



2010

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2010

February 22, 2011

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1. FORWARD-LOOKING INFORMATION

Certain statements contained in this annual information form (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 Corporation 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.

2. DEFINED TERMS

AESO means the Alberta Electric System Operator;

AGP means ATCO Gas and Pipelines Ltd.;

Alberta Power (2000) means Alberta Power (2000) Ltd., the wholly owned subsidiary of CU Inc. that was transferred to ATCO Power Ltd. on October 1, 2010;

ATCO means ATCO Ltd.;

ATCO Electric means ATCO Electric Ltd.;

ATCO Gas means the natural gas distribution division of AGP;

ATCO Pipelines means the natural gas transmission division of AGP;

AUC means the Alberta Utilities Commission;

Canadian Utilities means Canadian Utilities Limited;

Class A Shares means Class A non-voting shares of the Corporation;

Class B Shares means Class B common shares of the Corporation;

Corporation means CU Inc. and, unless the context otherwise requires, includes its subsidiaries;

EUA means the Electric Utilities Act (Alberta);

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

megawatt hour (MWh) means a measure of electricity consumption equal to the use of 1 million watts of power over a one-hour period;

Interruptible means the natural gas transmission service volumes that are subject to interruption at any time at the sole discretion of ATCO Pipelines if ATCO Pipelines determines that those service volumes would in any way interfere with or restrict its ability to transport higher priority service volumes;

MD&A means the Corporation's Management's Discussion and Analysis for the year ended December 31, 2010;

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

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

Negotiated Settlement means an agreement related to a revenue requirement and/or customer rates for a specific period of time resulting from direct negotiations between a utility and its customers. A negotiated settlement avoids the need for a general rate application for the duration of the agreement. All negotiated settlements must be approved by the AUC;

NLD means Northland Utilities (NWT) Limited;

NUY means Northland Utilities (Yellowknife) Limited;

Overrun means volumes of natural gas transported in excess of contracted volumes. These volumes are subject to interruption at the sole discretion of ATCO Pipelines;

Petajoule (PJ) means a unit of energy equal to approximately 948.2 billion British thermal units, **terajoule (TJ)** means a unit of energy equal to approximately 948.2 million British thermal units, and **gigajoule (GJ)** means a unit of energy equal to approximately 948.2 thousand British thermal units;

Placeholder means an AUC approved interim cost which has been included in utility customer rates pending an AUC review in a separate or future proceeding. This cost is subject to adjustment once the separate or future proceeding is completed and may result in refunds to or recoveries from customers;

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 PPAs 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;

U.S. means United States of America;

Variable Volumes means volumes of natural gas transported for customers who are charged non-standard rates;

YECL means The Yukon Electrical Company Limited.

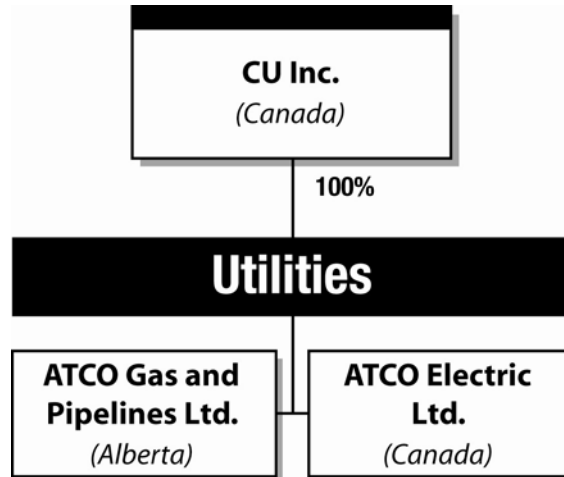
3. CORPORATE STRUCTURE

CU Inc. was incorporated under the laws of Canada on March 12, 1999. The address of the head office and the registered office of the Corporation is 1400 ATCO Centre, 909 – 11th Avenue S.W., Calgary, Alberta, T2R 1N6.

3.1. Intercorporate Relationships

CU Inc. is a holding company comprised of Utilities: natural gas and electricity transmission and distribution.

The following chart includes the names of the principal operating subsidiaries of the Corporation, the jurisdictions under the laws of which they are organized, and the percentages of their shares beneficially owned, or controlled or directed, directly or indirectly, by the Corporation.



⁽¹⁾ CU Inc. owns all of the voting and non-voting shares of the operating subsidiaries. The Cumulative Redeemable Preferred Shares Series 1, Series 2 and Series 4 of the Corporation are publicly held.

4. BUSINESS DESCRIPTION

Utilities

The Corporation's subsidiaries (the Utilities) are focused on regulated activities including transmission and delivery of natural gas and electricity. Located mainly in Alberta and the Canadian north, the Utilities serve more than 1.2 million customers in nearly 300 communities. The Utilities include ATCO Electric and its subsidiaries (NLD, NUY and YECL) and the ATCO Gas and ATCO Pipelines divisions of AGP.

Comparison of Revenue and Earnings

The consolidated revenue and earnings of the Corporation are as follows:

(\$ millions)	2010		2009		2008	
	Revenue	Earnings	Revenue	Earnings	Revenue	Earnings
Continuing operations	1,476.7	245.7	1,367.4	195.5	1,260.8	148.9
Discontinued operations ^{(1) (2)}	-	31.5	-	67.1	-	51.4
Total	1,476.7	277.2	1,367.4	262.6	1,260.8	200.3
	%	%	%	%	%	%
Continuing operations	100.0	88.6	100.0	74.4	100.0	74.3
Discontinued operations ^{(1) (2)}	-	11.4	-	25.6	-	25.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

⁽¹⁾ Discontinued operations consist of Alberta Power (2000), which was transferred on October 1, 2010, to ATCO Power Ltd., a wholly owned subsidiary of Canadian Utilities, the Corporation's parent.

⁽²⁾ Prior period revenue for discontinued operations has not been shown for the purpose of comparability.

Employee Information

At December 31, 2010, the Corporation had 4,319 employees.

4.1. Three Year History

The significant events that have influenced the general development of the business over the past three years are as follows:

4.1.1. Energy Segment

Effective October 1, 2010, the Corporation transferred Alberta Power (2000) to ATCO Power Ltd., a wholly owned subsidiary of Canadian Utilities, the Corporation's parent. Alberta Power (2000) owned and operated regulated generating plants in Canada and comprised all of the Corporation's Energy Segment operations. As a result of this transfer, the Energy Segment was discontinued, and the Corporation is comprised solely of rate regulated operations in pipelines, natural gas and electricity transmission and distribution.

4.1.2. Utilities

Earnings in the Utilities have increased due to substantial capital expenditures, primarily in ATCO Electric and ATCO Gas, which have increased the asset base on which the Corporation earns a return on equity (ROE). Total capital expenditures in the Utilities for the previous three years were approximately \$2.4 billion.

In 2009, the AUC issued its decision on the 2009 Generic Cost of Capital proceeding, setting the 2009 and 2010 generic ROE at 9.0% for all Alberta utilities which it regulates. The AUC has maintained the concept of a single generic ROE for all utilities, with differences in utility or sector specific risk to be recognized through adjustments of individual common equity ratios. As part of the same decision, the AUC also set the 2011 generic return on equity at 9.0% on an interim basis subject to change following a subsequent generic proceeding. The common equity ratios were determined by the AUC to be 36% for ATCO Electric's transmission operations, 39% for both ATCO Electric's distribution operations and ATCO Gas' operations and 45% for ATCO Pipelines' operations.

