



An **ATCO** Company

2009

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2009

February 17, 2010

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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.;

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);

Interruptible means service subject to interruption at anytime at the sole discretion of ATCO Pipelines if ATCO Pipelines determines that the 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 & Analysis for the year ended December 31, 2009;

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;

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

YECL means The Yukon Electrical Company Limited;

U.S. means United States of America.

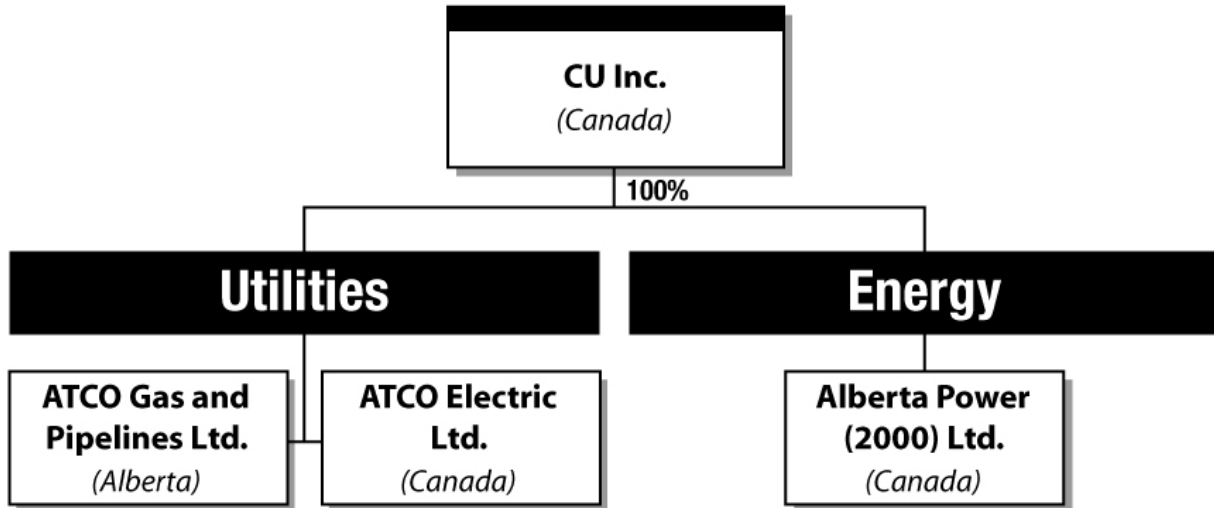
3. CORPORATE STRUCTURE

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. The Corporation is comprised of two segments: Utilities (regulated natural gas and electricity transmission and distribution) and Energy (power generation).

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.



Note:

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

4. BUSINESS DESCRIPTION

Utilities Segment

The Utilities Segment is focused on regulated activities including transmission and delivery of natural gas and electricity. Located mainly in Alberta and the Canadian north, this segment serves more than 1.2 million customers in nearly 300 communities. The Utilities Segment includes ATCO Electric and its subsidiaries (NLD, NUY and YECL) and the ATCO Gas and ATCO Pipelines divisions of AGP.

Energy Segment

The Energy Segment, through ATCO Power (2000), owns and operates regulated generating plants in Canada.

Comparison of Segmented Revenues and Earnings

Each segment's contribution to the consolidated revenue and earnings of the Corporation is as follows:

(\$ millions)	2009		2008		2007	
	Revenue	Earnings	Revenue	Earnings	Revenue	Earnings
	\$	\$	\$	\$	\$	\$
Utilities	1,367.5	195.4	1,260.9	148.6	1,114.6	138.2
Energy	309.9	67.1	312.6	51.4	299.8	39.0
Corporate and Eliminations	(0.1)	0.1	(0.1)	0.3	(0.2)	0.1
Total	1,677.3	262.6	1,573.4	200.3	1,414.2	177.3

	2009		2008		2007	
	Revenue	Earnings	Revenue	Earnings	Revenue	Earnings
	%	%	%	%	%	%
Utilities	81.5	74.4	80.1	74.2	78.8	78.0
Energy	18.5	25.6	19.9	25.7	21.2	22.0
Corporate and Eliminations	-	-	-	0.1	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Employee Information

At December 31, 2009, the Corporation had 4,157 employees, all of which were employed in the Utilities Segment.

4.1. Three Year History

The significant events that have influenced the general development of the business attributable to a particular segment over the past three years are as follows in reverse chronological order;

4.1.1. Utilities Segment

Throughout the previous three years, earnings in the Utilities Segment have increased due to substantial capital expenditures primarily in ATCO Electric and ATCO Gas which has increased the asset base on which the Corporation may earn a regulated return on equity. Total capital expenditures in the Utilities Segment for 2007, 2008 and 2009 were \$588.8 million, \$852.6 million and \$776.1 million, respectively.

In the third quarter of 2009, as a result of numerous regulatory and legal proceedings, ATCO Gas received approval from the AUC to remove the Carbon natural gas storage facility (Carbon Facility) from regulation and on December 16, 2009, a review and variance decision issued by the AUC approved the effective date of removal of the Carbon Facility from regulation to be April 1, 2005. Refer to the Annual Results of Operations – Segmented Information – Utilities – Regulatory Developments – ATCO Gas –

Carbon Natural Gas Storage Facility section of the MD&A which may be found on SEDAR at www.sedar.com for additional information on the Carbon Facility.

