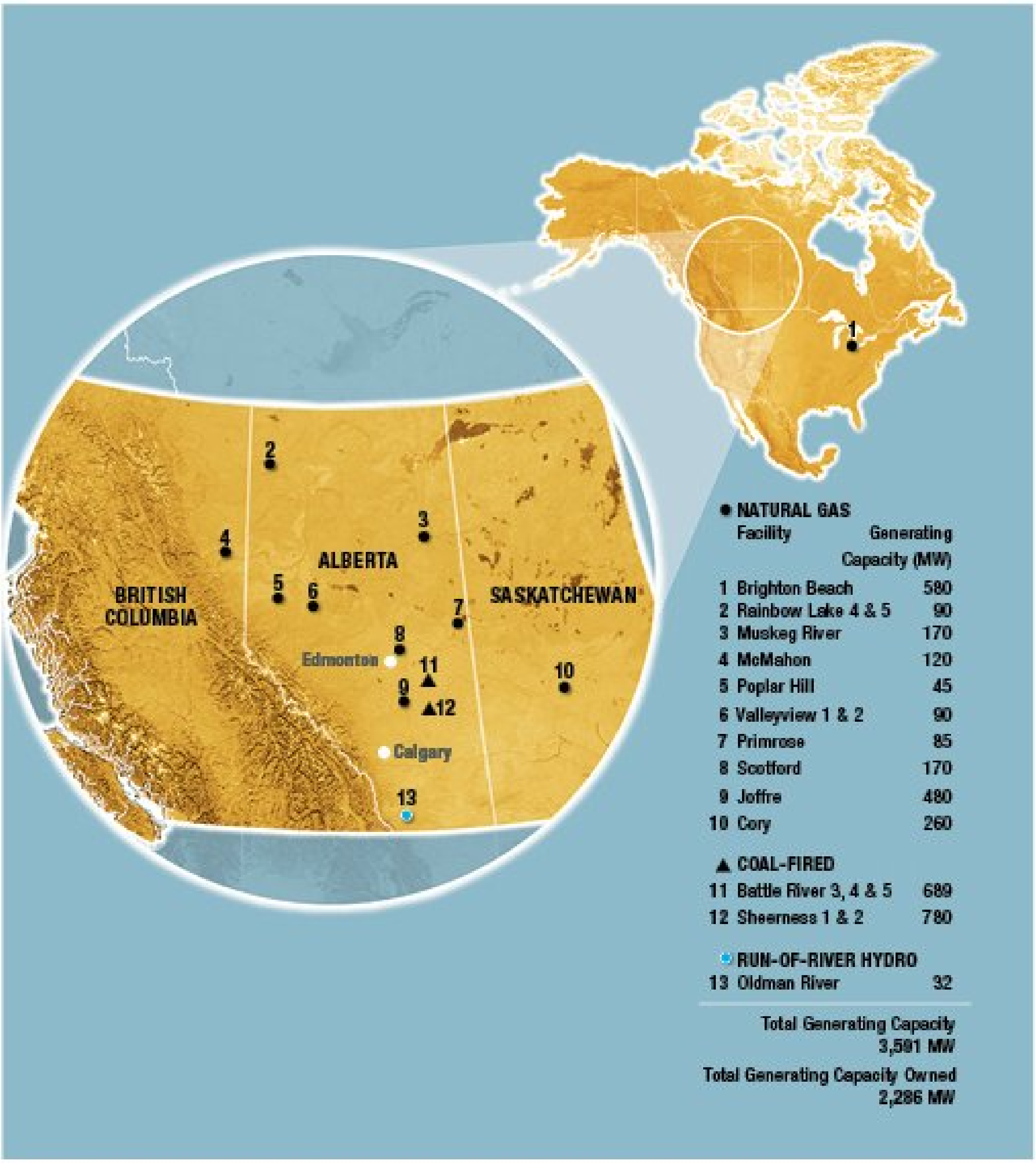
Alberta's Provincial Energy Strategy directed the AESO to develop a process and model for competitively procuring new electricity transmission facilities without regard for service area. In 2013, the AUC approved the AESO's Competitive Process Application. The competitive model only applies to facilities designated as "Critical Transmission Infrastructure". The Fort McMurray 500 kV Project was the first project awarded under this process.

In December 2014, Alberta PowerLine (APL), a newly formed partnership between the Company and Quanta Capital, a Quanta Services company, was awarded a 35-year, $1.4 billion contract by the AESO to design, build, own, and operate the Fort McMurray 500 kV Project. This project will increase the capacity of the electricity system in northeastern Alberta and help to ensure that this economically vital area of the province has the power it needs.

On December 1, 2015, APL submitted the Facilities Application to the AUC. APL is now focused on preparing for the public hearing that has been scheduled by the AUC for June 2016. If the Facilities Application is approved, construction is expected to commence in 2017 and the project is anticipated to be in service in 2019.

ATCO POWER

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



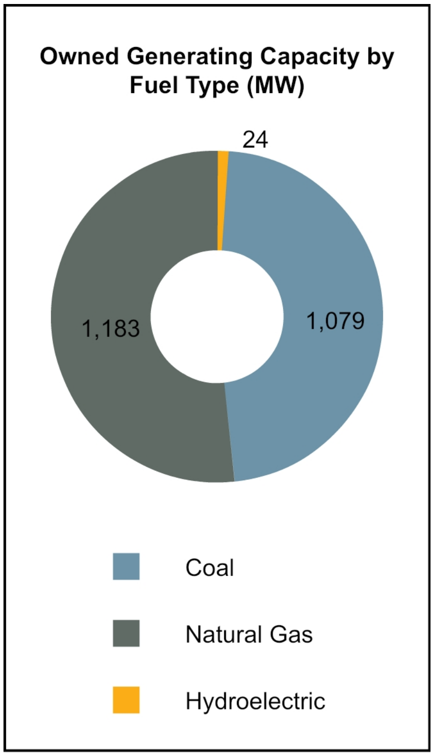
Power generation activities are focused on owning, operating and developing generating plants in Canada, primarily in Alberta.

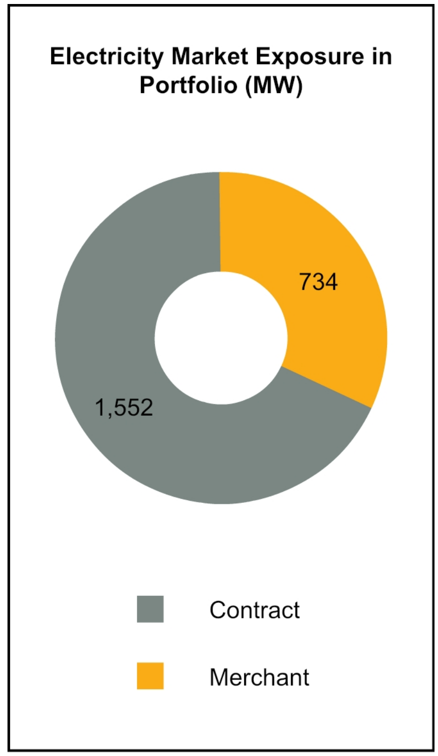
The Alberta power market serves approximately 4 million people. Installed electricity generating capacity at December 31, 2015, was approximately 16,300 MW, fueled by 39 per cent coal, 44 per cent natural gas, 6 per cent hydroelectric, 9 per cent wind and 2 per cent other. Approximately 1,200 MW of capacity was installed in 2015; this consisted primarily of natural gas generation.

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

At December 31, 2015, ATCO Power had an ownership position in generating plants with a total capacity, including partners' interests, of 3,591 MW. It operates 3,471 MW, or 97 per cent, and owns 2,286 MW, or 64 per cent, of the total capacity. This owned generating capacity is fueled by 1,183 MW (52 per cent) natural gas, 1,079 MW (47 per cent) coal and 24 MW (1 per cent) hydroelectric. Details of these plants are shown in Appendix 1.

The following charts illustrate the approximate portion of owned generating capacity by fuel types in the portfolio and contract versus merchant portions of owned capacity at December 31, 2015.





As at December 31, 2015, the Company had 734 MW (32 per cent) of its owned generating capacity exposed to the merchant market for power generation in Alberta, Canada.

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

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

Fuel costs for the thermal units at the Battle River and Sheerness generating plants are mostly for coal, under a coal supply agreement with Prairie Mines & Royalties Limited. To protect against volatility in coal prices, ATCO Power has long-term contracts for the anticipated lives of its Battle River and Sheerness coal-fired generating plants. These contracts are either fixed prices or indexed to inflation. The Battle River coal supply agreement extends until 2022 and reflects the higher cost of mining deeper coal. The coal supply agreement for Sheerness extends to 2026 or the exhaustion of the coal supply, whichever comes earlier.

During 2014, the Company, together with its partners, commenced the process of immediate closure and shut-down of the 1,000 MW Barking generating plant in the U.K. This decision followed after the plant was not selected by National Grid to supply capacity through the Supplemental Balancing Reserve mechanism and after consideration of the ongoing weaknesses in the U.K. energy market. The Company continued with decommissioning activities in 2015, which are expected to be completed in 2016.

During the fourth quarter of 2015, the Company increased its ownership in Thames Power Limited (TPL) by purchasing the shares of Balfour Beatty Pension Trust Limited, thereby increasing the Company's ownership from 50 per cent to 100 per cent in TPL, who owns a 51 per cent joint interest in Barking Power Limited. This entity has an ownership interest in land assets in Barking in the U.K. The transaction strategically positions the Company for future opportunities in the U.K. market and to invest in repowering of the existing Barking site if economically feasible in future years. The other shareholders in Barking Power Ltd. are Scottish and Southern Energy plc and Électricité de France S.A., with ownership of 24.5 per cent each.

Thermal Power Purchase Arrangements

Certain units of ATCO Power's Battle River and Sheerness generating plants are governed by legislatively mandated Power Purchase Arrangements (PPA) that were approved by the AUC. These plants are considered regulated operations as the PPA are designed to allow generating plant owners to recover their forecast fixed and variable costs and earn a return at the rate specified in the PPA. Each plant will become deregulated either one year after the expiry of its PPA or after a decision to continue to operate the plant, whichever is earlier.

For PPA expiring before 2019, ATCO Power has one year after expiry to make one of two decisions. It can determine to decommission the generating plant to fully recover plant decommissioning costs, or it can continue operating the plant and be responsible for the incremental decommissioning costs above those already collected from the PPA purchaser. For PPA expiring after 2018, decommissioning costs are the plant owner's responsibility. Each PPA remains in effect until the last day of the original estimated life of the related generating plant or December 31, 2020, whichever is earlier.

Mexico Tula Cogeneration

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

In 2015, ATCO Power continued to work with its Mexican partner, Grupo Hermes, to further the development of this plant.

Distributed Generation

Distributed generation projects align with the Company's strategy of taking a creative and innovative approach to meeting its customers' needs by building a fleet of portable natural gas-fired units that can be deployed for temporary or permanent projects. With the cost of traditional, wire-delivered power on the rise, on-site power generation systems specifically designed and optimized for unique site requirements while using safe, reliable, proven power generation technologies are more cost effective. In terms of permanent on-site power solutions, the gas fired power plants are designed, built, owned and operated by ATCO Power. Temporary power generation can be used to bridge the gap between grid connection and permanent generation, for emergency or supplementary on-site power, or to offset electricity shortages.