In December 2010, the AUC initiated a 2011 Generic Cost of Capital proceeding, the scope of which includes, among other things, a full review of cost of capital matters including capital structure and the ROE for 2011. It will also include consideration of whether a formula approach to ROE can be reinstated for 2012. In the absence of a formula approach to ROE, the AUC will then consider how the ROE will be set for 2012. The proceeding is scheduled to be completed in the third quarter of 2011 and a decision is expected in the fourth quarter of 2011.

In 2010, ATCO Electric and ATCO Gas filed general rate applications with the AUC for 2011 and 2012. Decisions on these rate applications are expected in the second and fourth quarters of 2011, respectively.

The table below details mid-year rate base, ROE and the common equity ratio for the Utilities during the previous three years:

	Year	Date of Decision ⁽¹⁾	Mid-Year Rate Base (\$ Millions)		Rate of Return on Common Equity ⁽²⁾		Common Equity Ratio ⁽³⁾	
<u>ATCO Electric</u>								
Transmission	2008	Dec 21/07	888.4		8.75%	⁽⁴⁾	33.0%	⁽⁴⁾
	2009	Jul. 2/09	965.2		9.00%	⁽⁴⁾	36.0%	⁽⁴⁾
	2010	Jul. 2/09	1,275.1		9.00%	⁽⁴⁾	36.0%	⁽⁴⁾
Distribution	2008	Dec 21/07	883.7		8.75%	⁽⁴⁾	37.0%	⁽⁴⁾
	2009	Jul. 2/09	972.8		9.00%	⁽⁴⁾	39.0%	⁽⁴⁾
	2010	Jul. 2/09	1,104.3		9.00%	⁽⁴⁾	39.0%	⁽⁴⁾
<u>ATCO Pipelines</u>								
	2008	Mar 18/09	711.1	⁽⁶⁾	8.75%	⁽⁵⁾	43.0%	⁽⁵⁾
	2009	Mar 18/09	745.7	⁽⁶⁾	8.75%	⁽⁵⁾	43.0%	⁽⁵⁾
	2010	Oct. 1/10	758.6		9.00%	⁽⁴⁾	45.0%	⁽⁴⁾
<u>ATCO Gas</u>								
	2008	Nov. 13/08	1,229.8		8.75%	⁽⁴⁾	39.0%	⁽⁴⁾
	2009	Nov. 13/08	1,386.6		9.00%	⁽⁴⁾	39.0%	⁽⁴⁾
	2010	⁽⁷⁾	1,421.4	⁽⁷⁾	9.00%	⁽⁴⁾	39.0%	⁽⁴⁾

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

⁽²⁾ Common equity rate of return 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 percentage of rate base considered to be financed by common equity.

⁽⁴⁾ The rate of return on common equity for 2009 and 2010 and common equity ratio were approved in the AUC's Generic Cost of Capital decision dated November 12, 2009. The return on common equity for 2008 was approved in an AUC decision dated November 30, 2007.

⁽⁵⁾ The rate of return on common equity and common equity ratio were approved by the AUC in ATCO Pipelines' 2008/2009 Negotiated Settlement.

⁽⁶⁾ The mid-year rate base amounts shown in the table for ATCO Pipelines are the forecast amounts provided in its 2008-2009 General Rate Application Phase I as refiled on December 18, 2007. These amounts were not specifically identified or approved in the ATCO Pipelines' 2008/2009 Negotiated Settlement.

⁽⁷⁾ The 2010 mid-year rate base amounts shown in the table for ATCO Gas are amounts provided in its 2011-2012 General Rate Application for which a decision from the AUC is expected in the fourth quarter of 2011.

Carbon Natural Gas Storage Facility

ATCO Gas owns a 43.5 petajoule natural gas storage facility located at Carbon, Alberta (Carbon Facility). Since April 1, 2005, ATCO Gas has leased the entire storage capacity of the Carbon Facility to ATCO Midstream, a wholly owned subsidiary of Canadian Utilities. As a result of numerous regulatory and legal proceedings, ATCO Gas received approval from the AUC to remove the Carbon Facility from regulation effective April 1, 2005. Removal of the Carbon Facility from regulation, and the associated recovery from customers of net revenues that had previously been refunded to customers, resulted in increased earnings of \$35.7 million, including interest. Of this amount, \$9.9 million was recorded in 2009 and \$25.8 million was recorded in 2010 as AUC decisions related to the Carbon Facility were received.

On December 1, 2010, Canadian Utilities and CU Inc. announced that an application has been filed with the AUC to approve the transfer of the Carbon Facility from ATCO Gas to ATCO Midstream. A decision on this application is expected in the second quarter of 2011.

Deferred Gas Account

In April 2005, the AUC had issued a decision resulting in a 15% decrease in the transportation imbalance adjustments sought by ATCO Gas. The decision resulted in ATCO Gas recovering \$9.2 million in natural gas supply costs from customers. This decision was appealed to the Alberta Court of Appeal which issued a decision allowing the appeal and vacating orders under appeal and returned the matter to the AUC for consideration. The AUC completed a process to address the Alberta Court of Appeal decision and on October 15, 2010, issued a decision requiring ATCO Gas to refund to customers approximately 85% of the transportation imbalance adjustment amounts in question, resulting in a refund of approximately \$9.7 million, including interest of \$1.7 million, and a decrease in ATCO Gas' 2010 earnings of \$7.1 million.

ATCO Pipelines' Integration Application

In 2008, ATCO Pipelines and NOVA Gas Transmission Ltd. (NOVA) announced a proposed agreement to provide natural gas transmission service to their customers. This proposal will allow ATCO Pipelines and NOVA to utilize their physical assets under a single rates and services structure with a single commercial interface for Alberta customers. Each company would separately manage assets within distinct operating territories within Alberta. If approved by the AUC, this proposal is expected to end duplicate tolling and operational activities and result in more efficient regulatory processes.

In 2009, ATCO Pipelines filed an application with the AUC for the integration of ATCO Pipelines' and NOVA's gas transmission systems in Alberta (Integration Application), and filed a second application with the AUC to approve its 2010, 2011 and 2012 negotiated settlement, which was a condition precedent of the Integration Application.