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 (ROE) at 9.0% for all Alberta utilities which it regulates. This is an increase over the 8.61% ROE that the adjustment formula formerly in place would have provided for 2009. 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 the adjustments of individual common equity ratios. The AUC determined the common equity ratio 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. 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 changes did not apply to ATCO Pipelines for 2009 since capital structure and rate of return were included in ATCO Pipelines' Negotiated Settlement. While ATCO Gas' ROE for 2008 was not impacted by the decision issued on November 12, 2009, a separate module within the generic proceeding addressed ATCO Gas' 2008 capital structure, as inclusion of this issue was removed from its 2008/2009 general rate application. The November 12, 2009 decision approved an equity ratio of 39% commencing in the year 2008 for ATCO Gas.

On November 12, 2009, the AUC issued its Income Tax Module decision in which it addressed the 2008-2009 income tax placeholder amounts for ATCO Gas and 2009-2010 placeholders for ATCO Electric. The AUC approved the placeholder amounts as filed and established an income tax deferral account for ATCO Electric and ATCO Gas.

On July 2, 2009, the AUC issued a decision on ATCO Electric's 2009 and 2010 general tariff application. In the decision, the AUC used placeholders for 2009 and 2010 information technology and customer care and billing rates and pension costs. These placeholders will be determined by the AUC in subsequent proceedings. The placeholders in the decision for common equity ratios, preferred share capitalization ratios and ROE were determined as a result of the Generic Cost of Capital Decision discussed above. The placeholders in the decision for the income amounts were determined as a result of the Income Tax Module Decision discussed above.

In June 2009, ATCO Pipelines filed an application with the AUC for the integration of the ATCO Pipelines and NOVA Gas Transmission Ltd. (NOVA) gas transmission systems in Alberta (Integration Application). If approved by the AUC, the integration 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. The Integration Application, if approved by the AUC, is expected to end duplicate tolling and operational activities and result in more efficient regulatory processes. It is also subject to a settlement of ATCO Pipelines' 2010, 2011 and 2012 revenue requirements being successfully negotiated. In November 2009, ATCO Pipelines filed a request with the AUC to approve its 2010 to 2012 revenue requirement settlement application as part of its Integration Application. ATCO Pipelines expects to receive an AUC decision on the Integration Application in the first half of 2010.

In March 2009, the AUC issued a decision on ATCO Pipelines' 2008 and 2009 general rate application phase I settlement agreement which approved the settlement as filed, in its entirety. The settlement, among other things, included a return on common equity of 8.75% and a common equity ratio of 43% for both 2008 and 2009. The return on equity rate and common equity ratio for 2009 were not affected by the generic cost of capital decision.

In November 2008, the AUC issued a decision on ATCO Gas' 2008 and 2009 general rate application. The decision, among other things, approved the establishment of deferral accounts to defer the impact of temperature fluctuations on ATCO Gas' revenues after January 1, 2008. On November 13, 2008, ATCO Gas received a decision on its general rate application for 2008 and 2009. The decision established the amount of revenue requirement ATCO Gas can recover through distribution rates for natural gas distribution service to its customers for 2008 and 2009. In the decision, the AUC used Placeholders for 2009 information and technology and customer care and billing costs. These Placeholders will be determined by the AUC in subsequent proceedings. The Placeholders in the decision for common equity ratios, preferred share capitalization ratios and ROE were determined as a result of the Generic Cost of Capital Decision discussed above. The Placeholders for income tax amounts were determined as a result of the Income Tax Module Decision discussed above.

In September 2007, the AUC issued a decision on ATCO Electric's general tariff application for the 2007 and 2008 test years. Included in this decision were the rate of return on common equity of 8.75% for 2008 and 8.51% for 2007 and common equity ratio of 33% for transmission operations and 37% for distribution operations. The decision also directed ATCO Electric to change its income tax methodology for federal purposes.

4.1.2. Energy Segment

In 2006, Canada Revenue Agency (CRA) issued an income tax reassessment for Alberta Power (2000)'s 2001 taxation year which treated the proceeds received from the sale of the H.R. Milner generating plant to the Balancing Pool as income rather than as a sale of an asset. The Corporation disagreed with CRA's position and appealed the reassessment to the Tax Court of Canada. On August 21, 2009, Alberta Power (2000) received a judgment from the Tax Court of Canada ordering CRA to reverse its 2006 reassessment of Alberta Power (2000)'s 2001 tax return. On September 30, 2009, the appeal period for the judgment elapsed without an appeal from CRA.

On January 30, 2008, the 150 MW Unit 4 at Alberta Power (2000)'s Battle River generating plant experienced an unplanned outage due to a failure in the unit's generator. The unit returned to service on March 27, 2008. Alberta Power (2000) claimed relief under the force majeure provisions of its PPA. On July 11, 2008, the Balancing Pool notified Alberta Power (2000) that it disagreed with Alberta Power (2000)'s claim for relief under the force majeure provisions of the PPA. Unless settlement on the claim can be reached with the PPA counterparty, it is anticipated that this claim will proceed to arbitration.