ATCO Power has been providing an innovative temporary power generation service to Apache Canada Ltd. at its House Mountain facility west of Swan Hills since March of 2015, generating power from excess natural gas. In the third quarter of 2015, ATCO Power and Apache entered into a 10-year contract at House Mountain to continue to provide power generation service. ATCO Power will be the sole owner and operator of the $13 million, 6 MW power generation facility, which will replace the temporary generation units. This facility has an expected in-service date of May 2016.

ATCO Power purchased a further six 1.5 MW natural gas fired portable units in the third quarter of 2015. A site is being developed to house these additional units when they are not leased to customers. The generation units and site development represent a $18 million investment that is expected to begin generating revenue in late 2016.

ATCO POWER AUSTRALIA

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

ATCO Power Australia maintains ownership in and currently operates two generation plants: Osborne in Adelaide, South Australia, and Karratha in the Pilbara region of Western Australia. These facilities collectively generate 266 MW of power, providing energy for thousands of public sector, domestic, industrial and commercial clients across the country, through secure off-take arrangements with credible counterparties. ATCO Power Australia also formerly owned and operated a 33 MW cogeneration plant located in Brisbane. This plant was closed during the second quarter of 2015 coinciding with the closure of British Petroleum's (BP) Brisbane oil refinery.

Details of the Osborne and Karratha generating plants are provided below and in Appendix 1.

Osborne

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

Karratha Power Station

Commissioned in 2010, the 86 MW Karratha Power Station is one of the most efficient and environmentally friendly power generation facilities in the North West Interconnected System in the Pilbara region of Western Australia. The facility generates electricity to supply residential and business consumers under a long-term (20-year) tolling power off-take contract with Horizon Power. ATCO Power Australia was commissioned to build, own and operate the Karratha Power Station in accordance with the design basis submitted to Horizon Power following a competitive tender process. Construction commenced in March 2009, with the facility officially opening, on time and on budget, on June 2, 2010. The facility consists of two open cycle dry low-emissions natural gas turbines and meets all performance guarantee requirements, including output, heat rate, noise and nitrous oxide emissions.

Bulwer Island Energy Partnership

Bulwer Island Energy Partnership (BIEP) was a 33 MW cogeneration plant located at the BP refinery in Brisbane, which commenced commercial operation on January 1, 2000. BIEP was an equal joint venture partnership between ATCO Power Australia and Origin Energy. BIEP contracted its output to BP under a long-term Energy Services Agreement (ESA) (20-years). On April 2, 2014, BP issued a press release and a communication to BIEP announcing that it intended to cease refining operations at its Bulwer facility by mid-2015. In 2014, management (together with Origin) took steps to source an alternate customer beyond the term of the current ESA, however, no economically viable solution was found. Commercial negotiations between BIEP and BP concluded in a Settlement Agreement, which was executed on April 30, 2015. This agreement finalized the transfer of ownership of BIEP assets to BP on June 23, 2015.

Pipelines & Liquids Global Business Unit

OVERVIEW

Pipelines & Liquids Global Business Units' activities are conducted through five businesses: (i) regulated natural gas distribution by ATCO Gas, a division of ATCO Gas and Pipelines Ltd. (AGP); (ii) regulated natural gas distribution by ATCO Gas Australia; (iii) regulated natural gas transmission by ATCO Pipelines, a division of AGP; (iv) non-regulated natural gas transmission by ATCO Pipelines, S.A. de C.V., a company incorporated in Mexico; and (v) industrial water services, non-regulated natural gas storage, processing and transmission, natural gas liquids extraction, and hydrocarbon storage by ATCO Energy Solutions.

The following map shows the areas served by ATCO Gas and ATCO Pipelines in Alberta, as well as ATCO Pipelines S.A. de C.V.'s natural gas pipeline near Tula, Mexico. The shaded area on the map represents the proposed ATCO Pipelines footprint on completion of the 2016 Asset Swap (see "Three-Year History - Pipelines & Liquids - ATCO Pipelines - Major Project Updates - Alberta System Integration").

ATCO GAS

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

ATCO Gas' principal markets for distributing natural gas are in Edmonton, Calgary, Airdrie, Fort McMurray, Grande Prairie, Lethbridge, Lloydminster, Red Deer, Spruce Grove, St. Albert and Sherwood Park. These communities have a combined population of approximately 2,640,000. Approximately 80 per cent of ATCO Gas' customers were located in these 11 communities. Also served are 279 smaller communities as well as rural areas with a combined population of approximately 701,000. The numbers presented are the 2014 population statistics as the 2015 statistics were not available at the time of time of this report.

The number of customers served by ATCO Gas at the end of each of the last two years is shown below.

	2015		2014	
	Number	**%**	**Number**	**%**
Residential	**1,071,988**	**92**	1,049,261	92
Commercial	**95,880**	**8**	94,005	8
Industrial	**350**	**–**	355	–
Other	**4**	**–**	3	–
Total	**1,168,222**	**100**	1,143,624	100

The quantities of natural gas distributed by ATCO Gas for each of the last two years is given below.

	2015		2014	
	PJ	**%**	**PJ**	**%**
Residential	**113.4**	**48**	125.7	48
Commercial	**111.6**	**47**	123.0	47
Industrial	**13.0**	**5**	14.2	5
Other	**0.3**	**–**	0.1	–
Total	**238.3**	**100**	263.0	100

ATCO Gas owns and operates more than 40,000 kms of distribution mains. It also owns service and maintenance facilities in major centres in Alberta.

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

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

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

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

ATCO PIPELINES

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

ATCO Pipelines owns and operates an extensive natural gas transmission system. The system currently consists of approximately 8,500 kms of pipelines, 18 compressor sites, approximately 4,000 receipt and delivery points, and a salt cavern storage peaking facility near Fort Saskatchewan, Alberta. The system has 191 producer receipt points, two interconnections with Alliance Pipeline, and one interconnection with Many Islands Pipelines. Peak delivery capability of the ATCO Pipelines system is 3.8 billion cubic feet per day.

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

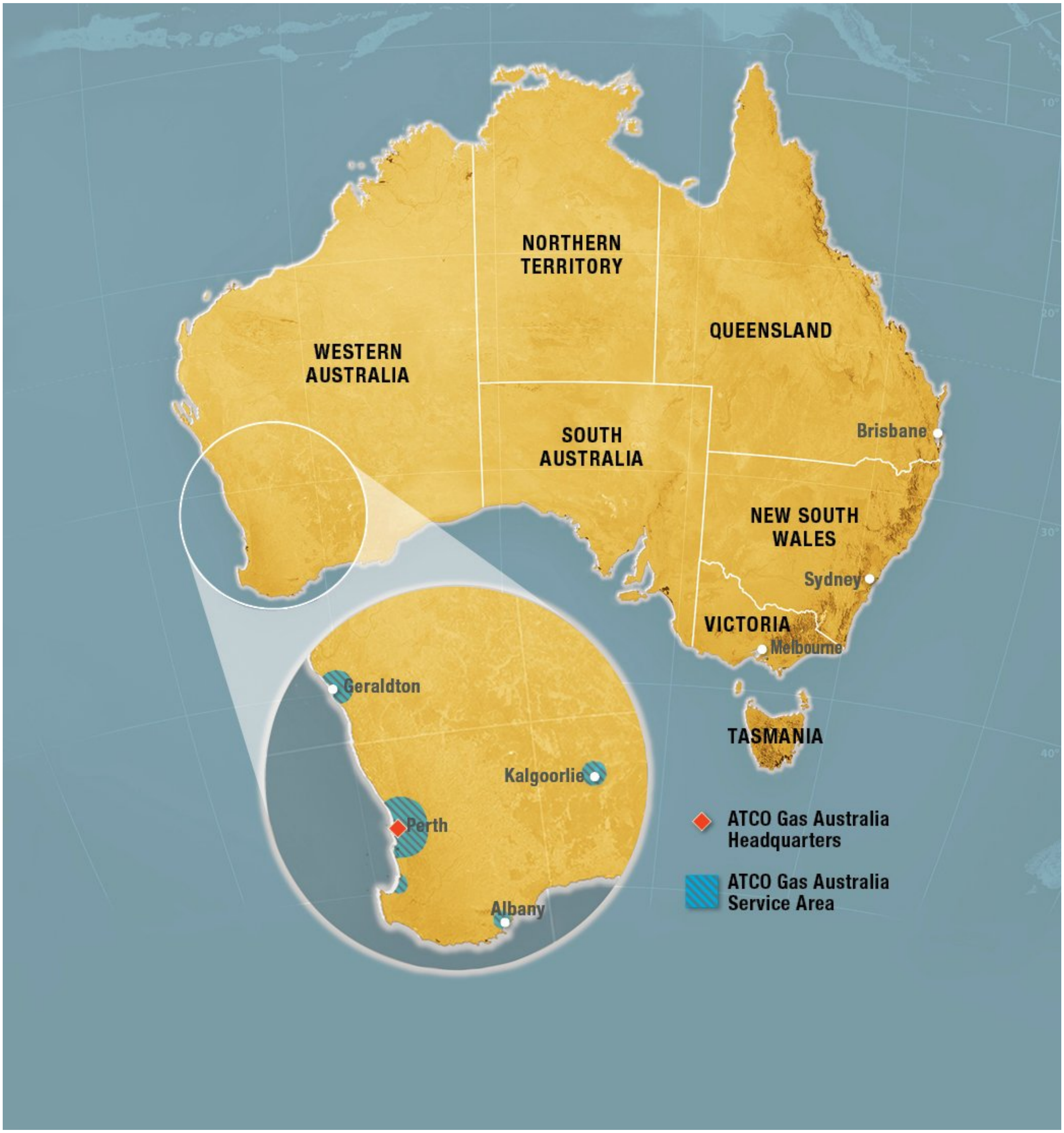
More details on the Alberta System Integration Agreement are provided in the Three Year History section of this Annual Information Form (AIF).

ATCO PIPELINES S.A. de C.V. (ATCO PIPELINES MEXICO)

In October 2014, ATCO Pipelines Mexico was named the successful bidder by the Comisión Federal De Electricidad (CFE) to design, build and operate a natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. In respect of that award, ATCO Pipelines Mexico signed a 25-year Transportation Services Agreement with the CFE to provide the natural gas transportation services requested in the tender. ATCO Pipelines Mexico is responsible for the design and construction of the 16 km pipeline that will transport natural gas to fuel the existing Francisco Pérez Rios power plant near Tula.

ATCO GAS AUSTRALIA

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



ATCO Gas Australia provides natural gas distribution services in Western Australia. ATCO Gas Australia serves approximately 725,000 customers in 18 communities, including metropolitan Perth and surrounding regions such as Geraldton, Bunbury, Busselton, Kalgoorlie, Harvey, Pinjarra, Brunswick Junction and Capel. ATCO Gas Australia also distributes liquefied propane gas (LPG) to the community of Albany.

