CU INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009

CU Inc.
Consolidated Statement of Earnings and Retained Earnings
(Millions of Canadian Dollars)

	Note	Three Months Ended March 31 2009	2008
		(Unaudited)	
Revenues	1	**$ 476.1**	$ 443.4
Costs and expenses			
Natural gas supply		**0.4**	0.7
Purchased power		**15.7**	15.3
Operation and maintenance		**113.9**	92.8
Selling and administrative		**60.6**	55.3
Depreciation and amortization	1	**59.6**	69.7
Interest		**47.0**	43.6
Franchise fees		**62.3**	62.7
		359.5	340.1
		116.6	103.3
Interest and other income		**4.8**	4.1
Earnings before income taxes		**121.4**	107.4
Income taxes		**28.1**	26.9
		93.3	80.5
Dividends on equity preferred shares		**1.5**	1.3
Dividends on equity preferred shares to parent corporation		**1.5**	1.5
Earnings attributable to Class A and Class B shares		**90.3**	77.7
Retained earnings at beginning of period as restated	2	**1,402.5**	1,262.0
		1,492.8	1,339.7
Dividends on Class A and Class B shares		**-**	15.0
Retained earnings at end of period		**$1,492.8**	$1,324.7

CU Inc.
Consolidated Balance Sheet
(Millions of Canadian Dollars)

	Note	March 31 2009	March 31 2008	December 31 2008
		(Unaudited)		
ASSETS				
Current assets				
Cash and short term investments		**$ 6.5**	$ 6.8	$ -
Short term advance to parent corporation		**383.0**	50.7	6.0
Accounts receivable		**237.7**	212.6	247.5
Accounts receivable from parent and affiliate corporations		**9.6**	8.8	10.2
Inventories		**79.4**	71.3	77.0
Income taxes recoverable		**3.2**	-	6.0
Future income taxes		**6.9**	-	5.6
Regulatory assets		**41.8**	22.1	55.8
Prepaid expenses		**3.4**	6.9	7.7
		771.5	379.2	415.8
Property, plant and equipment	1	**5,162.0**	4,266.6	4,685.7
Intangibles	1, 4	**199.4**	174.1	198.1
Regulatory assets	1	**347.7**	87.0	87.6
Other assets	1	**17.7**	21.3	18.0
		$6,498.3	$4,928.2	$5,405.2
LIABILITIES AND SHARE OWNER'S EQUITY				
Current liabilities				
Bank indebtedness		**$ -**	$ -	$ 15.0
Short term advances from parent and affiliate corporations		**-**	1.7	-
Accounts payable and accrued liabilities		**270.7**	213.6	321.7
Accounts payable to parent and affiliate corporations		**26.0**	22.8	34.5
Income taxes payable		**-**	6.9	-
Future income taxes		**-**	0.6	-
Regulatory liabilities		**28.1**	7.5	29.3
		324.8	253.1	400.5
Future income taxes	1	**278.3**	26.4	24.4
Regulatory liabilities	1	**433.6**	31.1	37.1
Deferred credits		**199.2**	175.3	199.6
Long term debt	5	**2,951.7**	2,459.7	2,683.2
Equity preferred shares	6	**275.0**	115.0	115.0
Equity preferred shares to parent corporation		**130.0**	130.0	130.0
Class A and Class B share owner's equity				
Class A and Class B shares		**412.9**	412.9	412.9
Retained earnings	1	**1,492.8**	1,324.7	1,402.5
		1,905.7	1,737.6	1,815.4
		$6,498.3	$4,928.2	$5,405.2

CU Inc.
Consolidated Statement of Cash Flows
(Millions of Canadian Dollars)

	Note	Three Months Ended March 31 **2009**	2008
		(Unaudited)	
Operating activities			
Earnings attributable to Class A and Class B shares		**$ 90.3**	$ 77.7
Adjustments for:			
Depreciation and amortization	1	**59.6**	69.7
Future income taxes		**(3.0)**	(1.1)
Deferred availability incentives		**(0.5)**	0.9
Changes in non-current regulatory assets and liabilities	1	**20.5**	3.8
Other		**(2.6)**	0.9
Funds generated by operations		**164.3**	151.9
Changes in non-cash working capital		**38.1**	24.5
Cash flow from operations		**202.4**	176.4
Investing activities			
Purchase of property, plant and equipment	1	**(184.4)**	(157.1)
Proceeds (costs) on disposal of property, plant and equipment		**0.1**	(0.3)
Contributions by utility customers for extensions to plant		**30.6**	48.7
Purchase of intangibles	1, 4	**(7.2)**	(7.9)
Changes in non-cash working capital		**(70.0)**	11.1
Other		**2.2**	(0.4)
		(228.7)	(105.9)
Financing activities			
Issue of long term debt	5	**270.0**	-
Issue of equity preferred shares	6	**160.0**	-
Dividends paid to Class A and Class B share owner		**-**	(15.0)
Changes in non-cash working capital		**0.2**	0.1
Other		**(5.4)**	(0.1)
		424.8	(15.0)
Cash position [1]			
Increase		**398.5**	55.5
Beginning of period		**(9.0)**	0.3
End of period		**$ 389.5**	$ 55.8