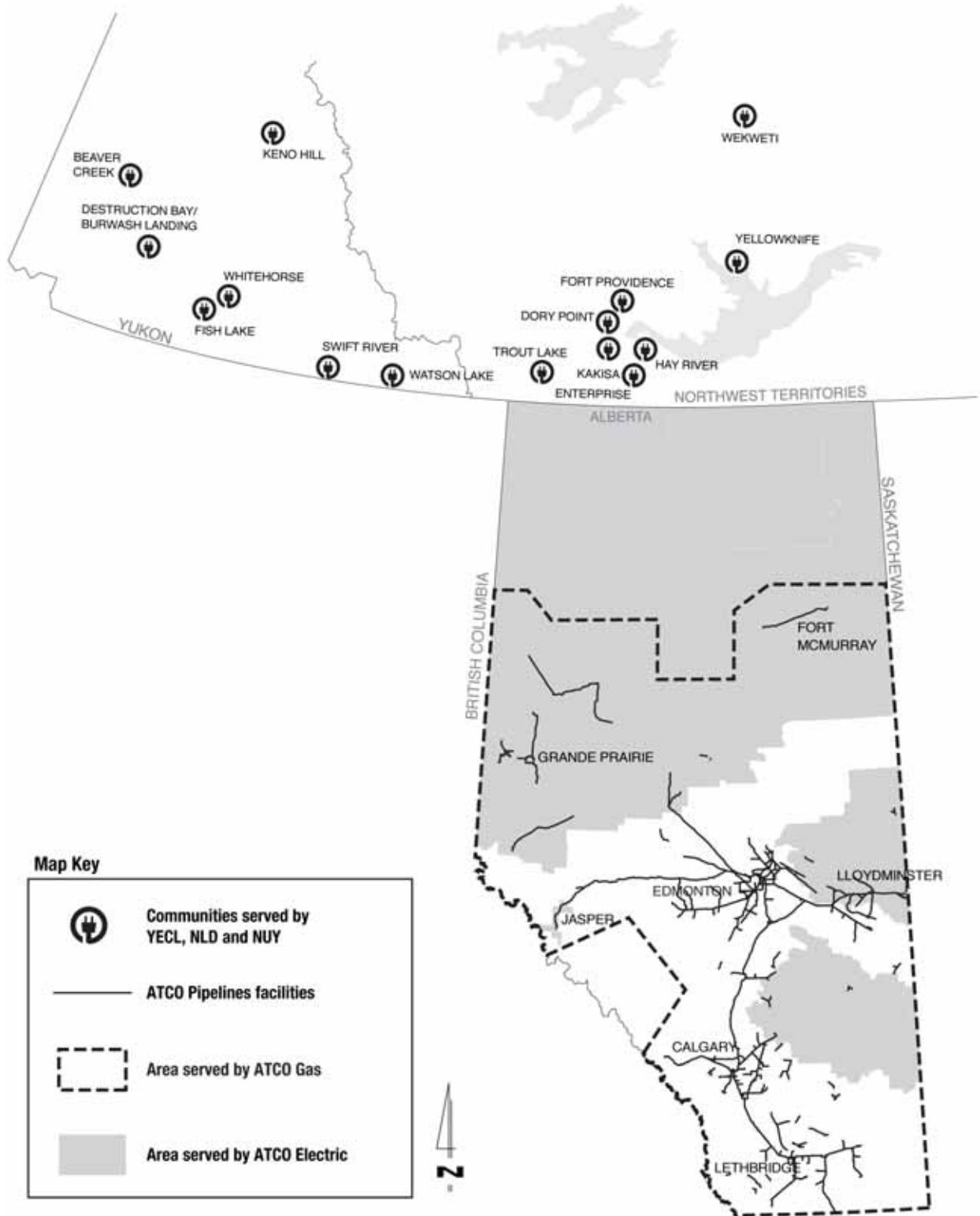
4.2. Detailed Business Description

Following is a general description of the nature of the activities within each of the segments within the Corporation.

4.2.1. Utilities Segment

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

Location of Utilities Segment Operations



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 and reasonable 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 Segment participates 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. Refer to Three Year History – Utilities section for a more detailed description of the 2009 Generic Cost of Capital Decision.

Particulars of the most recent final decisions made by the AUC respecting general rate applications or negotiated settlements filed by the principal regulated subsidiaries of the Corporation are detailed in Appendix 1.

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, and 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 486,800 and service is provided to approximately 233,100 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:

	2009		2008	
	Number	%	Number	%
Industrial	11,229	5	11,183	5
Commercial	30,946	13	30,274	13
Residential	160,611	69	156,539	69
Rural, REAs and other	30,355	13	30,168	13
Total	233,141	100	228,164	100

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

	2009		2008	
	GWhrs	%	GWhrs	%
Industrial	6,552	63	6,804	64
Commercial	2,132	20	2,079	20
Residential	1,232	12	1,200	11
Rural, REAs and other	515	5	511	5
Total	10,431	100	10,594	100

ATCO Electric, NUY, NLD and YECL own and operate extensive electric transmission and distribution systems. The systems consist of approximately 9,600 km of main transmission lines and 62,500 km of distribution lines. In addition, ATCO Electric delivers power to and operates approximately 12,000 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 65 MW in Alberta and in the Yukon and Northwest Territories. The maximum peak load demand for these plants during the year ended December 31, 2009, was 30 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 AUC, has the authority to approve the need for the facilities. The Act names certain immediately required CTI projects, including the east Edmonton to Calgary 500 kV high-voltage direct current project which has been assigned to ATCO Electric.