ATCO Gas Australia owns and operates approximately 14,000 kms of natural gas pipelines and associated infrastructure.

The number of customers served by ATCO Gas Australia at the end of 2015 and 2014 is shown below.

	2015		2014	
	Number	**%**	**Number**	**%**
Residential	**712,274**	**98**	689,763	98
Commercial	**12,518**	**2**	11,916	2
Industrial	**180**	**–**	181	–
Total	**724,972**	**100**	701,860	100

The quantity of gas delivered by ATCO Gas Australia in 2015 and 2014 is shown below.

	2015		2014	
	PJ	**%**	**PJ**	**%**
Residential	**10.0**	**38**	9.8	38
Commercial	**3.1**	**12**	2.9	11
Industrial	**13.2**	**50**	13.3	51
Total	**26.3**	**100**	26.0	100

The quantity of gas delivered in 2015 was comparable to quantities delivered in 2014.

ATCO ENERGY SOLUTIONS

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

Industrial Water Services

Through the ATCO Heartland Industrial Water System, ATCO Energy Solutions' multi-user water system connected to the North Saskatchewan River provides integrated water and related services including pipeline transportation, water treatment, recycling and disposal to industrial customers. This industrial water system also supplies water for the development of salt caverns for hydrocarbon storage.

ATCO Energy Solutions construction on two industrial water projects in Alberta's Industrial Heartland was completed during the third quarter of 2015, providing essential water transportation services and other value benefits to customers in the area. The North West Redwater Partnership project and Air Products Canada Ltd. project were operational during the fourth quarter of 2015. The projects included an upgrade to the Company's river intake system and construction of a modern pump station facility on the North Saskatchewan River (growing capacity to flow 2,500 cubic metres per hour with the ability for further expansion as needed) as well as completing its pipeline delivery to its Air Products Canada Ltd. customer.

In the fourth quarter of 2015, ATCO Energy Solutions entered into a long-term commercial agreement with Air Products to provide water pre-treatment services in addition to the existing water transportation services contract for the Air Products' hydrogen facility near Fort Saskatchewan. With the addition of this service, ATCO Energy Solutions continues to grow the Company's suite of water and wastewater services provided to industrial customers throughout Alberta's Industrial Heartland. Customers receiving pre-treated water benefit from substantially improved industrial water quality, in addition to freeing up land at their operations previously dedicated to water treatment.

Natural Gas Storage

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

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

Hydrocarbon Storage

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

Construction is underway with commercial operation for the first two caverns targeted for the third quarter of 2016 with the two remaining caverns expected to be completed by the third quarter of 2017.

Natural Gas Liquids Extraction

ATCO Energy Solutions has an interest in two natural gas liquids (NGL) extraction facilities as at December 31, 2015: the Empress Gas Liquids Straddle Plant which ATCO Energy Solutions operates but is currently shut-in; and the Edmonton Ethane Extraction Plant which the Company sold its share in effective January 1, 2016. These facilities extract ethane and other NGL from natural gas flowing through contracted pipelines. As at December 31, 2015 ATCO Energy Solutions' net ownership in the processing capacity of the facilities was over 334 million cubic feet per day of natural gas, which produced approximately 14,800 barrels per day of NGL.

Facility	**Date in Service**	**NGL Extracted**	**Licensed Capacity** *(mmcf/day)*	**Ownership** *(%)*	**Net Ownership** *(mmcf/day)*
Edmonton Ethane Extraction Plant [2]	1978	[1]	390	51.3	200
Empress Gas Liquids Straddle Plant [3] [4]	1983	[1]	1,100	12.2	134
			1,490		334

(1) Ethane and a mixture of propane, butane and pentanes plus.

(2) ATCO Energy Solutions' share in the Edmonton Ethane Extraction Plant was sold effective January 1, 2016.

(3) Owner Operated.

(4) The Empress Gas Liquids Straddle Plant was shut-in effective March 31, 2015.

ATCO Energy Solutions sold the non-core NGL ethane extraction plants of Fort Saskatchewan and Villeneuve in the fourth quarter of 2015, and the Edmonton Ethane Extraction Plant in the first quarter of 2016. The proceeds from these sales will be deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

Natural Gas Gathering and Processing

ATCO Energy Solutions has an interest in three natural gas gathering and processing facilities with a net ownership gathering and processing capacity of 7 million cubic feet per day. ATCO Energy Solutions operates the Kisbey Gas Plant. In addition, ATCO Energy Solutions owns approximately 645 kms of field gathering lines. Natural gas production connected to ATCO Energy Solutions' natural gas gathering systems is processed for a fee or purchased, processed and sold under third-party contractual arrangements. ATCO Energy Solutions has a network of gas gathering and processing facilities that are close to existing and potential customers.

ATCO Energy Solutions’ natural gas processing plants, with their licensed capacities, are shown below.

Facility	**Date in Service**	**Licensed Capacity** *(mmcf/day)*	**Ownership** *(%)*	**Net Ownership** *(mmcf/day)*
Nottingham Gas Plant	1985	18	8.0	1
Ikhil Gas Plant	1999	8	33.3	3
Kisbey Gas Plant (1)	2000	5	50.0	3
		31		7

(1) Owner-operated.

ATCO Energy Solutions sold or shut-in certain non-core natural gas gathering and processing assets in 2014 and 2015. The Golden Spike Gas Plant was shut-in during 2013 and sold in 2015, the Carbondale Gas Plant was shut-in during 2014 and decommissioned in 2015, and the Kinsella Gathering and Compression and Puskwaskau Gas Facilities were sold in 2014.

Non-regulated Electricity and Natural Gas Transmission

ATCO Energy Solutions owns and operates two non-regulated electricity transmission lines in Alberta, one in Fort Saskatchewan and another in Fort McMurray. It also owns a 116 km non-regulated natural gas pipeline near Fort McMurray.

Corporate & Other

Corporate & Other includes the recent launch of retail energy through ATCO Energy to provide retail electricity and natural gas services in Alberta, the commercial real estate owned by the Company in Alberta, and the strategic growth investment and geographical expansion into Mexico. Corporate & Other also includes the Company's global corporate head office in Calgary, Canada and ATCO Australia's corporate head office in Perth, Western Australia. Services provided by one or both corporate head offices include: corporate business development, finance, tax, treasury, regulatory, information technology, human resources, corporate communications, investor relations, risk management, internal audit and other administrative services including compliance and governance services.

RETAIL ENERGY

As part of the Company's continued growth and capital redeployment programs, ATCO Energy has been launched to provide retail and commercial electricity and natural gas services in Alberta. ATCO Energy is a logical step in the vertically integrated growth of the overall company.

ATCO Energy has two lines of business, ATCO Home and ATCO Business. ATCO Home provides retail services to customers. ATCO Business has a commercial and industrial portfolio of more than 100 electricity or natural gas customer contracts with terms ranging from one to five years.

Services to residential customers were launched in January 2016. Electricity and natural gas are procured by ATCO Power and delivered to customers through various distribution lines depending on customer locations. Electricity and natural gas retail in Alberta is a competitive market and ATCO Energy is striving to be a preeminent retailer of electricity and natural gas by 2020. This target is based on leveraging strength of the ATCO brand with a compelling value proposition that includes sign-up and loyalty credits, competitive rates and flexible plans for customers.

REAL ESTATE

ATCO Investments Ltd. owns ATCO Centre Phase II and the adjacent parking lot at 919 & 931 - 11th Avenue S.W., Calgary, Alberta. This building contains approximately 139,600 square feet of net rentable area, of which 100 per cent was occupied at December 31, 2015.

ATCO Investments Ltd. also owns approximately 44 acres of land at the ATCO Commercial Centre in Calgary. The ATCO Structures & Logistics manufacturing plant, office, and yard space occupy just over 22 acres of this property. The remainder of the property is in the planning and construction phase for development. Phase 1 of this development, comprising 230,000 square feet of modern commercial offices, is under construction, and is scheduled for occupancy by the Company at the end of the fourth quarter of 2017. When complete this phase will accommodate employees from the Structures & Logistics and Electricity Global Business Units, promoting communication and collaboration.

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

ATCO MEXICO BUSINESS DEVELOPMENT

In the third quarter of 2014, the Company established an office in Mexico City to evaluate and pursue business opportunities in Mexico's energy market. The Mexican government has embarked on a program of reforming its energy sector, inviting foreign investment in energy infrastructure such as power generation, electricity and natural gas transmission and distribution facilities. ATCO Mexico is focused on developing, building, owning and operating new energy infrastructure assets to support the development of Mexico's energy infrastructure. The business development office in Mexico is reported in the Company's Corporate & Other Business Unit, while projects and operations are reported in the Electricity and Pipelines & Liquids Global Business Units.

PERFORMANCE SUMMARY

COMPARISON OF SEGMENTED REVENUES AND ADJUSTED EARNINGS

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

Revenues [1]	2015		2014	
	($ millions)	%	($ millions)	%
Structures & Logistics	**869**	**21**	963	21
Electricity	**1,771**	**43**	1,804	40
Pipelines & Liquids	**1,525**	**37**	1,723	38
Corporate & Other and Eliminations	**(34)**	**(1)**	64	1
Total	**4,131**	**100**	4,554	100

Adjusted Earnings [1] [2]	2015		2014	
	($ millions)	%	($ millions)	%
Structures & Logistics	**27**	**10**	67	18
Electricity	**171**	**58**	195	52
Pipelines & Liquids	**101**	**34**	106	28
Corporate & Other and Eliminations	**(6)**	**(2)**	6	2
Total	**293**	**100**	374	100

(1) The above data has been extracted from note 5 ("Segmented Information") of the consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar.

(2) Adjusted Earnings are earnings attributable to Class I Shares 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 as a result of day-to-day operations.

Consolidated revenues and adjusted earnings in 2015 were significantly influenced by the challenging economic environment and depressed commodity pricing. The cyclical nature of large natural resource project activity in the Structures & Logistics Global Business Unit, lower Alberta Power Pool prices, prior period adjustments related to regulatory decisions in the Electricity and Pipelines & Liquids Global Business Units and continued capital investment in the Regulated Utilities in Alberta and ATCO Gas Australia all impacted the consolidated revenues and adjusted earnings of the Company.

Adjusted earnings in the Structures & Logistics Global Business Unit were lower in 2015 compared to 2014 mainly as a result of lower Modular Structures project activity and profit margins, reduced lodging occupancy levels and room rates partially offset by business-wide cost reduction initiatives.

Adjusted earnings in the Electricity Global Business Unit were lower in 2015 compared to 2014 mainly as a result of lower Alberta Power Pool prices, spark spreads and reduced price volatility because of additional supply coming online during 2015 in the Alberta power market. In addition, the adverse impact of prior period adjustments associated with several regulatory decisions influenced the financial results of the Regulated Utilities, which were partially offset by continued investment in utility infrastructure investment in Alberta.

Adjusted earnings in the Pipelines & Liquids Global Business Unit were lower in 2015 compared to 2014. The adverse impact of prior period adjustments associated with several regulatory decisions in the Regulated Utilities in both Alberta, Canada and Perth, Western Australia, was offset by continued utility infrastructure investment in Alberta and Western Australia, lower financing costs as a result of refinancing long-term debt at favourable rates, and the sale of excess natural gas in the storage operations of ATCO Energy Solutions.