[1] Cash position includes cash and short term advance to parent corporation less current bank indebtedness and short term advances from parent and affiliate corporations.

CU Inc.
Consolidated Statement of Comprehensive Income
(Millions of Canadian Dollars)

	Three Months Ended March 31	
	2009	2008
	(Unaudited)	
Earnings attributable to Class A and Class B shares	**$90.3**	$77.7
Other comprehensive income, net of income taxes:		
Cash flow hedges	**-**	0.1
Comprehensive income	**$90.3**	$77.8

CU Inc.
Notes to Consolidated Financial Statements
March 31, 2009

(Unaudited, tabular amounts in millions of Canadian dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and should be read in conjunction with the Corporation's December 31, 2008 consolidated financial statements and related notes. These interim financial statements have been prepared using the same accounting policies as used in the financial statements for the year ended December 31, 2008, except as described below.

Accounting for Rate Regulated Operations

Effective January 1, 2009, the Canadian Institute of Chartered Accountants ("CICA") removed a temporary exemption in its accounting recommendations that permitted assets and liabilities arising from rate regulation to be recognized and measured on a basis other than in accordance with the primary sources of GAAP. Previously, the Corporation followed Canadian GAAP recommendations, which were similar to standards issued by the Financial Accounting Standards Board ("FASB") in the United States, which provide guidance on the recognition and measurement of assets and liabilities arising from rate regulation. As permitted by Canadian GAAP, the Corporation has applied standards issued by FASB as another source of Canadian GAAP. This change in accounting policy has been adopted prospectively with changes identified below.

The reserves for future removal and site restoration costs for the utility operations, which were previously netted against property plant and equipment, have been reclassified to non-current regulatory liabilities, resulting in an increase to the Corporation's total assets and total liabilities. The Corporation reclassified $376.2 million at January 1, 2009, corresponding to these reserves.

Previously, depreciation expense for property, plant and equipment included a provision for future removal and site restoration costs for the utility operations. An amount corresponding to this provision is incorporated into rates charged to customers and was previously recognized in revenues. Under the new method of accounting, the Corporation does not recognize this amount in depreciation and amortization expense and revenues. The Corporation now recognizes operation and maintenance expense and revenues as actual removal and site restoration costs are incurred. As a result of the change in accounting, depreciation and amortization expense and revenues for the three months ended March 31, 2009, were $13.9 million lower, resulting in no change in earnings.

Effective January 1, 2009, the Corporation also adopted the CICA recommendations requiring the recognition of future income tax assets and liabilities as well as a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates and recovered from or paid to future customers in the utility operations. As a result of adopting these recommendations, the Corporation recorded future income tax liabilities and non-current regulatory assets of $255.6 million at January 1, 2009.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concurrent with the changes in accounting for rate regulated operations noted above, the Corporation changed its presentation of changes in regulatory accounts within the statement of cash flows. Certain items relating to changes in rate regulated assets and liabilities that were previously included in investing and financing activities are now reported in operating activities. The inclusion of changes in the non-current regulatory assets and liabilities in operating activities provides more relevant information on the activities of the Corporation. Comparative figures have been restated as follows:

	Three Months Ended March 31, 2008		
	Amount Previously Reported	Amount Reclassified	Amount Restated
Cash flow from operations	$ 172.6	$ 3.8	$ 176.4
Investing activities	(103.0)	(2.9)	(105.9)
Financing activities	(14.1)	(0.9)	(15.0)

Intangible Assets

Effective January 1, 2009, the Corporation adopted the CICA recommendations for goodwill and intangible assets which established standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (including internally developed intangible assets).

This change in accounting has been adopted retrospectively and had the following effect on the consolidated financial statements for the three months ended March 31, 2009 and March 31, 2008:

(a) Restatement of opening retained earnings at January 1, 2008, to recognize the prior years' earnings effect of amounts capitalized prior to 2008 that do not meet the definition of intangible assets as now defined by GAAP (see Note 2).
(b) Reclassification of $174.1 million included in property, plant and equipment and other assets to intangible assets on the balance sheet at March 31, 2008.
(c) Reclassification within investing activities of $7.9 million from purchases of property, plant and equipment to purchases of intangibles for 2008.