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 all 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 an Alberta-based, regulated natural gas distribution business, primarily 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, Alberta, 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 2,345,000. Also served are 279 smaller communities as well as rural areas having a combined population of approximately 622,000, located on or in the vicinity of ATCO Pipelines' transportation systems or the natural gas transportation pipelines of other companies. As of December 31, 2009, ATCO Gas provided 1,037,412 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:

	2009		2008	
	Number	%	Number	%
Residential	949,473	92	935,269	92
Commercial	87,561	8	86,517	8
Industrial	351	-	351	-
Other	27	-	30	-
Total	1,037,412	100	1,022,167	100

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

	2009		2008	
	Petajoules	%	Petajoules	%
Residential	122.0	49	116.5	49
Commercial	113.7	45	107.1	45
Industrial	13.7	6	14.3	6
Other	0.4	-	0.4	-
Total	249.8	100	238.3	100

ATCO Gas owns and operates approximately 37,700 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. Refer to the Annual Results of Operations – Segmented Information – Utilities – Regulatory Developments – ATCO

Gas – Carbon Natural Gas Storage Facility section of the MD&A which may be found on SEDAR at www.sedar.com for additional information on 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 2004, ATCO Gas entered into an agreement with the City of Edmonton for a 10 year renewal of the franchise to November 15, 2015. The franchise renewal is subject to the right of the City of Edmonton, at the end of the renewal period, to purchase all of ATCO Gas' assets used in supplying natural gas to the City. The purchase price would be determined by an arbitration process according to the arbitration laws of Alberta. Although the franchise agreement gives the City certain rights of purchase, since 1935 the City has granted renewals for 10 year periods.

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.

The franchises under which service is provided in other incorporated communities in Alberta have been granted for periods of up to 20 years. These 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.

ATCO Pipelines

ATCO Pipelines is a regulated business engaged in the transmission of natural gas throughout Alberta. It is headquartered in Calgary, Alberta, and has 222 customers including producers, industrial users and gas distribution companies located in Edmonton, Calgary, Red Deer, Lethbridge, Lloydminster, Grande Prairie, Ft. McMurray and nearly 300 other 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:

	2009		2008	
	Terajoules/day	%	Terajoules/day	%
Contract Demand:				
Producer	1,244	24	1,354	25
Industrial	913	17	1,023	19
Distribution	110	2	107	2
Affiliates	2,610	49	2,550	46
Sub-total	4,877	92	5,034	92
IT/OR/Variable Volumes:				
Producer	135	2	154	3
Industrial	301	6	295	5
Sub-total	436	8	449	8
Total Contract Demand and IT/OR/Variable Volumes	5,313	100	5,483	100

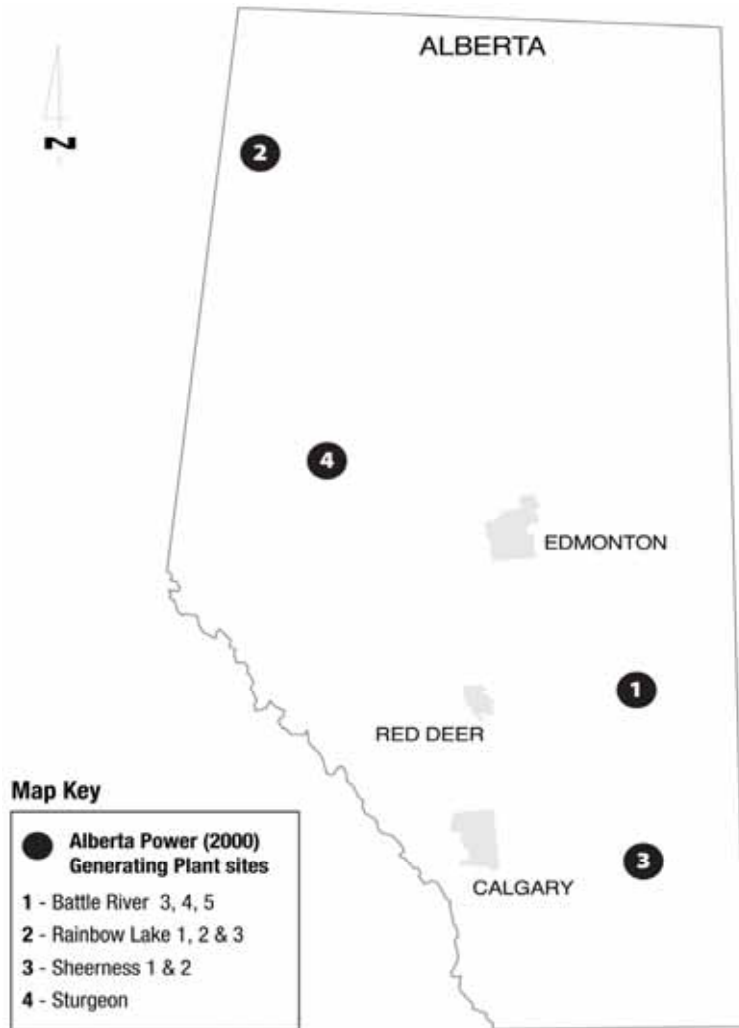
ATCO Pipelines owns and operates extensive natural gas transmission systems. The systems consist of approximately 8,560 km of pipelines, 22 compressor sites and a connection to the salt cavern storage peaking facility located near Fort Saskatchewan, Alberta. The systems have 190 producer receipt points, 48 interconnections with TransCanada Pipelines Limited, five interconnections with Alliance Pipeline, and one interconnection with Many Islands Pipelines. The maximum peak delivery capability of the ATCO Pipelines system is 3.8 billion cubic feet per day.