Corporate & Other adjusted earnings were lower in 2015 compared to 2014 mainly as a result of foregone earnings from the sale of ATCO I-Tek in August 2014.

COMPARISON OF SEGMENTED CAPITAL INVESTMENTS

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

	2015 [1]		2014 [1]	
	($ millions)	*%*	*($ millions)*	*%*
Structures & Logistics	**61**	**3**	91	4
Electricity	**935**	**49**	1,622	68
Pipelines & Liquids	**875**	**46**	638	27
Corporate & Other and Eliminations	**48**	**2**	40	1
Total [2] [3]	**1,919**	**100**	2,391	100

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

(2) Includes additions to property, plant and equipment, intangibles as well as $97 million (2014 - $76 million) of interest capitalized during construction for the year ended December 31, 2015.

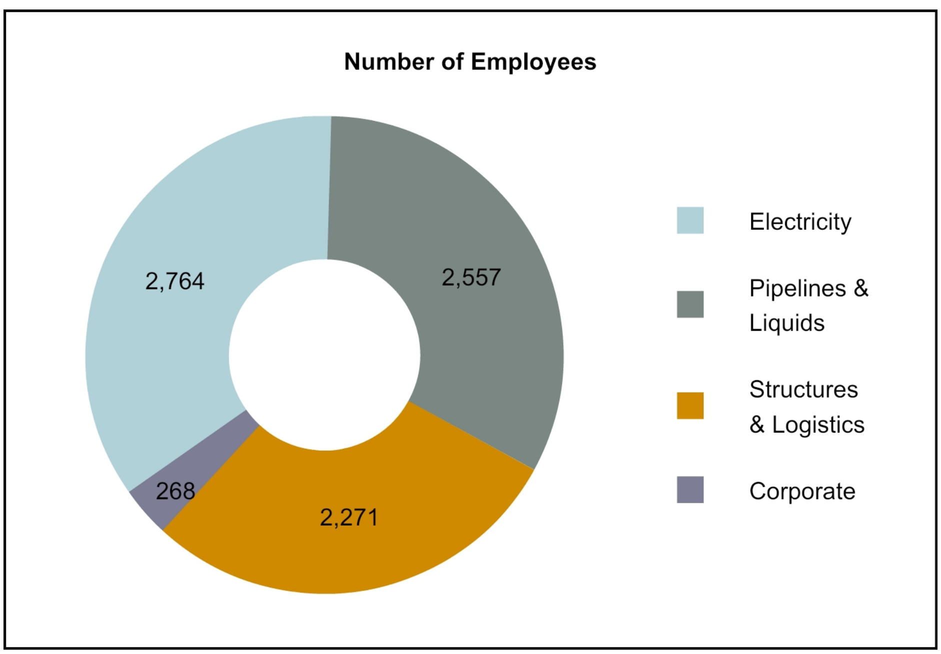
(3) Includes capital expenditures in joint ventures, $51 million (2014 - $18 million) for the year ended December 31, 2015.

Total capital investments of $1.9 billion in 2015 were lower than the $2.4 billion reported in 2014. The Electricity Global Business Unit accounted for $0.9 billion of this year's capital spending, and the Pipelines & Liquids Global Business Unit accounted for $0.9 billion of this year's capital spending, with the remaining investments spread across the Company's other Global Business Units. The majority of the Electricity Global Business Unit's investment was in the transmission operations of ATCO Electric and was predominantly for AESO direct-assigned projects. The majority of the Pipelines & Liquids Global Business Unit's investment was in ATCO Pipelines and ATCO Gas and was for the Urban Pipelines Replacement (UPR) project, but also included the ATCO Pipelines Mexico capital investment.

EMPLOYEE INFORMATION

At December 31, 2015, the Company had 7,860 employees compared to 9,170 at December 31, 2014. The decrease in headcount from 2014 to 2015 is primarily the result of headcount reductions from a restructuring program the Company completed in order to maintain its competitive position while continuing to provide safe and reliable service to its customers and the sale of ATCO Emissions Management on December 31, 2015.

The accompanying chart represents the employee numbers in each segment. The chart does not include 22 employees in ATCO Power Australia joint ventures and 23 employees in Structures & Logistics joint ventures.



THREE YEAR HISTORY

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

Structures & Logistics Global Business Unit

Earnings from the Structures & Logistics Global Business Unit are significantly influenced by capital spending cycles in the natural resource, defense and construction sectors. In 2015, the Company underwent a restructuring process in order to maintain its competitive position while continuing with safe and reliable services for its customers.

MODULAR STRUCTURES

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

North America

LNG Modular Structures Project

ATCO Structures & Logistics was awarded a rental contract in the fourth quarter of 2015 to design, construct, transport, install and rent 591 modular units at a major LNG project near Lake Charles, Louisiana. The units will be used to provide sleeping accommodation for 2,300 people, kitchen and dining facilities, and a recreation centre. Under the terms of the agreement, the new workforce housing units will be built at ATCO Structures & Logistics' USA manufacturing facilities. The units will be leased for a 29 month period which commenced in January 2016 with the delivery of 104 modular units after completing Phase I of the project. At the end of the lease term, the units will be returned to the Company's fleet, thereby expanding its footprint in the U.S. market.

Site C Clean Energy Workforce Housing Project

In April 2015, ATCO Structures & Logistics was chosen as the preferred proponent by BC Hydro to manufacture, install and operate a 1,600-person workforce housing facility for workers constructing the Site C Clean Energy Project on the Peace River in northeast BC. ATCO Structures & Logistics is also providing a full suite of lodge-related services including catering, janitorial, maintenance, medical and fire protection until 2022. A project agreement valued at $470 million was completed in late September 2015. ATCO Structures & Logistics will continue to execute the project with the manufacture and install phase expected to be completed in mid-2016.

Shell Carmon Creek Project

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

Jansen Potash Project

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

Australia

Wheatstone Project

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

LODGING & SUPPORT SERVICES

Site C Clean Energy Workforce Housing Project

In April 2015, ATCO Structures & Logistics was awarded a turn-key contract by BC Hydro to design, build and manage a 1,600-person lodge near Fort St. John, BC to support its Site C Project. Manufacturing and construction of this project is underway with the lodging and support services expected to commence in the first quarter of 2016. When in operation the scope of work under this contract will include food services, housekeeping, maintenance, roads and grounds maintenance, utilities management, security, retail, recreation and other services.

Lodges to support Valard's Muskrat Falls Hydroelectric Project

The Company, together with its partner, Nunatsiavut Group of Companies, was awarded a contract by Valard Construction LP in March 2015. Under the 36-month contract, the Company is providing catering, janitorial and commercial laundry services to five 100 to 300-bed lodges that are housing workers constructing the Muskrat Falls Transmission Project in Newfoundland and Labrador.

K+S Potash Canada

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

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

Blue Sky Lodge

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

LOGISTICS & FACILITY O&M SERVICES

Private Sector

The mainstay of the private sector business in Canada is in the provision of site services to resource based clients (oil and gas and mining customers).

Facility & Operations Maintenance Contracts

In April 2014, ATCO Structures & Logistics was awarded a contract to provide facility and operations maintenance services to five resource development sites in northern Alberta operated by a major Canadian exploration and production company. The two-year contract, which began in March 2014, was awarded after a competitive bid process.

Public Sector

Within the Canadian public sector, ATCO Structures & Logistics provides services to the Department of National Defence.

Government of Nunavut

In August 2015, the Government of Nunavut awarded a new contract to ATCO Structures & Logistics for bulk fuel delivery services at Resolute Bay, Nunavut. Similarly, in January 2016, the Government of Nunavut re-awarded a contract to ATCO Structures & Logistics for the on-call maintenance of fuel tank farms across the entire territory.

North Atlantic Treaty Organization (NATO) Flying Training Centre

ATCO Structures & Logistics manages, operates and maintains facilities to support NATO Flying Training in Canada (NFTC) located at 15 Wing Moose Jaw. This contract has been held by the Company since 2001. The Company will re-compete for this contract in a competitive bidding process in 2020. NFTC trains approximately 140 pilots per year from various NATO countries and ATCO Frontec provides the following services:

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

Alaska Radar System

In the third quarter of 2014, ARCTEC Alaska, a joint-venture between ATCO Structures & Logistics and ASRC Federal Primus, was awarded a contract with the United States Department of the Air Force to continue providing operations and maintenance services to 15 strategic radar sites that form the Alaska Radar System. The 10-year contract, commencing October 2016, continues a successful 19-year relationship. The previous contract expired at the end of September 2014 and services are currently being provided under a bridge agreement until commencement of the new contract in October 2016.

Defense Construction Canada

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

International

The international business has consisted exclusively of projects, operations and pursuits for ATCO Frontec Europe. The majority of ATCO Frontec Europe's business activities have been and continue to be on behalf of NATO in support of military operations. Presently, ATCO Frontec Europe has three projects in support of NATO located in Bosnia, Afghanistan and Kosovo; although, their scope has decreased significantly in line with NATO troop reductions in those areas.

NATO Fire Protection Contract

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

Electricity Global Business Unit

Electricity's total capital investment over the last three years amounted to $4.4 billion (see table below). The largest expenditures were in the transmission operations of ATCO Electric. The AESO has identified the need for major reinforcement and expansion of the electricity transmission system in Alberta, and ATCO Electric is dedicated to improving Alberta's electrical system through responsible transmission development.

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

		Year Ended December 31	
($ millions)	**2015**	**2014**	**2013**
ATCO Electric Distribution	**355**	369	408
ATCO Electric Transmission	**471**	1,233	1,355
Alberta PowerLine	**24**	–	–
ATCO Power	**85**	20	47
Total	**935**	1,622	1,810

ATCO ELECTRIC

The financial results of ATCO Electric have been influenced by several regulatory decisions. The regulatory decisions are described in the "Regulatory Development" section in ATCO Ltd.'s Management's Discussion and Analysis (MD&A) and are hereby incorporated by reference. The MD&A may be found on SEDAR at www.sedar.com.

These regulatory decisions are partially offset by continued investment in utility infrastructure investment in Alberta. Details of major capital investment is described below.

Major Project Updates

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

In December 2014, APL, a newly formed partnership between the Company and Quanta Capital, a Quanta Services company, was awarded a 35-year, $1.4 billion contract by the AESO for the Fort McMurray 500 kV Project. This project will increase the capacity of the electricity system in northeastern Alberta and help to ensure that this economically vital area of the province has the power it needs.

Valard Construction, a Canadian subsidiary of Quanta Services, will provide turn-key engineering, procurement, and construction services for the project, while ATCO Electric will be responsible for the overall management, route planning, permitting and operations and maintenance of the transmission facilities for 35 years. The project consists of approximately 500 kms of 500 kV transmission line running from Wabamun (west of Edmonton) to Fort McMurray, Alberta.

The proposed route, substations and design of the transmission line are subject to approval by the AUC. APL has consulted with landowners and submitted its Facilities Application to the AUC December 1, 2015. If approved, construction of the Fort McMurray 500 kV Project is scheduled to start in 2017 and be in service in 2019.