Intangible assets mainly include computer software not directly attributable to the operation of property, plant and equipment and land rights and are recorded at cost less accumulated amortization and unamortized contributions by utility customers. The assets are amortized over their useful lives; which are not longer than 10 years for computer software and between 75 and 100 years for land rights. Intangible assets with finite lives are tested for recoverability whenever events or changes in circumstances indicate a possible impairment. An impairment of intangible assets with finite lives is recognized in earnings when the asset's carrying value exceeds the total cash flows expected from its use and eventual disposition. The impairment loss is then calculated as the difference between the asset's carrying value and its fair value, which is determined using discounted future cash flows.

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

2. RETAINED EARNINGS AT BEGINNING OF PERIOD AS RESTATED

	January 1	
	2009	2008
Retained earnings at beginning of period as previously reported	**$1,403.2**	$1,262.7
Cumulative adjustments to retained earnings to recognize the prior years' effect of the change in the method of accounting for intangible assets (net of income taxes)	**(0.7)**	(0.7)
Retained earnings at beginning of period as restated	**$1,402.5**	$1,262.0

3. REGULATORY MATTERS

In July 2008, ATCO Electric filed a general tariff application with the Alberta Utilities Commission ("AUC") for 2009 and 2010 requesting, among other things, increased revenues to recover increased financing, depreciation and operating costs associated with increased rate base in Alberta. ATCO Electric filed an application requesting interim refundable rates pending the AUC's decision on the application. In December 2008, ATCO Electric received a decision from the AUC approving interim refundable rate increases amounting to 50% of the requested increase for transmission operations and 25% of the requested increase for distribution operations. A hearing was held in February 2009 with a decision expected in the third quarter of 2009.

In March 2009, ATCO Electric filed an application requesting an increase to its approved interim refundable rates for its distribution operations. A decision from the AUC was received in April 2009, which resulted in an increase to the interim refundable rates to 67% of the requested rate increase.

In November 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. The effect of the decision on ATCO Gas' 2009 annual earnings was an increase of approximately $3 million over 2008 resulting from an increase in rate base.

In November 2008, ATCO Pipelines filed an application requesting the AUC approve a negotiated settlement with its customers of ATCO Pipelines' 2008 and 2009 revenue requirements. In March 2009, the AUC issued a decision approving the negotiated settlement, including, among other things, a rate of return on common equity of 8.75% and a common equity ratio of 43% for each of 2008 and 2009. As a result of the decision, ATCO Pipelines recognized additional earnings over existing interim rates of $4.5 million in the first quarter of 2009, of which $3.7 million related to 2008.

In January 2009, ATCO Pipelines filed an application requesting AUC approval to commence negotiations with its customers to settle ATCO Pipelines' revenue requirements for each of the years 2010, 2011, and 2012.

In February 2008, the AUC initiated a generic proceeding to determine whether the standardized rate of return methodology and the utility capital structures should be reviewed. A regulatory process has been established by the AUC with a hearing currently scheduled for May 19, 2009, to review the generic return on equity formula as well as to review the capital structure for each of the Alberta utilities. The AUC also indicated that any changes which result from this proceeding would be applied beginning in 2009. As ATCO Gas filed a general rate application for 2008 and 2009, a separate module within the generic proceeding will address 2008 cost of capital issues relating to the capital structure for ATCO Gas, as inclusion of these issues was removed from its 2008/2009 general rate application. The changes for 2008

3. REGULATORY MATTERS (continued)

and 2009 will not apply to ATCO Pipelines since cost of capital issues were included in the 2008/2009 negotiated settlement approved by the AUC in March 2009.

The Corporation has a number of other regulatory filings and regulatory hearing submissions before the AUC for which decisions have not been received. The outcome of these matters cannot be determined at this time.

4. INTANGIBLES

	March 31			
	2009		2008	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Computer Software	**$251.9**	**$136.5**	$210.2	$116.6
Land Rights	**102.0**	**20.9**	96.5	19.5
Other	**4.1**	**0.8**	4.8	0.7
	$358.0	**158.2**	$311.5	136.8
Intangible assets less accumulated amortization		**199.8**		174.7
Unamortized contributions by utility customers		**0.4**		0.6
		$199.4		$174.1

5. LONG TERM DEBT

On March 6, 2009, the Corporation issued $150.0 million of 6.50% Debentures maturing March 7, 2039 and $120.0 million of 6.215% Debentures maturing March 6, 2024.