On September 8, 2008, ATCO Pipelines and NOVA Gas Transmission Ltd. (NOVA) announced a proposed agreement to provide natural gas transmission service to their customers. The 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. This proposal, if approved by the AUC, is expected to end duplicate tolling and operational activities and result in more efficient regulatory processes. Refer to the Annual Results of Operations - Segmented Information – Utilities – ATCO Pipelines - Alberta System Integration section of the MD&A for additional information on the Alberta System Integration.

4.2.2. Energy Segment

The activities of the Energy Segment are conducted through Alberta Power (2000). The Energy Segment has operations in Alberta, Canada as shown in the following map:

Location of Energy Segment Operations



Alberta Power (2000)

Following deregulation of the electricity market in Alberta, certain regulated assets of ATCO Electric were transferred to Alberta Power (2000). The assets transferred included the generating plants at Battle River, Sturgeon, Rainbow units 1, 2 & 3 and a 50% share in Sheerness. The Rainbow and Sturgeon assets are no longer regulated.

Details of the generating plants at December 31, 2009, are shown in Appendix 2.

The Battle River and Sheerness generating plants of Alberta Power (2000) were regulated by the AUC until December 31, 2000, but are now governed by legislatively mandated PPAs that were approved by the AUC. These plants are included in regulated operations primarily because the PPAs are designed to allow the owners of generating plants constructed before January 1, 1996 to recover their forecast fixed and variable costs and to earn a return at the rate specified in the PPAs. Each generating plant will become deregulated upon the earlier of one year after the expiry of its PPA or a decision to continue to operate the plant. For PPAs expiring prior to 2019, Alberta Power (2000) has one year after the expiry of a PPA to determine whether to decommission the generating plant in order to fully recover plant decommissioning costs or to continue to operate the plant and be responsible for decommissioning costs. For PPAs expiring after 2018, decommissioning costs are the responsibility of the plant owner. Each PPA is to remain in effect until the earlier of the last day of the estimated life of the related generating plant or December 31, 2020.

Over 99% of the electricity generated in Alberta Power (2000) is generated by the Sheerness and Battle River generating plants. The electricity generated is sold pursuant to PPAs. Under the PPAs, Alberta Power (2000) is required to make the generating capacity for each generating unit available to the purchaser of the PPA for that unit. In return, Alberta Power (2000) is entitled to recover its forecast fixed and variable costs for that unit from the PPA purchaser, including a return on common equity equal to the long term Government of Canada bond rate plus 4.5% based on a deemed common equity ratio of 45%. Many of the forecast costs will be determined by indices, formulae or other means for the entire period of the PPA. Alberta Power (2000)'s actual results will vary and depend on performance compared to the forecasts on which the PPAs were based. The return on common equity rate used in its PPA tariff calculations for Alberta Power (2000) was 8.64% in 2009 and 8.88% for 2008. The rate of return on common equity for 2010 is 8.44%.

All the coal fuel requirements relate to the Battle River and Sheerness generating plants which have a coal supply agreement with Prairie Mines & Royalties Limited (PMRL). PMRL operates the mining leases adjacent to the generating plants. The coal reserves of the mine are owned, leased or controlled jointly by the generating plant owners and PMRL. The coal supply agreement for Battle River extends until 2012 and includes extension rights in five year increments. Alberta Power (2000) is currently negotiating the extension of the agreement. The coal supply agreement for Sheerness extends to the earlier of 2026 or the exhaustion of the coal supply.

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>	2009	2008	2007
Cash dividends declared per share:			
Series Preferred Shares:			
Series 1 (1)	1.15	1.15	0.71
Series 2 (2)	1.14	-	-

Note:

⁽¹⁾ Issued April 18, 2007

⁽²⁾ Issued March 27, 2009

7. DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The share capital of the Corporation as at February 16, 2010 was:

Share Description	Authorized	Outstanding
Series Preferred Shares	Unlimited	11,000,000
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 non-voting shares and the Class B common 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 non-voting shares and the Class B common shares and any other junior shares as may be determined for any series authorized to be issued.

The holders 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 shareholders' 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 holders will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected (other than separate meetings of holders 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 holders of the Series Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders 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:				
4.60% Series 1	\$25.00	(1)	4,600,000	\$115,000,000
6.70% Series 2	\$25.00	(2)	6,400,000	\$160,000,000

Notes:

- (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%. Holders may elect to convert any or all of their Series 2 Preferred Shares into 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 of the Series 3 Preferred Shares will be equal to the then current 3-month Government of Canada Treasury Bill yield plus 4.81%.*

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.		
Debtentures	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 and Series 2 are listed on the Toronto Stock Exchange.

The following table sets forth the high and low prices and the volume of shares traded on the Toronto Stock Exchange during 2009 for the Corporation’s listed shares.