Eastern Alberta Transmission Line (EATL) Project

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

Hanna Region Transmission Development Project

ATCO Electric completed this major transmission project in July 2013 on schedule and approximately $60 million under budget. This transmission reinforcement of the southeast region of the province was comprised of approximately 335 kms of transmission lines and six new substations, as well as modifications and expansions of 14 existing substations.

ATCO POWER

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

In 2015, the Company realized lower average Alberta Power Pool prices compared to 2014. The combination of lower average Alberta Power Pool prices and reduced price volatility contributed to decreased earnings for the Company in 2015 and 2014. Plant availability during 2015 remained high in the Company's independent power plants. The Thermal PPA Plant availability was lower in 2015 compared to 2014 due to Battle River unit 5 and Sheerness unit 1 planned outages in 2015.

During 2013, higher average realized Power Pool prices, higher spark spreads, greater price volatility and high availability of the Company's generating plants resulted in higher earnings compared to 2015 and 2014. The Company achieved record earnings in 2013 as a result of these events.

Major Project Updates

Distributed Generation

The following distributed generation projects align with the Company's strategy of taking a creative and innovative approach to meeting our customers' needs by building a fleet of portable natural gas-fired units that can be deployed for temporary or permanent projects.

ATCO Power has been providing an innovative temporary power generation service to Apache Canada Ltd. at its House Mountain facility west of Swan Hills since March of 2015, generating power from excess natural gas. In the third quarter of 2015, ATCO Power and Apache entered into a 10-year contract at House Mountain to continue to provide power generation service using excess natural gas. ATCO Power will be the sole owner and operator of the $13 million, 6 MW power generation facility, which will replace the temporary generation units. This facility has an expected in-service date of May 2016.

ATCO Power purchased a further six 1.5 MW natural gas fired portable units in 2015. A site is being developed to house these additional units when they are not leased to customers. The generation units and site development represent a $18 million investment that is expected to begin generating revenue in late 2016.

Mexico Tula Cogeneration

In October 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. In 2015, ATCO Power continued to work with its Mexican partner, Grupo Hermes, to further the development of the this plant.

The timing for the project has been updated with a final investment decision to be made in 2016 and a commercial operation date in 2019. The investment required is expected to be approximately $820 million U.S., of which the Company will be responsible for approximately one half.

ATCO POWER AUSTRALIA

ATCO Power Australia's earnings over the last three years have been comparable.

In April 2014 BP announced that it planned to cease refining operations at its oil refinery in Brisbane by mid-2015, resulting in the planned closure and transfer of ownership of the Company's 33 MW Bulwer Island power station to BP on June 23, 2015. The plant was jointly owned by the Company with Origin Energy.

Pipelines & Liquids Global Business Unit

Pipelines & Liquids total capital investment over the last three years amounted to $2.0 billion (see table below). The largest expenditures were in ATCO Gas and for the AUC approved Urban Pipeline Replacement (UPR) project in ATCO Pipelines.

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

	Year Ended December 31		
($ millions)	**2015**	**2014**	**2013**
ATCO Gas	**331**	292	268
ATCO Pipelines	**257**	185	147
ATCO Gas Australia	**80**	79	85
Non-Regulated Capital Investment (1)	**207**	82	21
Total	**875**	638	521

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

ATCO GAS

The financial results of ATCO Gas have been influenced by several regulatory decisions. The regulatory decisions are described in the "Regulatory Development" section in ATCO Ltd.'s MD&A and are hereby incorporated by reference. The MD&A may be found on SEDAR at www.sedar.com.

These regulatory decisions are partially offset by continued investment in utility infrastructure investment in Alberta. Details of major capital investment is described below.

Major Project Updates

Urban Pipeline Replacement

ATCO Gas continues to work with ATCO Pipelines to integrate ATCO Pipelines' new high-pressure network with ATCO Gas' low-pressure distribution system (also see "ATCO Pipelines - Major Project Updates - Urban Pipeline Replacement" below for further details). In 2015 ATCO Gas replaced 250 kms of main line under this project.

Plastic Mains Replacement Program

The Plastic Mains Replacement program at ATCO Gas is a 20-year program aimed at replacing polyvinyl chloride (PVC) and early generation polyethylene (PE) pipe. The pipe has been identified for replacement due to risks associated with brittle cracking. Overall, approximately 8,000 kms of main gas line, impacting roughly 27,500 services, will be replaced. The program began in 2011 with a target completion date of no later than 2030. Through the first five years of the program, approximately 1,280 kms of main line, impacting 6,400 services, have been replaced.

Steel Mains Replacement Program

ATCO Gas has 9,000 kms of steel pipe which it continues to replace as it identifies pipe at the end of its useful life. The pipe that is being replaced is generally more than 60 years old and a portion of this pipe is replaced every year. ATCO Gas will see an increase in this required replacement activity as the steel mains age. In 2015 ATCO Gas replaced approximately 40 kms of line compared to 23 kms in 2014.

Automated Meter Reading Project

In 2013, ATCO Gas completed the automated meter reading project. Since 2011, ATCO Gas has replaced or retrofitted 1.1 million natural gas meters with encoder receiver transmitter devices, which wirelessly transmit usage data to mobile collectors. This allows ATCO Gas to read gas meters without entering customers’ homes, yards or businesses, improving billing accuracy, employee safety and customer convenience.

ATCO PIPELINES

The financial results of ATCO Pipelines have been influenced by several regulatory decisions. The regulatory decisions are described in the "Regulatory Development" section in ATCO Ltd.'s MD&A and are hereby incorporated by reference. The MD&A may be found on SEDAR at www.sedar.com.

These regulatory decisions are partially offset by continued investment in utility infrastructure investment in Alberta. Details of major capital investment is described below.

Major Project Updates

Urban Pipeline Replacement

The capital investment to complete construction of ATCO Pipelines' AUC approved UPR project recommenced in 2015. Construction will last approximately five years and the total cost of the UPR project is estimated to be $850 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.

Alberta System Integration

In 2009, ATCO Pipelines and NGTL entered into an agreement with respect to natural gas transmission service that will allow ATCO Pipelines and NGTL to utilize their physical assets under a single rates and services structure with a single commercial interface for Alberta customers. This integration 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 an asset swap between ATCO Pipelines and NGTL in order to establish distinct operating areas (2016 Asset Swap). On October 16, 2014, the NEB issued an order approving the 2016 Asset Swap. The asset transfers will commence in 2016 and are expected to be completed over a two-year period.

ATCO PIPELINES S.A. de C.V. (ATCO PIPELINES MEXICO)

On October 9, 2014, the Company was awarded a 25-year contract by the CFE to design, build and operate a 16 km 30" natural gas pipeline near the town of Tula (located approximately 100 kms northwest of Mexico City) in the state of Hidalgo, Mexico. This marks the Company's first energy infrastructure project under the newly reformed energy sector in Mexico. ATCO Pipelines Mexico is responsible for the design and construction of the 16 km pipeline that will transport natural gas to fuel the existing Francisco Perez Rios power plant near Tula.

ATCO GAS AUSTRALIA

During the last three years, ATCO Gas Australia's earnings have benefited from continued growth in rate base as a result of increased investment in utility infrastructure, growth in customer base, interest savings related to the refinancing of its long-term debt at favourable rates, savings due to cost reduction initiatives, and favourable decisions on its appeal of various events relating to the 2010-2014 Access Arrangement (AA3).

In July 2015, the ERA released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) which runs from July 2014 to December 2019. On September 10, 2015, the ERA published an amended Final Decision and Final Access Arrangement on ATCO Gas Australia's AA4. The decision resulted in a reduced Return on Equity (ROE) from 10.41 per cent to 7.28 per cent. The AA4 decision resulted in lower adjusted earnings for the term of the Access Arrangement.

ATCO ENERGY SOLUTIONS

ATCO Energy Solution's financial results are affected mainly by natural gas storage differentials, industrial water services provided, and natural gas liquids pricing and volumes.

During the last three years storage volumes have increased, but differentials have declined significantly. The result is lower storage earnings, partially offset by higher earnings realized from the sale of excess natural gas as a result of enhancements in the delivery capability of the Company's natural gas storage facility.

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

In 2014, ATCO Energy Solutions commenced a strategy of repositioning itself as an energy infrastructure provider within Alberta's Industrial Heartland, Canada's largest hydrocarbon processing region. As a result of this new direction, industrial water contracts were executed and a major storage partnership was announced.

Major Project Updates

Industrial Water

In anticipation of the growing demand for industrial water transportation services in Alberta's Industrial Heartland, ATCO Energy Solutions upgraded its water infrastructure in 2011 and 2012, positioning the Company as a leading supplier of comprehensive industrial water infrastructure and energy-related services in the region. During 2013, contracts were signed with the North West Redwater Partnership and Air Products Canada Ltd. to supply essential water services to their new facilities being constructed by third parties.

In the third quarter of 2015, construction was completed on two industrial water projects in Alberta's Industrial Heartland region. These projects will provide essential water transportation services and other value benefits to customers in the area. The North West Redwater Partnership project and the Air Products project began operating and contributing to earnings in the fourth quarter of 2015.

Hydrocarbon Storage

ATCO Energy Solutions, in partnership with Petrogas Energy Corp., is developing four salt caverns with capacity to store approximately 400,000 cubic metres of hydrocarbons at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. Long-term contracts have been secured for all four salt caverns. The total partnership investment is approximately $200 million, of which ATCO Energy Solutions has a 60 per cent partnership interest. Construction continues with commercial operation for the first two caverns targeted for the third quarter of 2016, and the two remaining caverns are expected to be completed by the third quarter of 2017.

Corporate & Other

Changes to Executive Leadership and Corporate Structure

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

Nancy C. Southern was appointed Chair effective December 1, 2012, and continues as President & Chief Executive Officer of ATCO Ltd. Ms. Southern replaced Ronald D. Southern, who founded the ATCO Group. Mr. Southern continued to serve as a director of ATCO Ltd. until his passing on January 21, 2016.

OTHER EVENTS

Share Split

ATCO Ltd. completed a two-for-one share split of the outstanding Class I Non-Voting Shares and Class II Voting Shares by way of a share dividend on June 14, 2013. The Company undertook the share splits to make the Class I Non-Voting Shares and Class II Voting Shares more readily accessible to individual share owners, increase and broaden its share owner base, and improve the liquidity of the market for the shares.

Participation in Canadian Utilities Dividend Reinvestment Plan

The Canadian Utilities Dividend Reinvestment Plan (DRIP), which was announced on July 12, 2012, and came into effect with the third quarter 2012 dividend payments, allows eligible Class A and Class B share owners of Canadian Utilities to reinvest all or a portion of their dividends in additional Class A shares.

In the year ended December 31, 2015, Canadian Utilities issued 2,792,302 Class A shares under its DRIP in lieu of cash dividend payments of $99 million. ATCO Ltd. elected to receive 1,479,752 Class A shares in lieu of cash dividends of $52 million.

In the year ended December 31, 2014,Canadian Utilities issued 2,699,207 Class A shares under its DRIP in lieu of cash dividend payments of $104 million. ATCO Ltd. elected to receive 1,675,441 Class A shares in lieu of cash dividends of $65 million.