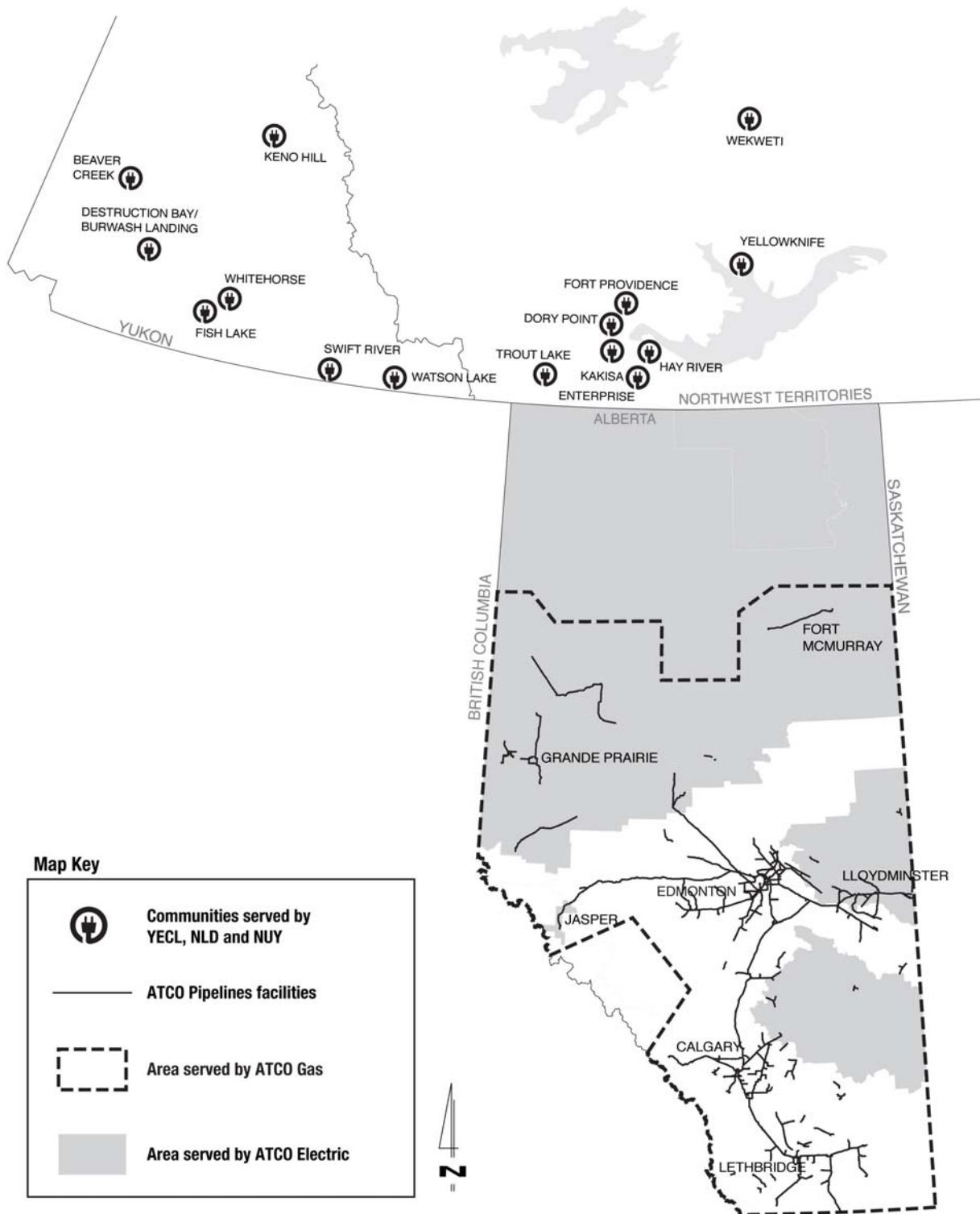
The AUC issued a decision on May 27, 2010, approving integration and the 2010, 2011 and 2012 negotiated settlement but requested ATCO Pipelines to submit subsequent applications to address the

specific details on: (i) the transition of ATCO Pipelines' customers to NOVA, and (ii) the asset swap between ATCO Pipelines and NOVA in order to establish operating areas. ATCO Pipelines has submitted an application to the AUC to address the transition of customers and a decision is expected in the second quarter of 2011. An application to address the asset swap will be submitted to the AUC in the first quarter of 2011.





4.2. Detailed Utilities Business Description

The activities of the Utilities are conducted primarily through ATCO Electric, ATCO Gas and ATCO Pipelines within western Canada as shown in the following map:

Location of Utilities Operations



Map Key

-  Communities served by YECL, NLD and NUY
-  ATCO Pipelines facilities
-  Area served by ATCO Gas
-  Area served by ATCO Electric



Government Regulation

ATCO Electric, ATCO Gas and ATCO Pipelines are regulated primarily by the AUC, which administers acts and regulations covering such matters as rates, financing, accounting and service area. These utilities are subject to a cost of service regulatory mechanism under which the AUC establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair return on utility investment, or rate base. Rate base for each utility is the aggregate of the AUC approved investment in property, plant and equipment and intangible assets, less accumulated depreciation and amortization, reserves for future removal and site restoration, and unamortized contributions by utility customers for extensions to plant, plus an allowance for working capital. The utilities earn a return on rate base intended to meet the cost of the debt and preferred share components of rate base and to provide share owners with a fair return on the common equity component of rate base. The determination of a fair return to the common shareholders involves an assessment by the regulator of many factors, including returns on alternative investment opportunities of comparable risk and the level of return which will enable a utility to attract the necessary capital to fund its operations and to maintain financial integrity.

The regulated operations of the Corporation in the Yukon Territory (YECL) and the Northwest Territories (NUY and NLD) are subject to regulation similar to that in effect in Alberta by regulatory authorities in those jurisdictions.

The competitive conditions in the areas and industry where the Utilities participate are limited and therefore are subject to regulation by the relevant authorities. Under the regulated environment, the ability to grow is generally subject to additional approved capital expenditures within existing operating areas or the ability to secure additional regulated areas for operation.

On November 12, 2009, the AUC issued its decision on the 2009 Generic Cost of Capital proceeding. In this decision, the AUC set the 2009 and 2010 generic return on equity at 9.0% for all Alberta utilities which it regulates. On December 16, 2010, the AUC initiated the 2011 Generic Cost of Capital proceeding. Refer to Three Year History – Utilities section for a more detailed description of these Generic Cost of Capital Proceedings.

ATCO Electric

ATCO Electric is engaged in the regulated business of transmitting and distributing electric energy to 245 communities as well as rural areas in east-central and northern Alberta. Included 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 to two communities in Saskatchewan. YECL serves 19 communities in the Yukon Territory, including the capital city of Whitehorse. NUY and NLD serve 9 communities in the Northwest Territories, including the capital city of Yellowknife.

The population of the principal markets for electric utility service by ATCO Electric, NUY, NLD and YECL is approximately 502,800 and service is provided to approximately 237,200 customers. ATCO Electric has been assigned approximately 65% of the designated service area within Alberta which contains approximately 14% of the existing provincial electrical load and 12% of the existing population.

The number of customers served by ATCO Electric, NUY, NLD and YECL as at the end of each of the last two years was as follows:

	2010		2009	
	Number	%	Number	%
Industrial	11,311	5	11,229	5
Commercial	31,342	13	30,946	13
Residential	164,004	69	160,611	69
Rural, REAs and other	30,502	13	30,355	13
Total	237,159	100	233,141	100

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

	2010		2009	
	GWh	%	GWh	%
Industrial	6,630	63	6,552	63
Commercial	2,156	20	2,132	20
Residential	1,239	12	1,232	12
Rural, REAs and other	507	5	515	5
Total	10,532	100	10,431	100

ATCO Electric, NUY, NLD and YECL own and operate extensive electric transmission and distribution systems. The systems consist of approximately 10,000 km of main transmission lines and 63,000 km of distribution lines. In addition, ATCO Electric delivers power to and operates approximately 11,800 km of REA-owned distribution lines.