	Cumulative Redeemable Preferred Shares					
	Series 1			Series 2 (1)		
	High \$	Low \$	Volume	High \$	Low \$	Volume
January	17.49	14.98	167,670	-	-	-
February	17.00	16.40	79,524	-	-	-
March	17.70	15.49	101,656	26.10	25.25	244,525
April	18.68	17.34	42,640	27.05	26.00	281,651
May	20.00	18.00	30,800	27.59	26.75	72,975
June	19.25	18.00	60,505	27.84	27.00	187,976
July	20.49	17.90	84,200	28.50	27.30	153,442
August	20.65	20.05	76,848	29.27	27.07	124,176
September	20.95	19.91	33,240	28.57	27.80	1,155,040
October	20.15	19.08	40,976	28.30	28.00	207,042
November	20.80	19.50	38,819	28.79	27.60	188,986
December	20.54	19.68	63,115	29.22	28.04	110,684

Note:

⁽¹⁾ The Cumulative Redeemable Preferred Shares Series 2 were issued March 27, 2009.

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	Corporate Director	2008
J.W. Simpson California, U.S.A.	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

Notes:

- (1) All directors hold office until the close of the annual meeting of shareholders 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 California, U.S.A.	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, Controller & Treasurer	Vice President, Finance, Controller & Treasurer, 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 a Business Consultant since 2005 and prior thereto was Vice President, Chief Operating Officer, Investors' Petroleum Ltd. (an oil and gas consulting and management company); Ms. Gear, who was Deputy Company Secretary, LogicaCMG plc (a global information technology company); and Dr. Urwin, who was Chairman, Alfred McAlpine plc (a business services firm) from 2007 to 2008 and prior thereto was Group Chief Executive of National Grid plc (an international gas and electric utility).

Director's and Officer's Interests in the Corporation

At December 31, 2009, none of the directors and officers of the Corporation, as a group, beneficially owned, directly or indirectly (via corporate holdings or otherwise), or exercised control or direction over any of the outstanding Class B Shares of the Corporation.

Executive Compensation

Refer to Appendix 3 for the Compensation Discussion and Analysis.

Directors' Compensation

In 2009, 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 common shares issued and outstanding, all of which are owned by Canadian Utilities. ATCO Ltd. directly or indirectly owns approximately 78.3% of the voting securities of Canadian Utilities. R.D. Southern controls ATCO Ltd.

12. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Cumulative Redeemable Preferred Shares Series 1 and Series 2 is CIBC Mellon Trust Company at its principal offices in Calgary and Toronto. The trustee and transfer agent for the debentures of the Corporation is CIBC Mellon Trust Company at its principal offices in Calgary and Toronto for 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, 2009.

Information relating to Canadian Utilities Limited or CU Inc. 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 – AUC GENERAL RATE APPLICATIONS

The table below details particulars of the most recent decisions made by the AUC respecting general rate applications or negotiated settlements filed by the principal regulated subsidiaries of the Corporation.

	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	2009	Jul. 02/09	965.2		9.00%	(4)	36.0%	(4)
	2010	Jul. 02/09	1,275.1		9.00%	(4)	36.0%	(4)
Distribution	2009	Jul. 02/09	972.8		9.00%	(4)	39.0%	(4)
	2010	Jul. 02/09	1,104.3		9.00%	(4)	39.0%	(4)
<u>ATCO Pipelines</u>								
North	2008	Mar. 18/09	569.8	(6)	8.75%	(5)	43.0%	(5)
	2009	Mar. 18/09	601.6	(6)	8.75%	(5)	43.0%	(5)
South	2008	Mar. 18/09	184.1	(6)	8.75%	(5)	43.0%	(5)
	2009	Mar. 18/09	185.6	(6)	8.75%	(5)	43.0%	(5)
<u>ATCO Gas</u>								
North	2008	Nov. 13/08	665.1		8.75%	(4)	39.0%	(4)
	2009	Nov. 13/08	763.9		9.00%	(4)	39.0%	(4)
South	2008	Nov. 13/08	564.7		8.75%	(4)	39.0%	(4)
	2009	Nov. 13/08	622.7		9.00%	(4)	39.0%	(4)

Notes:

- (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 and common equity ratio were approved in AUC's generic cost of capital decision dated November 12, 2009.
- (5) The rate of return on common equity and common equity ratio were approved by the AUC in ATCO Pipelines' 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 ATCO Pipelines' Negotiated Settlement.

APPENDIX 2 – DETAILS OF GENERATING PLANTS

Name, Location & Type	Date in Service	MW (1)	Ownership %	Capacity Share	Partner/s (3)	Customer/s (3)	Contract Expiry Date
<u>Alberta Power (2000) Facilities:</u>							
Battle River 3, 4 & 5, Forestburg, AB Coal-Fired Thermal	1969 to 1981	670	100.0% (2)	670	-	ENMAX	2013, 2013 & 2020
Rainbow Lake 1, 2 & 3, Rainbow Lake, AB Gas-Fired Open-Cycle	1968	88	100.0% (2)	88	-	Merchant	-
Sheerness 1 & 2, Hanna, AB Coal-Fired Thermal	1986 to 1990	760	50.0% (2)	380	TransAlta	Trans Canada	2020
Sturgeon, Valleyview, AB Gas-Fired Open-Cycle	1957	18	100.0% (2)	18	-	Merchant	-
Total		1,536		1,156			

Notes:

- (1) Name plate capacity.
- (2) The Corporation's ownership in these plants is held by Alberta Power (2000).
- (3) Full names of Customers and Partners:
 - ENMAX means Enmax Corporation;
 - TransAlta means TransAlta Corporation;
 - TransCanada means TransCanada Corporation.