In the year ended December 31, 2013, Canadian Utilities issued a total of 3,726,965 Class A shares under its DRIP in lieu of making cash dividend payments of $134 million. ATCO Ltd. elected to receive 2,789,988 Class A shares in lieu of receiving cash dividends of $100 million.

Capital Redeployment

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

STRUCTURES & LOGISTICS

In December 2015, Structures & Logistics completed the sale of its Emissions Management business. Included in the sale were Emissions Management's operations in Canada, United States and Mexico and the transfer of current contracts and employees. Proceeds of the sale totaled $60 million, resulting in a one-time after-tax gain of $16 million (after non-controlling interests). The proceeds from the sale will be redeployed to finance the Company's future growth initiatives.

In September 2013, the Company sold its 50 per cent ownership interest in Tecno Fast ATCO S.A., headquartered in Santiago, Chile, to its joint-venture partner, Tecno Fast. The joint venture between the Company and Tecno Fast was established in 1996 to supply the mining and resource sector with workforce accommodations. The Company sold its interest for approximately $124 million, which included all operational assets consisting of space rental and workforce housing fleet, manufacturing facilities and offices in Chile, Peru, Colombia and Brazil. The sale resulted in a one-time gain of $88 million; the Company recognized earnings of $56 million after income taxes and non-controlling interests.

In November 2013, ATCO Structures & Logistics disposed of its non-core space rental assets in the U.K. A marginal loss of $2 million was recorded on disposition.

PIPELINES & LIQUIDS

As a result of ongoing review of the economic environment and declining natural gas supply in western Canada, certain of the Company's natural gas gathering, processing and liquids extraction assets were either shut-in or sold during the three year period from 2013 to 2015 without a significant impact on the Company's earnings.

ATCO Energy Solutions sold the non-core NGL ethane extraction plants of Fort Saskatchewan and Villeneuve in the fourth quarter of 2015, and the Edmonton Ethane Extraction Plant in the first quarter of 2016. The proceeds from these sales will be deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

During 2014 ATCO Energy Solutions shut-in the Carbondale Gas Plant and decommissioned the plant in 2015. The Kinsella Gathering and Compression and Puskwaskau Gas Facilities were sold in 2014.

During 2013 ATCO Energy Solutions shut-in the Golden Spike Gas Plant and sold the plant in 2015.

CORPORATE & OTHER

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

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

GOVERNMENT REGULATION

ALBERTA GOVERNMENT REGULATION

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

In 2012, both the transmission and distribution operations were subject to a cost-of-service regulatory model. Under this model, the regulator established the revenues required to recover forecast operating costs of the regulated service, including depreciation and amortization and income taxes. The regulator also established the revenues needed for a fair return on utility investment. Determining a fair return to common share owners involved the regulator assessing many factors, including returns on alternative investment opportunities with comparable risk and the level of return for a utility to attract the necessary capital to fund operations and maintain financial integrity.

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

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

Specifically, the PBR formula incorporates the following factors:

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

PBR also includes mechanisms to allow companies to:

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

The first PBR period runs from 2013 to 2017. The AUC can re-open and review the PBR plan if utility return on common equity (ROE) is +/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year. The current AUC-approved ROE is 8.3 per cent.

ATCO Pipelines and the transmission operations of ATCO Electric continue to operate under the cost-of-service model.

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

The table below details mid-year rate base, rate of return on common equity and the common equity ratio for each of ATCO Electric's divisions, ATCO Pipelines and ATCO Gas during the past three years.

	Year	Date of Filing/ Decision (1)	Mid-Year Rate Base ($ millions)	Rate of Return on Common Equity(2) (%)	Common Equity Ratio(3) (%)
ATCO Electric					
Distribution	**2015**	**–**	**2,153 (8)**	**8.30 (5)**	**38.0 (5)**
	2014	May 1/15	1,949 (9)	8.30 (5)	38.0 (5)
	2013	May 1/15	1,696 (9)	8.30 (5)	38.0 (5)
Transmission	**2015**	**Oct 2/15**	**5,151 (11)**	**8.30 (5)**	**36.0 (5)**
	2014	Sep 24/13	4,413 (4)	8.30 (5)	36.0 (5)
	2013	Sep 24/13	3,576 (4)	8.30 (5)	36.0 (5)
ATCO Gas	**2015**	**–**	**2,154 (12)**	**8.30 (5)**	**38.0 (5)**
	2014	May 15/15	1,988 (10)	8.30 (5)	38.0 (5)
	2013	May 15/15	1,860 (10)	8.30 (5)	38.0 (5)
ATCO Pipelines	**2015**	**Jun 22/15**	**1,144 (7)**	**8.30 (5)**	**37.0 (5)**
	2014	Jun 10/14	979 (6)	8.30 (5)	37.0 (5)
	2013	Jun 10/14	879 (6)	8.30 (5)	37.0 (5)

(1) The information shown reflects the most recent amending or varying orders issued after the original decision date.

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

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

(4) The mid-year rate base for 2013 and 2014 was approved in the AUC's General Tariff Application (GTA) Compliance decision of December 15, 2014.

(5) The rate of return on common equity and common equity ratio for 2013 through 2015 is based on the AUC 2013 Generic Cost of Capital (GCOC) decision of March 23, 2015.

(6) The mid-year rate base for 2013 and 2014 is based on the 2013-2014 General Rate Application (GRA) Compliance decision of June 10, 2014.

(7) The mid-year rate base for 2015 is based on the 2015-2016 GRA Update filed on June 22, 2015.

(8) The mid-year rate base forecast for 2015 is based on the 2015 Capital Tracker Application filed on June 19, 2015.

(9) The mid-year rate base for 2013 and 2014 is based on the 2014 Actuals Package filed on May 1, 2015.

(10) The mid-year rate base for 2013 and 2014 is based on the 2014 Actuals Package filed on May 15, 2015.

(11) The mid-year rate base for 2015 is based on the 2015-2017 GTA Update filed on October 2, 2015.

(12) The mid-year rate base forecast for 2015 is based on the 2015 updated forecast included in the 2016-2017 Capital Tracker Application filed on July 10, 2015.

Generic Cost of Capital (GCOC)

In March 2015, the Company received the AUC's 2013 GCOC decision. The decision established the ROE and deemed common equity ratios for the Regulated Utilities for 2013 to 2015. The ROE was set at 8.30 per cent for each of 2013, 2014 and 2015, which is a reduction from the 8.75 per cent previously approved. The 2013 GCOC decision also reduced the deemed common equity ratios by one per cent from what was previously approved. These rates will remain in place on an interim basis for 2016 until such time as the AUC issues a decision on final rates as part of the 2016 GCOC proceeding.

The following table compares the return on common equity and deemed common equity ratios resulting from the 2011 and 2013 GCOC decisions. For ATCO Electric Distribution and ATCO Gas, the 2013 GCOC decision only applies to the K Factor mechanism and does not apply to the base PBR formula.

		Rate of Return on Common Equity (%) (1)	Common Equity Ratio (%) (2)
ATCO Electric Distribution	**2013 Decision**	**8.30** (3)	**38.0** (3)
	2011 Decision	8.75 (4)	39.0 (4)
ATCO Electric Transmission	**2013 Decision**	**8.30** (3)	**36.0** (3)
	2011 Decision	8.75 (4)	37.0 (4)
ATCO Gas	**2013 Decision**	**8.30** (3)	**38.0** (3)
	2011 Decision	8.75 (4)	39.0 (4)
ATCO Pipelines	**2013 Decision**	**8.30** (3)	**37.0** (3)
	2011 Decision	8.75 (4)	38.0 (4)

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

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

(3) The AUC released its final Generic Cost of Capital decision for the periods 2013 to 2015 on March 23, 2015.

(4) The rate of return on common equity and common equity ratio was an interim rate based on the AUC Generic Cost of Capital decision of December 8, 2011.

Generic Cost of Capital (2016) (GCOC)

In July 2015, the AUC issued notice that it will hold a full GCOC proceeding to set the approved ROE and capital structure for the years 2016 and 2017 for the Alberta Utilities. The ROE and capital structure awarded in the 2013-2015 GCOC decision will remain in place on an interim basis for 2016 until final rates are set by the AUC through the upcoming GCOC process and, in the case of ATCO Electric Transmission, the GCOC as well as the 2015-2017 General Tariff Application (GTA) process.

WESTERN AUSTRALIA GOVERNMENT REGULATION

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

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

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

In July 2015, the ERA released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. The decision resulted in a reduced ROE from 10.41 per cent to 7.28 per cent.

On September 10, 2015, the ERA published an amended Final Decision and Final Access Arrangement on ATCO Gas Australia’s Access Arrangement covering the period July 2014 to December 2019. This is the final step in the regulatory process, and the revised Access Arrangement came into effect on October 1, 2015. ATCO Gas Australia lodged an Appeal Application with the Australian Competition Tribunal (ACT) on October 1, 2015. On December 1, 2015, the ACT granted leave for ATCO Gas Australia to proceed with its merits review. A review hearing is set to occur in the first quarter of 2016.

BUSINESS RISKS

Business risks are described in the "Global Business Unit Information" and "Business Risks and Risk Management" sections in ATCO Ltd.'s MD&A and are hereby incorporated by reference. The MD&A may be found on SEDAR at www.sedar.com.

DIVIDENDS

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

(Canadian dollars per share)	**2015**	**2014**	**2013**
Class I and Class II Shares (1)	**0.99**	0.86	0.75

(1) On June 14, 2013, the Company completed a two-for-one split of the Class I Shares and Class II Shares. The share split took the form of a share dividend, whereby owners received one additional Class I Share for each Class I Share held and one additional Class II Share for each Class II Share held. The information in the table above is presented to reflect the share split.

The Company's practice is to pay dividends quarterly on its Class I and Class II Shares. The Company has increased its common share dividend each year since 1993. On January 7, 2016, the Board of Directors declared a first-quarter dividend of 28.50 cents per share. That amount represents a 15 per cent increase over the quarterly dividends per share paid in 2015; the fifth consecutive year of a 15 per cent increase in dividends. The payment of any dividend is at the discretion of the Board of Directors and depends on the Company's financial condition, among other factors.

CAPITAL STRUCTURE

SHARE CAPITAL

The share capital of the Company at February 23, 2016**,** is as shown below.

Share Description	**Authorized**	**Outstanding**
Preferred Shares issuable in series	20,000,000	–
Junior Preferred Shares issuable in series	8,000,000	–
Class I Shares	300,000,000	101,462,823
Class II Shares	50,000,000	13,573,005

Preferred Shares and Junior Preferred Shares

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

Class I Non-Voting Shares and Class II Voting Shares

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

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

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

CREDIT RATINGS

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

In August 2015, DBRS Limited (DBRS) re-affirmed its rating of the Company as "A(low)" with a stable trend. In July 2015, Standard and Poor's Ratings Services (S&P) re-affirmed its rating of the Company as "A" and revised its outlook to negative.

In October 2015, S&P re-affirmed its rating of ATCO Gas Australia Limited Partnership's debt as "A-" with a negative outlook.