6. EQUITY PREFERRED SHARES

On March 27, 2009, the Corporation issued $160.0 million Cumulative Redeemable Preferred Shares Series 2 at a price of $25.00 per share. Holders will be entitled to receive fixed cumulative preferential cash dividends, payable quarterly for an initial period of five years at a rate of $1.675 per share to yield 6.70% annually. Thereafter the dividend rate will reset every five years to the then current 5-Year Government of Canada bond yield plus 4.81%. On June 1, 2014, and on June 1 of every fifth year thereafter, the Corporation may redeem the Series 2 Preferred Shares in whole or in part at par.

Holders 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. Holders of the Series 3 Preferred Shares will be entitled to receive floating rate cumulative preferential cash dividends, payable quarterly for an initial period of five years at a rate 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 ("Series 3 Conversion Date"), holders of the Series 3 Preferred Shares may elect to convert any or all of their Series 3 Preferred Shares back into an equal number of Series 2 Preferred Shares. On June 1, 2014, or thereafter, the Corporation may redeem the Series 3 Preferred Shares in whole or in part at $25.00 on a Series 3 Conversion Date or at $25.50 on any other date.

7. CAPITAL DISCLOSURES

The Corporation's equity capitalization is as follows:

	March 31	
	2009	2008
Class A and Class B shares	**$ 412.9**	$ 412.9
Retained earnings	**1,492.8**	1,324.7
Equity preferred shares	**275.0**	115.0
Equity preferred shares to parent corporation	**130.0**	130.0
Total equity	**2,310.7**	1,982.6
Long term debt	**2,951.7**	2,459.7
Total capitalization	**$5,262.4**	$4,442.3
Equity capitalization	**44%**	45%

The equity capitalization is consistent with the Corporation's objectives. Total equity increased primarily due to higher earnings of the Corporation reflected in increased retained earnings and due to the preferred share financing for utility capital expenditures. Total debt increased primarily due to financings for utility capital expenditures.

For the three months ended March 31, 2009, the Corporation was in compliance with externally imposed requirements on its capital (including debt covenants). The Corporation has a number of regulatory filings and regulatory hearing submissions before the AUC for which decisions have not been received, the outcome of which could affect the capital structure of the Corporation.

8. EMPLOYEE FUTURE BENEFITS

Employees are required to contribute a percentage of their salary to registered pension plans. The Corporation is required to contribute its share of contributions on behalf of the defined contribution members of the pension plans and to provide the balance of the funding necessary to ensure that benefits will be fully provided for at retirement for the members of the defined benefit pension plans.

Recent declines in stock and bond markets have resulted in a reduction in the value of the defined benefit pension plans' assets, creating funding deficits. The Corporation has not made material contributions since April 1, 1996, as a result of the defined benefit plans' surplus positions which have been used to fund the employer's contributions to the defined contribution component of the pension plans. Based on the most recent actuarial valuations for funding purposes dated December 31, 2006, and December 31, 2007, and recent changes in government regulations resulting from the white paper issued by the government of Alberta in 2008, the Corporation does not anticipate that it will be required to make material contributions to its pension plans in 2009.

Contributions in future periods depend on the outcome of the future actuarial valuations.

In the three months ended March 31, 2009, net expense of $2.0 million (2008 – $1.5 million) was recognized for pension benefit plans and net expense of $0.4 million (2008 –$0.5 million) was recognized for other post employment benefit plans.

9. SEGMENTED INFORMATION

Segmented results – Three months ended March 31

2009 2008	Utilities	Power Generation	Corporate and Other	Intersegment Eliminations	Consolidated
(Unaudited)					
Revenues – external	**$ 397.1**	**$ 79.0**	**$ -**	**$ -**	**$ 476.1**
	$ 369.2	$ 74.2	$ -	$ -	$ 443.4
Revenues – intersegment [(1)]	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-
Revenues	**$ 397.1**	**$ 79.0**	**$ -**	**$ -**	**$ 476.1**
	$ 369.2	$ 74.2	$ -	$ -	$ 443.4
Earnings attributable to Class A and Class B shares	**$ 80.5**	**$ 9.9**	**$ (0.1)**	**$ -**	**$ 90.3**
	$ 66.4	$ 11.3	$ -	$ -	$ 77.7
Total assets	**$5,772.9**	**$704.4**	**$35.7**	**$(14.7)**	**$6,498.3**
	$4,216.6	$722.4	$51.1	$(61.9)	$4,928.2

(1) *Intersegment revenues are recognized on the basis of prevailing market or regulated prices.*