APPENDIX 3 – 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, 2009, who had the highest individual aggregate total compensation during 2009 (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 2009, N.C. Southern, K.M. Watson, S.W. Kiefer, S.R. Werth, and B.R. Bale (for the period December 1 to 31, 2009) served in similar senior executive positions with ATCO and Canadian Utilities.

K.M. Watson held the position of Senior Vice President & Chief Financial Officer until November 30, 2009. She retired from the Corporation on December 31, 2009. B.R. Bale was appointed Senior Vice President & Chief Financial Officer effective December 1, 2009. Mr. Bale was previously Senior Vice President, Finance & Regulatory for ATCO Gas. S.F. Policicchio is the President of ATCO Electric.

Executive Compensation Program Elements

Executive compensation consists of three main elements: base salary, short-term incentives (bonus), and long-term incentives (stock options, share appreciation rights and mid-term incentives). 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 competitive practice. Executive officers may also be awarded discretionary bonuses to reward them 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 2009, the Corporation paid 64.6% (66.6% in 2008 and 66.9% in 2007) of the consolidated salary and bonus amounts paid to N.C. Southern, K.M. Watson, S.W. Kiefer, S.R. Werth and B.R. Bale (for the period December 1 to 31, 2009) by ATCO and its subsidiaries. B.R. Bale was paid 100% by the Corporation for the period January 1, 2009 to November 30, 2009. 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: 53 Location: Calgary, AB Canada Years of Service: 19</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 executing strategic direction and the ongoing 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 \$262.6 million in 2009. In addition, total assets have grown from \$4.2 billion in 2003 to approximately \$6.6 billion in 2009.</p>
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Three Year Compensation								
				Non-Equity Incentive Plan Compensation				
Year	Salary (2)	Share Based Awards	Option Based Awards	Annual Incentive Plans (2)	Long Term Incentive Plans	Pension Value	All Other Compensation (3)	Total Compensation
2009	646,000	-	-	581,400	-	157,413	9,690	1,394,503
2008	666,000	-	-	799,200	-	941,237	14,153 ⁽⁴⁾	2,420,590
2007	669,000	-	-	802,800	-	618,947	10,035	2,100,782



Brian R. Bale

Age: 55

Location: Calgary, AB Canada

Years of Service: 28

Mr. Bale was appointed Senior Vice President & Chief Financial Officer effective December 1, 2009, responsible for Finance, Internal Audit, Accounting, Treasury, Taxation and Risk Management. Previously Mr. Bale was Senior Vice President, Finance & Regulatory, ATCO Gas. He has held a variety of finance and regulatory management positions within the Corporation and was appointed an officer of ATCO Electric in 2001 and 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 (3)	Total Compensation
2009	180,073 ⁽⁵⁾	-	-	174,690 ⁽⁵⁾	-	28,259	2,701	385,723
2008	180,000	-	-	151,200	-	38,305	3,645 ⁽⁴⁾	373,150
2007	170,000	-	-	127,500	-	39,179	2,160	338,839



Sett F. Policicchio

Age: 53

Location: Edmonton, AB Canada

Years of Service: 30

Mr. Policicchio was appointed President, ATCO Electric in 2004. Before transitioning to his current position, he was Vice President, Engineering & Construction. He joined ATCO Electric in 1979 and has held a variety of positions in the Corporation.

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 (3)	Total Compensation
2009	234,000	-	-	175,000	-	2,031	3,510	414,541
2008	234,000	-	-	234,000	-	166,424	5,062	639,486
2007	216,000	-	-	216,000	-	265,070	3,375	700,445



Siegfried W. Kiefer

Age: 51

Location: Calgary, AB Canada

Years of Service: 27

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 2009, Mr. Kiefer was responsible for overseeing the continued growth in utility investment while the Utilities Group achieved new records in service levels, and safety performance.

Three Year Compensation								
				Non-Equity Incentive Plan Compensation				
Year	Salary (2)	Share Based Awards	Option Based Awards	Annual Incentive Plans (2)	Long Term Incentive Plans	Pension Value	All Other Compensation (3)	Total Compensation
2009	323,000	-	-	242,250	-	(1,653)	4,845	568,442
2008	333,000	-	-	333,000	-	164,773	6,685 ⁽⁴⁾	837,458
2007	311,085	-	-	311,085	-	123,435	4,415	750,020



Susan R. Werth
 Age: 53
 Location: Calgary, AB Canada
 Years of Service: 29

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 (2)	Share Based Awards	Option Based Awards	Annual Incentive Plans (2)	Long Term Incentive Plans	Pension Value	All Other Compensation (3)	Total Compensation
2009	251,940	-	-	161,500	-	(7,180)	3,779	410,039
2008	259,740	-	-	259,740	-	156,789	5,220 ⁽⁴⁾	681,489
2007	240,840	-	-	240,840	-	192,369	602	674,651



Karen M. Watson

Age: 58
 Location: Calgary, AB Canada
 Retired: December 31, 2009
 Years of Service: 32

Ms. Watson held the position of Senior Vice President & Chief Financial Officer until November 30, 2009. She retired from the Corporation on December 31, 2009. She was responsible for Finance, Internal Audit, Accounting, Treasury, Taxation and Risk Management. Ms. Watson was also a Director and a member of the Audit Committee for the Corporation. In 2009, Ms. Watson’s oversight contributed to strong earnings growth and the prudent management of capital and costs across the Corporation’s subsidiary companies.