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

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

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

LONG-TERM DEBT AND ISSUER CREDIT RATINGS

An "A" rating by DBRS is the third highest of 10 categories. Long-term debt rated "A" is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than "AA". A-rated debt may be vulnerable to future events, but qualifying negative factors are considered manageable. Each rating category other than "AAA" and "D" contains the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

An "A" rating by S&P is also the third highest of 10 categories. An entity rated "A" by S&P has a strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than an entity in higher-rated categories. Ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

COMMERCIAL PAPER AND SHORT-TERM DEBT CREDIT RATINGS

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

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

PREFERRED SHARE CREDIT RATINGS

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

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

CREDIT RATINGS GENERALLY

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

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

MARKET FOR SECURITIES OF THE COMPANY

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

The following table sets forth the high and low prices and volume of the Company's shares, traded on the TSX under the symbols ACO.X for Class I shares and ACO.Y for Class II shares during 2015 as reported by the TSX:

	Class I Shares			Class II Shares		
2015	***High ($)***	***Low ($)***	**Volume**	***High ($)***	***Low ($)***	**Volume**
January	49.90	46.51	2,163,053	49.50	46.30	5,940
February	50.40	46.53	2,324,813	50.00	47.00	8,927
March	49.20	45.01	3,995,176	49.24	45.30	16,589
April	47.19	44.97	2,078,349	46.68	45.31	3,974
May	45.75	42.40	2,433,017	45.23	42.20	19,767
June	43.60	38.90	4,886,404	43.28	39.00	32,214
July	40.85	37.29	3,305,606	40.75	38.00	14,326
August	40.65	35.14	3,046,738	40.73	35.77	23,100
September	39.80	36.60	3,277,989	39.31	36.99	9,308
October	41.20	37.22	3,035,259	40.76	37.70	13,005
November	38.69	35.20	2,580,785	38.50	35.75	4,417
December	37.58	33.18	3,470,543	37.50	33.40	15,363

NORMAL COURSE ISSUER BID (NCIB)

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

On March 2, 2015, the Company commenced a NCIB to purchase up to 2,030,168 Class I Shares. The bid expires on February 29, 2016. As of February 23, 2016 the Company had acquired 275,800 Class I Shares at an average price of $35.93 for an aggregate cost of approximately $10 million.

The Company purchased 130,000 Class I Shares at an average price of $46.12 for an aggregate cost of approximately $6 million during the previous NCIB which commenced March 3, 2014 and expired on February 27, 2015. All purchases were made by means of open market transactions through the facilities of the TSX. A copy of the notices filed with the TSX may be obtained by any shareholder without charge by contacting the Corporate Secretary at the head office of the Company.

DIRECTORS AND OFFICERS

DIRECTORS [1]

ROBERT T. BOOTH, Q.C. [2]

Calgary, Alberta, Canada
Director since 2008
Age 63

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

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

DENIS M. ELLARD

Calgary, Alberta, Canada
Director since 2014
Age 69

Before his retirement in 2003, Mr. Ellard was Senior Vice President Business Development, ATCO Group. Over his 35 year career, Mr. Ellard held several senior positions within the organization, including Senior Vice President and General Manager, Northwestern Utilities Limited; Senior Vice President, Canadian Utilities Limited; and President, ATCO Singlepoint Ltd. Mr. Ellard has served in various capacities on several community and industry boards, including the Alberta Economic Development Authority.

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

C. ANTHONY FOUNTAIN

Navi Mumbai, Maharashtra, India
Director since 2015
Age 55

Mr. Fountain is the Chief Executive Officer of Refining & Marketing within Reliance Industries Limited ("RIL"), which includes the Jamnagar Refinery - the largest and most complex refinery system in the world. As well as being a key participant in the domestic market, RIL sources its feedstocks and sells its products across the world. Headquartered in Mumbai, it has offices across India and international offices in Singapore, Houston and London. RIL is one of the few Indian Fortune 55 companies.

Prior to joining RIL, Mr. Fountain spent two years with the Nuclear Decommissioning Authority ("NDA") in the UK. In his role as Chief Executive Officer at NDA, Mr. Fountain was responsible for running the UK's nuclear facilities, leading efficiency drives, accountable for decommissioning and continued operations. Mr. Fountain was with BP for 25 years prior to NDA. His last role at BP was Group Vice President, COO, Fuels Value Chains (London).

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

LINDA A. HEATHCOTT

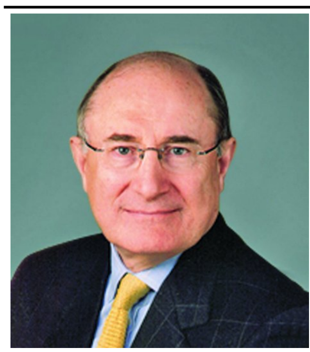
Calgary, Alberta, Canada
Director since 2012
Age 53

Ms. Heathcott is President & Chief Executive Officer of Spruce Meadows Ltd., an internationally recognized equestrian facility. A former professional equestrian rider, Ms. Heathcott was a member of the Canadian Equestrian Team for nine years and competed in the 1996 Olympic Summer Games in Atlanta, Georgia. Ms. Heathcott is a founding director and currently serves as Board Chair of AKITA Drilling Ltd. Ms. Heathcott also serves on the Board of Sentgraf Enterprises Ltd.

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

MICHAEL R.P. RAYFIELD (3)

Toronto, Ontario, Canada
Director since 2009
Age 73

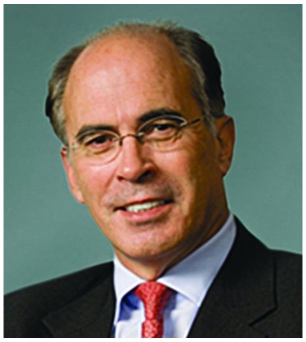


Mr. Rayfield was Vice Chair, Investment and Corporate Banking, BMO Capital Markets until January 2013. He was responsible for senior corporate relationships in Canada, the U.S. and the U.K., and management of BMO's investment banking business in China and India. Mr. Rayfield was also on the Canadian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

Mr. Rayfield is a graduate of The Chartered Institute of Bankers, U.K.; the Senior Manager's Program at Harvard University; and the Advanced Executive Program at J.L. Kellogg Graduate School, Northwestern University. He studied at Cambridge University and is a graduate of the Director Education Program at the Institute of Corporate Directors.

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

Brunnen, Switzerland
Director since 2012
Age 69



From 2004 until his retirement in 2008, Dr. Routs was an Executive Board Member at Royal Dutch Shell plc. He was responsible for the global refining, chemical, marketing, trading and renewables businesses. Before that, he held various senior management positions at Royal Dutch Shell in the U.S., Canada and The Netherlands. He was Chairman of the Board of Shell Canada in the years preceding the buyout of the public shareholding by Royal Dutch Shell plc. Dr. Routs is also a director of ATCO Structures & Logistics Ltd. and ATCO Australia Pty Ltd.

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

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

NANCY C. SOUTHERN

Calgary, Alberta, Canada
Director since 1989
Age 59

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

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

RONALD D. SOUTHERN, C.C., C.B.E., LL.D.

Calgary, Alberta, Canada
Director from 1963 - 2016

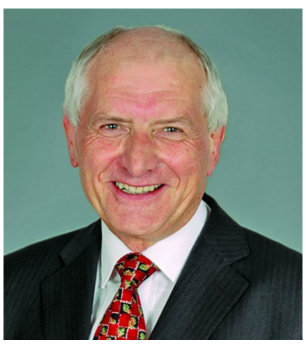
Mr. Southern, Founder of the ATCO Group sadly passed away on January 21, 2016. He was Chairman of the Board until December 1, 2012. Together with his late father, S.D. Southern, Mr. Southern founded ATCO Group in 1947 and served as ATCO's President for 48 years. He is credited with transforming ATCO into an internationally recognized conglomerate of industrial and utility businesses until 2003 when his daughter Nancy assumed the role of President & Chief Executive Officer.

Mr. Southern was a director of ATCO Structures & Logistics Ltd., Deputy Chairman of AKITA Drilling Ltd., and Chairman of Sentgraf Enterprises Ltd. Mr. Southern was also a Canadian member of The Trilateral Commission.

Some of Mr. Southern's many distinctions include: Commander of the Order of the British Empire, 1995; Officer of the Order of Orange-Nassau, 2006; Companion of the Order of Canada, 2007; Queen Elizabeth II Diamond Jubilee Medal, 2012; and Alberta Order of Excellence, 2012.

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

London, England
Director since 2014
Age 70



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

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

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

SUSAN R. WERTH (2)

Calgary, Alberta, Canada
Director since 2014
Age 59

In June 2014, Ms. Werth retired as Senior Vice President & Chief Administration Officer, ATCO and Canadian Utilities, responsible for Human Resources, Corporate Secretarial, Marketing and Communications, Security, Real Estate, Aviation and Administration. She was Chair of ATCO Group's Disclosure, Management Pension, Crisis Management, and Donation & Sponsorship Committees. She was Vice President, Administration, ATCO Group from 1995 to 2000. Ms. Werth is also on the Board of Sentgraf Enterprises Ltd.

CHARLES W. WILSON (2) (3)	Evergreen, Colorado, USA Director since 2002 Age 76
	Mr. Wilson is Lead Director for the Boards of ATCO and ATCO Structures & Logistics Ltd. and is on the Board of ATCO Australia Pty Ltd. He was President and Chief Executive Officer of Shell Canada from 1993 to 1999, and Executive Vice President, U.S. Downstream Oil and Chemical of Shell Oil Company from 1988 to 1993. Before 1988, he was Vice President U.S. Refining and Marketing of Shell Oil Company and held various positions in the domestic and international natural resource operations of Shell. Mr. Wilson holds a B.Sc. in Civil Engineering and an M.Sc. in Engineering.

(1) All directors hold office until the close of the annual meeting of share owners of the Company or until their successors are elected or appointed.