ATCO Electric, NUY, NLD and YECL own and operate 28 diesel, natural gas turbine and hydro generating plants having an aggregate nameplate capacity of 60 MW in Alberta and in the Yukon and Northwest Territories. The maximum peak load demand for these plants during the year ended December 31, 2010, was 28 MW.

ATCO Electric, YECL, NUY and NLD distribute electricity to incorporated communities under the authority of franchises or by-laws and in rural areas under approvals, permits or orders issued pursuant to applicable statutes.

The franchises under which service is provided in incorporated communities in Alberta and in the Northwest Territories have been granted for periods of up to 20 years. These franchises are exclusive to ATCO Electric, NUY or NLD and are renewable by agreement for further periods not exceeding 10

years. If any franchise is not renewed, it remains in effect until such time as either party, with the approval of the prevailing regulatory authority, terminates it on six months written notice. Upon termination of a franchise the municipality may purchase the facilities used in connection with that franchise at a price to be agreed upon or, failing agreement, to be fixed by the prevailing 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 EUA, wholesale tariffs for transmission of electricity must be approved by the AUC. The transmission tariffs allow any owner of a generating unit to have access to the transmission system in Alberta 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.

The equalization of transmission costs is achieved by having each owner of transmission facilities charge its costs to the AESO. The AESO then aggregates these costs and charges a common transmission rate to all who use the transmission system.

The AESO has developed and approved rules as mandated in the Transmission Regulation as amended from time to time. These rules stipulate that new transmission projects will be assigned to the Transmission Facility Owners based on the service areas of the distribution companies they have been historically affiliated with. Ownership of facilities will change at service area boundaries except where, in the opinion of the AESO, only a small portion of the project is in another service area. The rule applies to all transmission projects except those projects deemed as “critical” by the Government of Alberta.

The Electric Statutes Amendment Act enacted in 2009 creates a category of transmission projects known as Critical Transmission Infrastructure (CTI). A key feature of CTI is that these projects will not necessarily be assigned to the Transmission Facility Owners based on service area. Instead, CTI ownership may be determined through a competitive process or through assignment by the Minister of Energy. CTI facilities do not include all future transmission projects, but are limited to projects which the Government of Alberta determines are critical to the safe, reliable and economic operation of the interconnected electric system. An important feature of CTI is that the government, rather than the AUC, has the authority to approve the need for the facilities. The Act names certain immediately required CTI projects, including the Edmonton to Calgary 500 kV high-voltage direct current project on the east side of the province which has been assigned to ATCO Electric. ATCO Electric expects to complete and file the facility application with the AUC seeking final approval to construct and operate the facility in the first quarter of 2011. Final approval is not anticipated until late 2011.

Under the EUA, separate retail rates for distribution must be approved by the AUC. Costs of distribution are not equalized across distribution utilities within the province. The distribution utility provides the distribution services for its customers under AUC approved tariffs which provide for the recovery of the cost of service, including a fair return on rate base.

ATCO Gas

ATCO Gas is engaged in the business of distributing natural gas throughout Alberta and in the Lloydminster area of Saskatchewan. ATCO Gas serves more than one million customers in nearly 300 Alberta communities and is headquartered in Edmonton, with more than 60 district offices across the province. ATCO Gas provides service to municipal, residential, business and industrial customers.

ATCO Gas' principal markets for the distribution of natural gas are in the communities of Edmonton, Calgary, Airdrie, Fort McMurray, Grande Prairie, Lethbridge, Lloydminster, Red Deer, Spruce Grove, St. Albert and Sherwood Park, which have a combined population of approximately 2,358,000. Also served are 279 smaller communities as well as rural areas having a combined population of approximately 631,000. As of December 31, 2010, ATCO Gas provided over one million customers with natural gas service, of whom approximately 75% were located in the 11 communities named above.

The number of customers served by ATCO Gas as at the end of each of the last two years was as follows:

	2010		2009	
	Number	%	Number	%
Residential	968,459	92	949,473	92
Commercial	88,547	8	87,561	8
Industrial	353	-	351	-
Other	10	-	27	-
Total	1,057,369	100	1,037,412	100

The quantities of natural gas distributed by ATCO Gas for each of the last two years were as follows:

	2010		2009	
	PJ	%	PJ	%
Residential	115.5	49	122.0	49
Commercial	107.9	45	113.7	45
Industrial	13.9	6	13.7	6
Other	0.1	-	0.4	-
Total	237.4	100	249.8	100

ATCO Gas owns and operates approximately 38,000 km of distribution mains. In addition, ATCO Gas owns service and maintenance facilities in major centres in Alberta.

ATCO Gas owns a 43.5 petajoule natural gas storage facility at Carbon, Alberta. Since April 1, 2005, ATCO Gas has leased the entire storage capacity of the Carbon Facility to ATCO Midstream. On December 1, 2010, Canadian Utilities and CU Inc. announced that an application had been filed with the AUC to approve the transfer of the Carbon Facility to ATCO Midstream. Refer to the Annual Results of Operations – Utilities Information section of the MD&A, which may be found on SEDAR at www.sedar.com, for additional information about the Carbon Facility.

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 pursuant to applicable statutes. ATCO Gas currently has 166 franchise agreements with communities throughout Alberta.

In Edmonton, distribution of natural gas is carried on under the authority of an exclusive franchise. In 2010, ATCO Gas entered into an agreement with the City of Edmonton for a 20 year renewal of the franchise to July 21, 2030. The franchises under which service is provided in other incorporated communities in Alberta have been granted for periods of up to 20 years. All franchises are exclusive to ATCO Gas and are renewable by agreement for further periods not exceeding 20 years. If any franchise is not renewed, it remains in effect until such time as either party, with the approval of the prevailing regulatory authority, terminates it on six months written notice. Upon termination of a franchise the municipality may purchase the facilities used in connection with that franchise at a price to be agreed upon or, failing agreement, to be fixed by the prevailing regulatory authority.

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

ATCO Pipelines

ATCO Pipelines is a regulated business engaged in the transmission of natural gas throughout Alberta. It is headquartered in Calgary and has 217 customers including producers, industrial users and gas distribution companies located in Edmonton, Calgary, Red Deer, Lethbridge, Lloydminster, Grande Prairie, Fort McMurray and nearly 300 smaller communities.

ATCO Pipelines receives natural gas on its pipeline system at various gas processing plants throughout Alberta and transports it to end users within the province or other pipeline systems for export out of the province. Higher demand allows ATCO Pipelines to bring on additional gas volumes to its system from producers to maintain the balance between supply and demand.

ATCO Pipelines' revenues are based primarily on contractual arrangements for access to its transmission systems. Contract demand for access and Interruptible (IT), Overrun (OR) and Variable Volumes for each of the last two years were as follows:

	2010		2009	
	TJ/day	%	TJ/day	%
Contract Demand:				
Producer	1,074	21	1,244	24
Industrial	929	18	913	17
Distribution	116	2	110	2
Affiliates	2,638	51	2,610	49
Sub-total	4,757	92	4,877	92
IT/OR/Variable Volumes:				
Producer	113	2	135	2
Industrial	291	6	301	6
Sub-total	404	8	436	8
Total Contract Demand and IT/OR/Variable Volumes	5,161	100	5,313	100

ATCO Pipelines owns and operates extensive natural gas transmission systems. The systems consist of approximately 8,486 km of pipelines, 22 compressor sites and a connection to the salt cavern storage peaking facility located near Fort Saskatchewan, Alberta. The systems have 170 producer receipt points, 48 interconnections with TransCanada Pipelines Limited, five interconnections with Alliance Pipeline, and one interconnection with Many Islands Pipelines. The peak delivery capability of the ATCO Pipelines system is 3.8 billion cubic feet per day.