Three Year Compensation								
Year	Salary (2)	Share Based Awards	Option Based Awards	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation (3)	Total Compensation
				Annual Incentive Plans (2)	Long Term Incentive Plans			
2009	264,860	-	-	209,950	-	46,405	1,192	522,407
2008	273,060	-	-	273,060	-	116,900	1,711 (4)	664,731
2007	254,220	-	-	254,220	-	294,463	1,204	804,107

Notes:

- (1) N.C. Southern, B.R. Bale, S.W. Kiefer and S.R. Werth hold the same offices for ATCO, Canadian Utilities and the Corporation. S.F. Policicchio holds the same office for Canadian Utilities and the Corporation.
- (2) The amounts shown under salary and annual incentive plans were paid by the Corporation and reflect 64.6% (66.6% in 2008 and 66.9% in 2007) of the Named Executive Officers’ total salary and bonus in 2009. The balance of the salary and bonus was paid by ATCO (10% in 2009, 10% in 2008, and 10% in 2007) and Canadian Utilities (25.4% in 2009, 23.4% in 2008, and 23.1% in 2007).
- (3) Represents the employer contribution to the Employee Share Purchase Plan.
- (4) 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.
- (5) 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 bonus in 2009. The balance of the salary and bonus 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 (\$43,620 in 2009) and 2.0% of additional average salary. Average salary is the average of the highest five consecutive years of base salary, excluding bonuses.

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. Ad hoc benefit increases equal to 100% of inflation to a maximum of 3% per annum 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.W. Kiefer, S.R. Werth and S.F. Policicchio participate in the DB component. K.M. Watson retired December 31, 2009.

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 to N.C. Southern, S.W. Kiefer, S.R. Werth and S.F. Policicchio 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 ad hoc 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 bonuses, 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
50 – 53	50%
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 ad hoc 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	14.00	616,930	987,088	4,302,018	157,413	447,556	4,906,987
B.R. Bale	28.00	60,286	82,355	692,466	28,259	119,641	840,366
S.F. Policicchio	30.08	132,916	154,640	1,872,304	2,031	252,741	2,127,076
S.W. Kiefer	26.00	149,791	201,642	1,814,113	(1,653)	233,924	2,046,384
S.R. Werth	28.67	126,636	154,614	1,682,741	(7,180)	222,875	1,898,436
CFO for part of 2009							
K.M. Watson ⁽³⁾	31.75	144,769	N/A	2,053,370	46,405	213,456	2,313,231

Note:

⁽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, 2009 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, 2009 and projected service at age 65 to a maximum of 35 years.

⁽³⁾ K.M. Watson retired December 31, 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 2009 under this agreement have been included in the Summary Compensation Table above.

Termination of Agreement

Employment may be terminated by the Corporation on notice equal to the greater of two years and the remaining term of the agreement or payment in lieu of notice, and may be terminated by her on 90 days notice. 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)	<p>(1) All vested Stock Options or Share Appreciation Rights are exercisable within 90 days of change of control date or on expiry date if earlier</p> <p>(2) All unvested Stock Options or Share Appreciation Rights will be accelerated and exercisable within 90 days of change of control date or on expiry date if earlier</p>
Termination	<p>(3) All salary, annual incentive and benefit programs cease</p> <p>(4) All vested Stock Options or Share Appreciation Rights are exercisable within 90 days of termination date or on expiry date if earlier</p> <p>(5) All unvested Stock Options or Share Appreciation Rights will be forfeited on termination date</p> <p>(6) Pension paid as a commuted value or deferred benefit</p> <p>(7) If applicable, Severance provided to an individual based on employment standards and common-law provisions</p>
Resignation	<p>(8) All salary and benefit programs cease</p> <p>(9) Current year annual incentive bonus is forfeited</p> <p>(10) All vested Stock Options or Share Appreciation Rights are exercisable within 90 days of termination date or on expiry date if earlier</p> <p>(11) All unvested Stock Options or Share Appreciation Rights will be forfeited on resignation date</p> <p>(12) Pension paid as a commuted value or deferred benefit</p>
Retirement	<p>(13) Salary ceases as of retirement date</p> <p>(14) Retiring allowance is provided based on years of service to a maximum of one month's salary</p> <p>(15) Retirement medical and dental benefit coverage commences until 6 months after death of pensioner</p> <p>(16) Annual incentive bonus paid on a pro rata basis based on retirement date</p> <p>(17) All vested Stock Options or Share Appreciation Rights are exercisable within 24 months of termination date or on expiry date if earlier</p> <p>(18) All unvested Stock Options or Share Appreciation Rights will be forfeited on retirement date</p> <p>(19) Pension provisions according to plan membership</p>

Note:

(1) "Change of Control" shall be deemed to have occurred upon the acceptance by the holders of shares of Canadian Utilities, representing in the aggregate more than 50% of all issued Class B common 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 shareholders 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.