(2) Member of the Corporate Governance - Nomination, Compensation and Succession Committee

(3) Member of the Audit & Risk Review Committee

OFFICERS (in Alphabetical Order)

Name, Province and Country of Residence	Position Held and Principal Occupation
C.J. Ackroyd Alberta, Canada	Vice President, Marketing & Communications ATCO Ltd. and Canadian Utilities Limited
B.R. Bale Alberta, Canada	Senior Vice President & Chief Financial Officer ATCO Ltd. and Canadian Utilities Limited
C.M.D. Field Alberta, Canada	Vice President, Pension and Benefits & Human Resources Information Systems ATCO Ltd. and Canadian Utilities Limited
C. Gear Alberta, Canada	Corporate Secretary ATCO Ltd. and Canadian Utilities Limited
E.M. Kiefer Alberta, Canada	Senior Vice President & Chief Administration Officer ATCO Ltd. and Canadian Utilities Limited
S.W. Kiefer Alberta, Canada	President & Chief Operating Officer, Canadian Utilities Limited ATCO Ltd. and Canadian Utilities Limited
S.J. Landry Alberta, Canada	Senior Vice President & Chief Development Officer ATCO Ltd. and Canadian Utilities Limited
G.J. Lidgett Alberta, Canada	Managing Director, ATCO Gas, ATCO Pipelines and ATCO Energy Solutions ATCO Ltd. and Canadian Utilities Limited
A.L. Maher Alberta, Canada	Vice President, Controller ATCO Ltd. and Canadian Utilities Limited
R.C. Neumann Alberta, Canada	Vice President, Internal Audit ATCO Ltd. and Canadian Utilities Limited
A.M. Skiffington Alberta, Canada	Vice President & Chief Information Officer ATCO Ltd. and Canadian Utilities Limited
N.C. Southern Alberta, Canada	Chair, President & Chief Executive Officer, ATCO Ltd. Chair & Chief Executive Officer, Canadian Utilities Limited
W.K. Stensby Alberta, Canada	Managing Director, ATCO Power and ATCO Electric ATCO Ltd. and Canadian Utilities Limited
T.L. Wallace Alberta, Canada	Vice President, Human Resources ATCO Ltd. and Canadian Utilities Limited
C.G. Warkentin Alberta, Canada	Vice President, Finance & Risk ATCO Ltd. and Canadian Utilities Limited

Positions Held by Officers within Preceding Five Years

All the officers have been engaged for the last five years in the indicated principal occupations, or in other capacities with the companies or firms referred to, or with their affiliates or predecessors, except for Mr. Landry, Mr. Maher, Mr. Skiffington, and Mr. Warkentin. Mr. Landry held several senior executive roles with Chrysler LLC (an automobile manufacturer) including Executive Vice President North America. Mr. Maher was previously with RMB Holdings Limited, a financial services company, where he was Company Secretary, Mr. Skiffington held several executive level roles with Fortis Alberta Inc. (an investor-owned electricity utility), including Vice President Business Services & CIO. Mr. Warkentin was Consultant to the CFO, MAXIM Power Corporation (an independent power producer) and Vice President and Treasurer, Earthfirst Canada Inc. (a developer of renewable wind energy).

Directors' and Officers' Interests in the Company

At December 31, 2015, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), 11,512,435 (84.8 per cent) of the issued and outstanding Class II Shares of the Company. In addition, the directors and officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), 66,605,118 (88.7 per cent) of the issued and outstanding Class B common shares of Canadian Utilities Limited.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Since January 1, 2015, there has been no indebtedness outstanding to the Company from any of its directors, executive officers, senior officers or associates of any such directors, nominees or senior officers.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES OR SANCTIONS

Corporate Cease Trade Orders

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

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

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

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

Personal Bankruptcies

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

Penalties or Sanctions

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

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

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

CONFLICTS OF INTEREST

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

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Class I Shares and Class II Shares is CST Trust Company at its principal offices in Calgary, Vancouver, Toronto and Montreal.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is occasionally named as a party in claims and legal proceedings which arise during the normal course of its business. The Company reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. There can be assurance that any particular claim will be resolved in the Company's favour or that such claim may not have a material adverse effect on the Company. For further information, please refer to Note 21 of our audited consolidated financial statements for the year ended December 31, 2015.

MATERIAL CONTRACTS

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

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has prepared the auditor’s report for the Company’s annual consolidated financial statements. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Adjusted earnings are defined as earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management’s view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in the Company's MD&A. Adjusted earnings is an additional GAAP measure presented in Note 5 to the 2015 Annual Financial Statements.

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

FORWARD LOOKING INFORMATION

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

ADDITIONAL INFORMATION

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

Additional information, including directors’ and officers’ remuneration, principal holders of the Company’s securities, and securities authorized for issuance under equity compensation plans, is contained in the Company’s most recent Management Proxy Circular dated March 10, 2015. Additional financial information is provided in the Company’s audited consolidated financial statements and the Company’s MD&A for the financial year ended December 31, 2015.

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

GLOSSARY

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 as a result of day-to-day operations. Refer to the "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" section of the MD&A for a description of these items.

AESO means the Alberta Electric System Operator.

AEY means ATCO Electric Yukon.

AGP means ATCO Gas and Pipelines Ltd.

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

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

APL means Alberta PowerLine.

ATCO means ATCO Ltd.

ATCO Electric means ATCO Electric Ltd.

ATCO Energy means ATCO Energy Ltd.

ATCO Energy Solutions means ATCO Energy Solutions Ltd.

ATCO Gas means the natural gas distribution division of AGP.

ATCO Gas Australia means ATCO Gas Australia LP

ATCO Group means ATCO Ltd. and its subsidiaries.

ATCO I-Tek means ATCO I-Tek Inc.

ATCO Pipelines means the natural gas transmission division of AGP.

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

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

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

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

AUC means the Alberta Utilities Commission.

Canadian Utilities means Canadian Utilities Limited.

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

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

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

ERA means Economic Regulation Authority (Western Australia).

EUA means the Electric Utilities Act (Alberta).

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.

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

KM means kilometres.

MD&A means the Company's Management's Discussion and Analysis for the year ended December 31, 2015.

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

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

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

NEB means National Energy Board.

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

NGTL means NOVA Gas Transmission Ltd.

NUY means Northland Utilities (Yellowknife) Limited.

NWT means Northland Utilities (NWT) Limited.

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

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

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

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

ROE means Return on Equity.

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

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

TPL means Thames Power Limited.

U.K. means United Kingdom.

U.S. means United States of America.

APPENDIX 1 - DETAILS OF GENERATING PLANTS

ATCO Power Generating Plants in Canada

Name, Location & Type	Date In Service	MW (1)	Ownership (%)	Capacity Share	Partner(s) (2)	Customer(s) (2)	Contract Expiry Date
Battle River 3, 4 Forestburg, AB Coal-Fired Thermal	1969 & 1975	304	100	304	-	Merchant	-
Battle River 5 (3) Forestburg, AB Coal-Fired Thermal	1981	385	100	385	-	ENMAX	2020
Brighton Beach Windsor, ON Gas-Fired Combined-Cycle	2004	580	50	290	OPG	Shell Energy	2024
Cory Saskatoon, SK Gas-Fired Cogeneration	2003	260	50	130	SPI	SPC	2028
Joffre Red Deer, AB Gas-Fired Cogeneration	2000	480	40	192	Capital Power / NOVA	NOVA/ Merchant	2020
McMahon Taylor, BC Gas-Fired Cogeneration	1993	120	50	60	Spectra Energy	BC Hydro	2029
Muskeg River Fort McMurray, AB Gas-Fired Cogeneration	2003	170	70	119	SPI	AOSP/ Merchant	2042
Oldman River Pincher Creek, AB Hydroelectric	2003	32	75	24	Piikani Nation	Merchant	-
Poplar Hill Grande Prairie, AB Gas-Fired Open-Cycle	1998	45	100	45	-	Merchant / TMR (4) contract	2020
Primrose Primrose, AB Gas-Fired Cogeneration	1998	85	50	42	CNRL	CNRL/ Merchant	2018
Rainbow Lake 4 & 5 Rainbow Lake, AB Gas-Fired Cogeneration	1999	90	50	45	Husky Energy	Husky Energy/ Merchant	2020
Scotford Fort Saskatchewan, AB Gas-Fired Cogeneration	2003	170	100	170	-	AOSP/ Merchant	2043
Sheerness 1 & 2 Hanna, AB Coal-Fired Thermal	1986 & 1990	780	50	390	TransAlta	Trans Canada	2020
Valleyview 1 & 2 Valleyview, AB Gas-Fired Open-Cycle	2001 & 2008	90	100	90	-	Merchant	-
Total ATCO Power (A)		3,591		2,286			

(1) Name plate capacity.

(2) Full names of customers and partners:

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

(3) ENMAX Corporation has served a notice to Alberta's Balancing Pool to exercise its rights under the PPA on Battle River Unit 5, and announced its intention to terminate the agreement effective January 1, 2016. Should the Balancing Pool decide to end the PPA prior to its expiry on December 31, 2020, the rights to Battle River Unit 5 generation would return to ATCO Power and a settlement would be paid by the Balancing Pool.

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

ATCO Power Australia Generating Plants

Name, Location & Type	Date In Service	MW [1]	Ownership (%)	Capacity Share	Partner(s) [2]	Customer(s) [2]	Contract Expiry Date
OsborneSouth Australia Gas-Fired Combined-Cycle	1998	180	50	90	Origin Energy	Origin Electricity	2018
KarrathaWestern Australia Gas-Fired Open-Cycle	2010	86	100	86	-	Horizon Power	2030
Total ATCO Australia (B)		266		176			
Total ATCO (A + B)		3,857		2,462			

(1) Name plate capacity.

(2) Full names of customers and partners:

- *Horizon Power means Regional Power Corporation.*
- *Origin Electricity means Origin Energy Electricity Limited.*
- *Origin Energy means Origin Energy Limited.*

APPENDIX 2 - AUDIT & RISK COMMITTEE INFORMATION

AUDIT & RISK COMMITTEE MANDATE

Purpose

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

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

Authority

The Committee is empowered to:

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

Composition

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

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

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

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

Meetings

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

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

Duties and Responsibilities

Financial and Operating

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

External Auditor

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

- Review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

Internal Auditor

- Be satisfied that the internal audit function has been effectively carried out and the internal auditor has adequate resources.
- Review and approve the annual Audit Plan.

Risk Management

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

Other

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

Reporting

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

COMPOSITION OF THE AUDIT & RISK COMMITTEE

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

- M.R.P. Rayfield
- R.J. Routs
- R.J. Urwin (Chair)
- C.W. Wilson

RELEVANT EDUCATION AND EXPERIENCE

M.R.P. Rayfield - Mr. Rayfield was Vice Chair, Investment and Corporate Banking, BMO Capital Markets. He is a graduate of The Chartered Institute of Bankers in the U.K. and has held a series of executive roles in the banking sector during his career.

R.J. Routs - Dr. Routs has the ability to understand the breadth and complexity of accounting issues that can reasonably be expected to be raised by the Company. Dr. Routs has been a member of the Audit and Pension Committees for several public companies.

R.J. Urwin - Dr. Urwin has been the Chief Executive Officer of major public companies since 1990. He was the Group Chief Executive of National Grid plc from 2001 until his retirement in 2006, and was responsible for compliance with the U.S. Sarbanes-Oxley requirements. Dr. Urwin has been a member of the Audit Committees of a number of U.K. public companies and recently retired as a director of Utilico Investments Limited, where he was on the Audit Committee.

C.W. Wilson - Mr. Wilson has an understanding of the accounting principles of the Company. In addition, Mr. Wilson supervised a CFO directly for a seven-year period as President & CEO of Shell Canada Ltd.

PRE-APPROVAL POLICIES AND PROCEDURES

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

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

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

EXTERNAL AUDITOR SERVICE FEES

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

($ Millions)	**2015**	**2014**
Audit Fees (1)	**3.5**	3.2
Audit-related fees (2)	–	0.2
Tax fees (3)	**0.3**	0.5
All other fees	–	0.3
Total	**3.8**	4.2

(1) Audit fees are the aggregate professional fees paid to the external auditor for the audit of the annual consolidated financial statements and other regulatory audits and filings.

(2) Audit-related fees are the aggregate fees paid to the external auditor for services related to special purpose audits and audit services, including consultations regarding International Financial Reporting Standards.

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