5. BUSINESS RISKS

The business risks section located in the MD&A is hereby incorporated by reference and may be found on SEDAR at www.sedar.com.

6. DIVIDENDS

Cash dividends declared during the past three years for all series of preferred shares are as follows:

<i>(Canadian dollars per share)</i>	2010	2009	2008
Cash dividends declared per share:			
Series Preferred Shares:			
Series 1 (1)	1.15	1.15	1.15
Series 2 (2)	1.675	1.14	-
Series 4 (3)	-	-	-

⁽¹⁾ Issued April 18, 2007.

⁽²⁾ Issued March 27, 2009.

⁽³⁾ Issued December 2, 2010.

7. DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The share capital of the Corporation as at February 18, 2011, was as follows:

Share Description	Authorized	Outstanding
Series Preferred Shares	Unlimited	14,000,000
Class A Shares	Unlimited	3,286,124
Class B Shares	Unlimited	2,014,076

All of the Class A and Class B Shares are owned by Canadian Utilities.

Series Preferred Shares

An unlimited number of Series Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions attaching thereto as may be determined by the directors. The Series Preferred Shares as a class have, among others, provisions to the following effect.

The Series Preferred Shares are, with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, entitled to preference over the Class A Shares and the Class B Shares and any other shares of the Corporation ranking junior to the Series Preferred Shares. The Series Preferred Shares may also be given such other preference over the Class A Shares and the Class B Shares and any other junior shares as may be determined for any series authorized to be issued.

The owners of the Series Preferred Shares are not entitled as such (except as provided in any series) to any voting rights nor to receive notice of or to attend share owners' meetings unless dividends on the Series Preferred Shares of any series are in arrears to the extent of eight quarterly dividends or four half-yearly dividends, as the case may be, whether or not consecutive. Until all arrears of dividends have been paid, such owners will be entitled to receive notice of and to attend all share owners' meetings at which directors are to be elected (other than separate meetings of owners of another class of shares) and to one vote in respect of each Series Preferred Share held.

The class provisions attaching to the Series Preferred Shares may be amended with the written approval of all the owners of the Series Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the owners of such shares duly called for the purpose and at which a quorum is present.

The following Series Preferred Shares are currently outstanding:

	Stated Value	Redemption Dates	Shares	Amount
Cumulative Redeemable Preferred Shares:				(\$ millions)
4.60% Series 1	\$25.00	(1)	4,600,000	115.0
6.70% Series 2	\$25.00	(2)	6,400,000	160.0
3.80% Series 4	\$25.00	(3)	3,000,000	75.0
				<u>350.0</u>

⁽¹⁾ The Series 1 Preferred Shares are redeemable at the option of the Corporation commencing on June 1, 2012, at the stated value plus a 4% premium per share for the next 12 months plus accrued and unpaid dividends. The redemption premium declines by 1% in each succeeding twelve-month period until June 1, 2016.

⁽²⁾ The Series 2 Preferred Shares are redeemable at the option of the Corporation on June 1, 2014, and on June 1 of every fifth year thereafter at the stated value per share plus accrued and unpaid dividends. The dividend rate will reset every five years to the then current 5-Year Government of Canada bond yield plus 4.81%. Owners may elect to convert any or all of their Series 2 Preferred Shares into an equal number of Cumulative Redeemable Preferred Shares Series 3 on June 1, 2014, and on June 1 of every fifth year thereafter. The dividend rate on the Series 3 Preferred Shares will be equal to the then current 3-month Government of Canada Treasury Bill yield plus 4.81%. On June 1, 2019, and on June 1 of every fifth year thereafter, the Corporation may redeem the Series 3 Preferred Shares in whole or in part at par. The Corporation may redeem the Series 3 Preferred Shares in whole or in part by the payment of \$25.50 for each share to be redeemed in the case of redemption on any other date.

⁽³⁾ The Series 4 Preferred Shares are redeemable at the option of the Corporation on June 1, 2016, and on June 1 of every fifth year thereafter at the stated value per share plus accrued and unpaid dividends. The dividend rate will reset every five years to the then current 5-Year Government of Canada bond yield plus 1.36%. Owners may elect to convert any or all of their Series 4 Preferred Shares into an equal number of Cumulative Redeemable Preferred Shares Series 5 on June 1, 2016, and on June 1 of every fifth year thereafter. The dividend rate on the Series 5 Preferred Shares will be equal to the then current 3-month Government of Canada Treasury Bill yield plus 1.36%. On June 1, 2021, and on June 1 of every fifth year thereafter, the Corporation may redeem the Series 5 Preferred Shares in whole or in part at par. The Corporation may redeem the Series 5 Preferred Shares in whole or in part by the payment of \$25.50 for each share to be redeemed in the case of redemption on any other date.

Class A Shares and Class B Shares

The owners of the Class A Shares and the Class B Shares are entitled to share equally, on a share for share basis, in all dividends declared by the Corporation on either of such classes of shares as well as the remaining property of the Corporation upon dissolution. The owners of the Class B Shares are entitled to vote and to exchange at any time each share held for one Class A Share.

In the event an offer to purchase Class B Shares is made to all owners of Class B Shares, and is accepted and taken up by the owners of a majority of such shares pursuant to such offer, then provided an offer is not made to the owners of Class A Shares on the same terms and conditions, the Class A Shares shall be entitled to the same voting rights as the Class B Shares. The two classes of shares rank equally in all other respects.

8. CREDIT RATINGS

The following table shows the current credit ratings on the Corporation's securities which have been rated by DBRS Limited (DBRS) and Standard and Poor's (S&P):

	DBRS	S&P
CU Inc.:		
Debentures	A (high)	A
Commercial paper	R-1 (low)	A-1 (mid)
Preferred shares	Pfd-2 (high)	P-2 (high)

Both rating agencies maintain a stable trend on the above securities.

Long Term Debt Credit Ratings

An A rating by DBRS is the third highest of eight categories. Long term debt rated A is of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than that of higher rated entities. While A is a respectable rating, entities in this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated securities. 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.

An A rating by S&P is the third highest of ten categories. Obligations rated A by S&P are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligations is still strong. The addition of a plus or minus sign shows relative standing within the major rating categories.

Commercial Paper and Short Term Debt Credit Ratings

An R-1 (low) rating by DBRS is the third highest of ten categories and is granted to short term debt of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.

An A-1 (mid) rating by S&P is the second highest of eight categories in its Canadian commercial paper ratings scale and is granted where the obligor's capacity to meet its financial commitment on the obligation is strong.

Preferred Share Credit Ratings

A Pfd-2 rating by DBRS is the second highest of six categories granted by DBRS. Preferred shares rated Pfd-2 are 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 higher 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 seven 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 obligor to meet its financial commitment on the obligation. A plus or minus sign shows relative standing within a rating category.

Credit Ratings Generally

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 rating organization.

9. MARKET FOR SECURITIES OF THE CORPORATION

The Corporation's Cumulative Redeemable Preferred Shares Series 1, Series 2 and Series 4 are listed on the Toronto Stock Exchange.

The following table sets forth the high and low prices and volume of the shares traded on the Toronto Stock Exchange during 2010 for the Corporation's listed shares.

Cumulative Redeemable Preferred Shares

	Series 1			Series 2			Series 4 ⁽¹⁾		
	High \$	Low \$	Volume	High \$	Low \$	Volume	High \$	Low \$	Volume
Jan.	21.39	19.79	56,459	29.58	28.02	168,975	-	-	-
Feb.	21.39	19.92	42,854	28.75	28.11	226,183	-	-	-
Mar.	20.30	19.50	59,395	28.60	28.15	168,893	-	-	-
Apr.	19.50	18.50	66,111	28.50	27.09	145,389	-	-	-
May	19.33	18.20	33,072	28.00	27.14	123,763	-	-	-
Jun.	20.20	19.13	31,533	27.98	27.26	22,387	-	-	-
Jul.	20.21	19.76	57,707	28.42	27.79	168,264	-	-	-
Aug.	20.49	19.75	13,630	28.56	28.10	130,320	-	-	-
Sep.	20.76	20.36	21,397	28.50	28.12	150,530	-	-	-
Oct.	21.40	20.63	41,815	28.60	28.30	60,199	-	-	-
Nov.	22.50	21.08	201,620	28.89	27.86	39,692	-	-	-
Dec.	22.14	21.71	257,293	28.40	27.92	277,135	25.25	24.95	697,751

⁽¹⁾ The Cumulative Redeemable Preferred Shares Series 4 were issued December 2, 2010.

10. DIRECTORS AND OFFICERS

Directors

Name, Province or State and Country of Residence	Position Held	Principal Occupation	Director Since
B.R. Bale (2) Alberta, Canada	Director	Senior Vice President & Chief Financial Officer, Canadian Utilities Limited and ATCO Ltd.	2009
L.M. Charlton (2) Alberta, Canada	Director	Vice President, Lintus Resources Limited	2008
J.W. Simpson Alberta, Canada	Director	Corporate Director	2008
N.C. Southern Alberta, Canada	Director	Deputy Chair, President & Chief Executive Officer, Canadian Utilities Limited and ATCO Ltd.	1999
R.J. Urwin, C.B.E., Ph.D. (2) London, England	Director	Corporate Director	2008

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

⁽²⁾ Member of the Audit Committee.

Officers (in Alphabetical Order)

Name, Province or State and Country of Residence	Position Held	Principal Occupation
B.R. Bale Alberta, Canada	Senior Vice President & Chief Financial Officer	Senior Vice President & Chief Financial Officer, Canadian Utilities Limited and ATCO Ltd.
C. Gear Alberta, Canada	Assistant Corporate Secretary	Assistant Corporate Secretary, Canadian Utilities Limited and ATCO Ltd.
J.W. Simpson Alberta, Canada	Deputy Chair	Corporate Director
N.C. Southern Alberta, Canada	Chair, President & Chief Executive Officer	Deputy Chair, President & Chief Executive Officer, Canadian Utilities Limited and ATCO Ltd.
P. Spruin Alberta, Canada	Corporate Secretary	Vice President, Administration & Corporate Secretary, Canadian Utilities Limited and ATCO Ltd.
S.R. Werth Alberta, Canada	Senior Vice President & Chief Administration Officer	Senior Vice President & Chief Administration Officer, Canadian Utilities Limited and ATCO Ltd.
P.G. Wright Alberta, Canada	Vice President, Finance & Treasury	Vice President, Finance & Treasury, Canadian Utilities Limited and ATCO Ltd.

Positions Held by Directors and Officers within Preceding Five Years

All of the directors and 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 affiliates or predecessors thereof, with the exception of Ms. Charlton, who has been the Vice President of Lintus Resources Limited (an oil and gas exploration and production company) since 2010, and prior thereto, a Business Consultant; and Dr. Urwin, who was Chairman, Alfred McAlpine plc (a business services firm) from 2006 to 2008 and prior thereto was Group Chief Executive of National Grid plc (an international gas and electric utility).

Directors' and Officers' Interests in the Corporation

At December 31, 2010, none of the directors and officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly (via corporate holdings or otherwise), any of the outstanding Class B Shares of the Corporation.

Executive Compensation

Refer to Appendix 1 for the Compensation Discussion and Analysis.

Directors' Compensation

In 2010, non-employee directors of the Corporation were paid an annual retainer of \$5,000 for acting as directors and \$1,500 for attending each meeting of the Board, or \$800 if meetings were brief in nature.

11. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation has 2,014,076 Class B Shares issued and outstanding, all of which are owned by Canadian Utilities. ATCO directly or indirectly owns approximately 81.7% of the voting securities of Canadian Utilities. R.D. Southern controls ATCO.

12. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Cumulative Redeemable Preferred Shares Series 1, Series 2 and Series 4 is CIBC Mellon Trust Company at its principal offices in Calgary and Toronto. The trustee, transfer agent, and registrar for the debentures of the Corporation is BNY Trust Company of Canada at its principal offices in Calgary and Toronto for series debentures issued since 1999, and Calgary, Vancouver, Toronto and Montreal for debentures issued prior to 1999.

13. INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has prepared the auditor's report with respect to the Corporation's annual financial statements. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

14. ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional financial information is provided in the Corporation's financial statements and MD&A for the financial year ended December 31, 2010.

Information relating to ATCO or Canadian Utilities may be obtained upon request from the Corporate Secretary of each corporation at 1400 ATCO Centre, 909 – 11th Avenue S.W., Calgary, Alberta T2R 1N6 (telephone (403) 292-7500 or fax (403) 292-7623). Corporate information is also available on ATCO's website: www.atco.com and Canadian Utilities' website: www.canadian-utilities.com.

APPENDIX 1 – COMPENSATION DISCUSSION AND ANALYSIS

Summary Compensation Table

The summary compensation table sets out information concerning the compensation during the last three fiscal years of the Chief Executive Officer and the Chief Financial Officer of the Corporation and the three other executive officers of the Corporation and its subsidiaries employed at December 31, 2010, who had the highest individual aggregate total compensation during 2010 (the “Named Executive Officers”). This information reflects all compensation received by the Named Executive Officers from the Corporation and its subsidiaries for their services as executive officers in all capacities.

Consolidated Total Compensation of Named Executive Officers

During 2010, N.C. Southern, B.R. Bale, S.W. Kiefer, and S.R. Werth served in similar senior executive positions with ATCO and Canadian Utilities. S.F. Policicchio is the President of ATCO Electric, Capital Projects Division.

Executive Compensation Program Elements

Executive compensation consists of three main elements: base salary, short-term incentives, and long-term incentives (stock options (SOPs), share appreciation rights (SARs) and mid-term incentives (MTIPs)). The percentage of Total Direct Compensation for each element is aligned with the executive’s responsibilities and ability to influence business results. The target incentive amount for short-term and long-term incentives varies with an executive’s performance and level of responsibility and is considered in conjunction with regular reviews of the executive’s achievements. Discretionary incentives may also be awarded to executives for their contribution to especially notable accomplishments.


Formula for Apportionment of Salaries of Named Executive Officers

The Corporation’s share of the consolidated amount of total compensation is based on a number of considerations, including:

- The portion of the consolidated assets of ATCO that the assets of CU Inc. represent;
- The estimated portion of each executive officer’s time anticipated to be spent performing services as an executive officer of CU Inc. and its subsidiaries; and
- Decisions of the AUC.

For 2010, the Corporation paid 64.6% (64.6% in 2009 and 66.6% in 2008) of the consolidated salary and incentive amounts paid to N.C. Southern, B.R. Bale, S.W. Kiefer, and S.R. Werth by ATCO and its subsidiaries. S.F. Policicchio was paid 100% by the Corporation. The amounts paid by the Corporation are set out in the following tables.

NAMED EXECUTIVE OFFICERS (1)

	<p>Nancy C. Southern Age: 54 Location: Calgary, AB Canada Years of Service: 21</p> <p>Ms. Southern is a Director and Chair, President & Chief Executive Officer for the Corporation. Previously Ms. Southern was President and Chief Executive Officer from 2003 to 2009, Co-Chair and Chief Executive Officer from 2000 to 2003, Deputy Chief Executive Officer and Deputy Chairman from 1999 until 2000. Ms. Southern has full responsibility for strategic direction and the operations of the Corporation, reporting to the Board of Directors. Under Ms. Southern’s guidance as President & Chief Executive Officer, earnings have increased from \$174.8 million in 2003 to \$277.2 million in 2010. In addition, total assets have grown from \$4.2 billion in 2003 to approximately \$6.6 billion in 2010.</p>
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Three Year Compensation								
				Non-Equity Incentive Plan Compensation				
Year	Salary (1)	Share Based Awards	Option Based Awards	Annual Incentive Plans (1)	Long Term Incentive Plans	Pension Value	All Other Compensation (2)	Total Compensation
2010	646,000	-	-	468,350	-	174,512	9,690	1,298,552
2009	646,000	-	-	581,400	-	157,413	9,690	1,394,503
2008	666,000	-	-	799,200	-	941,237	14,153 ⁽³⁾	2,420,590



Brian R. Bale
 Age: 55
 Location: Calgary, AB Canada
 Years of Service: 29

Mr. Bale was appointed Senior Vice President & Chief Financial Officer effective December 1, 2009, responsible for Finance, Accounting, Treasury, Taxation, Risk Management and the administration of Internal Audit. Previously Mr. Bale was Senior Vice President, Finance & Regulatory, ATCO Gas. Since joining the Corporation in 1981, Mr. Bale has held a variety of finance and regulatory management positions within the Corporation and was appointed an officer of ATCO Gas in 2005.

Three Year Compensation								
				Non-Equity Incentive Plan Compensation				
Year	Salary	Share Based Awards	Option Based Awards	Annual Incentive Plans	Long Term Incentive Plans	Pension Value	All Other Compensation (2)	Total Compensation
2010	186,263 ⁽¹⁾	-	-	226,100 ⁽¹⁾	-	662,962	2,794	1,078,119
2009	180,073 ⁽⁴⁾	-	-	174,690 ⁽⁴⁾	-	28,259	2,701	385,723
2008	180,000	-	-	151,200	-	38,305	3,645 ⁽³⁾	373,150



Sett F. Policicchio

Age: 54

Location: Edmonton, AB Canada

Years of Service: 31

Mr. Policicchio was appointed to President, ATCO Electric, Capital Projects Division on May 1, 2010. He was appointed President, ATCO Electric, in November 2004, having been with the Corporation for 25 years. Mr. Policicchio has held a variety of positions including Vice President, Operations, ATCO Electric, Project Manager, Special Projects, ATCO Utility Services, Vice President, ATCO Electric, responsible for planning, engineering, and construction, and Vice President, Engineering Construction, ATCO Electric.

Three Year Compensation								
				Non-Equity Incentive Plan Compensation				
Year	Salary	Share Based Awards	Option Based Awards	Annual Incentive Plans	Long Term Incentive Plans	Pension Value	All Other Compensation (2)	Total Compensation
2010	282,500	-	-	180,000	-	142,805	3,814	609,119
2009	260,000	-	-	175,000	-	2,031	3,510	440,541
2008	260,000	-	-	260,000	-	166,424	5,062	691,486



Siegfried W. Kiefer

Age: 52

Location: Calgary, AB Canada

Years of Service: 28

Mr. Kiefer was appointed in 2004 to the position of Managing Director, Utilities, responsible for natural gas and electricity transmission and distribution, which include the subsidiary companies of ATCO Gas, ATCO Electric, ATCO Pipelines, Northland Utilities, and Yukon Electrical. In 2010, Mr. Kiefer was responsible for overseeing the continued growth in utility investment while the Utilities achieved new records in service levels and safety performance.

Three Year Compensation								
				Non-Equity Incentive Plan Compensation				
Year	Salary (1)	Share Based Awards	Option Based Awards	Annual Incentive Plans (1)	Long Term Incentive Plans	Pension Value	All Other Compensation (2)	Total Compensation
2010	323,000	-	-	290,700	-	(10,186)	4,845	608,359
2009	323,000	-	-	242,250	-	(1,653)	4,845	568,442
2008	333,000	-	-	333,000	-	164,773	6,685 ⁽³⁾	837,458



Susan R. Werth

Age: 54

Location: Calgary, AB Canada

Years of Service: 30

Ms. Werth is Senior Vice President & Chief Administration Officer, responsible for Human Resources, Corporate Secretarial, Marketing and Communications, Security, Real Estate, Aviation and Administration, an appointment she has held since 2000. Previously Ms. Werth was Vice President, Administration, a role she was appointed to in 1999. Ms. Werth also directed the successful implementation of many new programs in her areas of responsibility, particularly in Human Resources, where the Corporation is continuing to invest for the future.

Three Year Compensation								
				Non-Equity Incentive Plan Compensation				
Year	Salary (1)	Share Based Awards	Option Based Awards	Annual Incentive Plans (1)	Long Term Incentive Plans	Pension Value	All Other Compensation (2)	Total Compensation
2010	254,363	-	-	226,100	-	16,405	3,815	500,683
2009	251,940	-	-	161,500	-	(7,180)	3,779	410,039
2008	259,740	-	-	259,740	-	156,789	5,220 ⁽³⁾	681,489

⁽¹⁾ The amounts shown under salary and annual incentive plans were paid by the Corporation and reflect 64.6% (64.6% in 2009 and 66.6% in 2008) of the Named Executive Officers' total salary and incentives in 2010. The balance of the salary and incentives was paid by ATCO (10.9% in 2010, 10% in 2009, and 10% in 2008) and Canadian Utilities (24.5% in 2010, 25.4% in 2009, and 23.4% in 2008).

⁽²⁾ Represents the employer contribution to the Employee Share Purchase Plan.

⁽³⁾ Represents the employer contribution to the Employee Share Purchase plan for a 17-month period due to a change from annual to monthly employer contributions.

⁽⁴⁾ The amounts shown under salary and annual incentive plans were paid by the Corporation and reflect 95.6% of Mr. Bale's total salary and incentives in 2009. The balance of the salary and incentives was paid by ATCO (1.2%) and Canadian Utilities (3.2%).

Pension and Retirement Arrangements

The Named Executive Officers participate in the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies (the “CU Plan”). The CU Plan comprises two components: defined benefit (“DB”) and defined contribution (“DC”).

The DB component provides a benefit of 1.4% of average salary up to the average year’s maximum pensionable earnings under the Canada Pension Plan (\$44,840 in 2010) and 2.0% of additional average salary. Average salary is the average of the highest five consecutive years of base salary, excluding incentives.

Members may retire as early as age 55 and are eligible for unreduced benefits at age 62 or if age and service total 90 years, otherwise the early retirement reduction is 3% for each year retirement precedes age 62 plus an additional 3% for each year retirement precedes age 60. Benefits are paid for the life of the member, with 60% continuing for the life of the member’s spouse following the death of the member. Benefit increases capped at 3% to a maximum of 100% of inflation have historically been provided annually to retired members’ pensions.

The DC component consists of employee contributions of 4% of base salary and employer paid contributions of 6% of base salary. A range of investment options is provided to the members. Retirement benefits depend upon the member’s account balance at retirement.

Participation in the CU Plan (DB or DC) is non-contributory for the Named Executive Officers.

N.C. Southern, B.R. Bale, S.F. Policicchio, S.W. Kiefer, and S.R. Werth participate in the DB component.

Pension benefits and contributions under the Plans are subject to limits imposed by the *Income Tax Act (Canada)*. Benefits in excess of these limits that would otherwise be payable upon retirement are provided by Canadian Utilities under an unfunded supplemental arrangement. Additional supplemental pension benefits are provided to N.C. Southern pursuant to her employment agreement, further details of which are provided below. All supplemental pension benefits are provided on a DB basis. For the purpose of supplemental pension benefit calculations, service is limited to 35 years and any DC service under the Plans is deemed to be DB service. No benefits are payable under the supplemental arrangements upon termination or death prior to age 55. The supplemental pension is payable on the same terms as the CU Plan pension in respect of post-retirement survivor benefits and indexing.

Pursuant to her employment agreement with Canadian Utilities, N.C. Southern is eligible upon retirement to receive a pension calculated as a percentage of the average of the highest five years of income, including salary and incentives, during the last ten years of employment prior to retirement. The percentage varies by age at retirement as per the following table:

Age at Retirement	Percentage
54	60%
55	70%
56	72%
57	74%
58	76%
59	78%
60 and older	80%

The pension payable upon retirement at age 55 or over is inclusive of the pension payable under the CU Plan. The company's consent is required for retirement prior to age 55. The pension is payable on the same terms as the CU Plan in respect of post-retirement survivor benefits and indexing.

Pension Plan Table

The following table outlines pension benefits and accrued obligations inclusive of all registered pension plans and supplemental arrangements for the DB Plan. No Named Executive Officers participate in the DC Plan.

Name	Number of years credited service ⁽¹⁾ (#)	Annual benefits payable ⁽²⁾ (\$)		Accrued obligation at start of year (\$)	Compensatory Change (\$)	Non-compensatory change (\$)	Accrued obligation at year end (\$)
		At year end	At age 65				
N.C. Southern	15.00	798,456	1,064,608	4,906,987	174,512	1,861,784	6,943,283
B.R. Bale	29.00	46,553	82,021	840,366	662,962 ⁽³⁾	74,627 ⁽⁴⁾	1,577,955
S.F. Policicchio	31.08	148,297	166,984	2,127,076	142,805	608,743	2,878,624
S.W. Kiefer	27.00	163,099	211,425	2,046,384	(10,186)	671,857	2,708,055
S.R. Werth	29.67	137,333	162,023	1,898,436	16,405	544,402	2,459,243

⁽¹⁾ Credited service represents the period of pension plan membership used to calculate an individual's pension. It does not include all years of service.

⁽²⁾ Annual benefits payable at year end are based on DB credited service and actual average pensionable earnings at December 31, 2010 and reduced for early retirement for those currently eligible to retire. Annual benefits payable at age 65 are based on actual average pensionable earnings at December 31, 2010 and projected service at age 65 to a maximum of 35 years.

⁽³⁾ B.R. Bale was added to the supplemental plan in 2010.

⁽⁴⁾ Non-compensatory change includes the allocation impact resulting from the appointment of B.R. Bale to Chief Financial Officer in December 2009.

Employment Agreement for N.C. Southern, President & Chief Executive Officer

Term of Agreement

Canadian Utilities has an employment agreement with N.C. Southern extending to February 28, 2013, and continuing from year to year thereafter. The amount of salary and the value of benefits paid in 2010 under this agreement have been included in the Summary Compensation Table above.

Termination of Agreement

Termination of employment for an executive would be subject to applicable legislation and common law provisions. As noted in the table below, the following actions are executed based on the circumstances of the change in status.

Disability and Life Insurance

N.C. Southern's employment agreement provides for the payment of certain benefits upon her death or disability prior to retirement or termination. The amount of such benefits is based on her salary and is determined in accordance with formulas that take into account amounts payable to her under the group life insurance policies and disability income programs of Canadian Utilities.

Termination and Change in Control Table

Employment Status Change	Associated Action Relevant to All ATCO Employees
Change of Control (1)	<ul style="list-style-type: none"> • All vested SOPs/SARs are exercisable within 90 days of change of control date or on expiry date if earlier. • All unvested SOPs/SARs will be accelerated and exercisable within 90 days of change of control date or on expiry date if earlier. • All unvested MTIPs will vest on the date immediately preceding the change of control event.
Termination	<ul style="list-style-type: none"> • All salary, short-term incentive and benefit programs cease. • All vested SOPs/SARs are exercisable within 90 days of termination date or on expiry date if earlier. • All unvested SOPs/SARs/MTIPs will be forfeited on termination date. • Pension paid as a commuted value or deferred benefit. • If applicable, severance provided to an individual based on employment standards and common-law provisions.
Resignation	<ul style="list-style-type: none"> • All salary and benefit programs cease. • Current year short-term incentive is forfeited. • All vested SOPs/SARs are exercisable within 90 days of resignation date or on expiry date if earlier. • All unvested SOPs/SARs/MTIPs will be forfeited on resignation date. • Pension paid as a commuted value or deferred benefit.
Retirement	<ul style="list-style-type: none"> • Salary ceases as of retirement date. • Retiring allowance is provided based on years of service to a maximum of one month's salary. • Retirement health benefit coverage commences until 6 months after death of pensioner. • Short-term incentive paid on a pro rata basis based on retirement date. • All vested SOPs/SARs are exercisable within 24 months of retirement date or on expiry date if earlier. • All unvested SOPs/SARs/MTIPs will be forfeited on retirement date. • Pension provisions according to plan membership.

⁽¹⁾ "Change of Control" shall be deemed to have occurred upon the acceptance by the owners of shares of Canadian Utilities, representing in the aggregate more than 50% of all issued Class B Shares of Canadian Utilities, of any offer, whether by way of a takeover bid or otherwise, for all or any of the shares of Canadian Utilities; provided however that a Change of Control shall not occur as a result of any transaction undertaken in connection with the conversion of the company to a trust if the share owners of the company immediately prior to the implementation of the initial transaction involved in such conversion will, upon completion of such conversion, own more than 50% of the voting securities of the trust resulting from such conversion. Options may not be exercised to purchase a number of Shares that is fewer than a board lot as specified by the Toronto Stock Exchange.